Naturhouse Health S.A.

Financial Statements for the
financial year ending
31 December 2016
Management Report

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Management Report

Naturhouse Health, S.A.

Explanatory Notes for the financial year ending 31 December 2016

1. Company activities

Naturhouse Health, S.A. (hereinafter, the "Company"), was founded for an indefinite period in Barcelona on 29 July 1991. During the current financial year, the Company transferred its registered offices from the former location at calle Botánica 57-61, in L'Hospitalet de Llobregat (Barcelona) to the current location at Pasaje Pedro Rodríguez 4-6, Barcelona. Its tax identification number is 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").

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

On 9 April 2015, the Board of Directors of the Company, exercising the delegation of its Sole Shareholder of 2 October 2014, requested official listing for trading on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and the subsequent public stock offering on the Spanish Stock Market, which culminated successfully, consequently, the securities of the Company have been listed since 24 April 2015 (See Note 11).

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

2. Basis of presentation of the financial statements

2.1. Regulatory financial reporting framework applicable to the Company

These financial statements have been drawn up by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which is that set out in:

a) the Spanish Corporate Law, Commercial Code and other commercial legislation.

b) Spanish Generally Accepted Accounting Principles approved by Royal Decree 1514/2007 and its sectoral adaptations.

c) the mandatory rules approved by the Spanish Accounting and Auditing Institute (ICAC) developing the Spanish Generally Accepted Accounting Principles and the supplementary rules.

d) any other applicable Spanish accounting legislation.

2.2. True and fair view

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

The financial statements for the 2015 financial year were approved by the Annual General Meeting held 21 April 2016 and filed with the Companies Registry of Barcelona.

2.3. Comparative effect with consolidated financial statements

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

The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS), which differ from the regulatory framework described in Note 2.1 under which these financial statements have been drawn up. In accordance with the consolidated financial statements drawn up under International Financial Reporting Standards (IFRS), the consolidated equity attributable to the Parent Company as of 31 December 2016 amounts to 27,108 thousand euros (21,855 thousand euros in 2015), consolidated profit amounts to 22,504 thousand euros (22,860 thousand euros in 2015) and the figure for assets and net turnover amounts to 43,940 and 97,815 thousand euros, respectively (41,371 and 95,792 thousand euros in 2015).

The Naturhouse Group's consolidated financial statements for the 2016 financial year have been drawn up by the Company's Directors at the meeting of its Board of Directors held on 24 February 2017.

2.4. Non-mandatory accounting principles applied

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

2.5. Critical aspects in assessing and estimating uncertainty

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

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

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

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

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

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

Although these estimates have been made on the basis of the best information available as of yearend 2016, it is possible that events that could take place in the future require them to be adjusted (upwards or downwards) in coming financial years, which would be done, where appropriate, prospectively, recognising the effects of the change in estimate in the profit and loss account for the financial year affected.

2.6. Grouping items

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

2.7. Correction of errors

In drawing up the attached financial statements, no significant errors have been detected that have led to the restatement of the amounts included in the financial statements for the 2015 financial year.

2.8. Changes in accounting standards

When drawing up the attached financial statements, the same accounting standards have been applied as when drawing up the financial statements for the 2015 financial year.

2.9. Information comparison

The information contained in this annual report referring to the 2015 financial year is presented, for comparison purposes, with information from the 2016 financial year.

In December 2016, Royal Decree 602/2016 of 2 December was approved, modifying the Spanish Generally Accepted Accounting Principles approved by Royal Decree 1514/2007 of 16 November. The aforementioned Royal Decree 602/2016 applies to financial years starting on or after 1 January 2016.

The main modifications introduced by Royal Decree 602/2016 that affect the Company refer to new breakdowns of information in the explanatory notes, with the most significant being as follows: a) the amount of the premiums paid for civil liability insurance for the Directors; b) employees with a disability greater than or equal to 33%; c) the conclusion, modification or early termination of any contract between an incorporated company and any of its shareholders or Directors or person acting on their behalf, in the case of transactions that fall outside the ordinary course of the company's business or that are not carried out under normal conditions.

In relation to the new reporting requirements for information to be included in the explanatory notes and, as permitted under the second additional provision of the aforementioned Royal Decree, the Company has optionally included the relevant comparative information in Notes 18, 21.1 and 21.4 of the explanatory notes.

3. Distribution of profit

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

	Euros	
	2016	2015
Distribution basis:		
Profit for the financial year	22,843,479	17,963,534
	22,843,47	**17,963,534**
Distribution:		
To legal reserve	43,479	-
To interim dividend	12,000,00	14,050,000
To dividends	10,800,00	3,913,534
Total	**22,843,47**	**17,963,534**

Once the proposed distribution of profit for the 2016 financial year has been taken into consideration and including the interim dividend, the total dividends to be distributed against the profit for the 2016 financial year amounts to 22,800 thousand euros.

In accordance with the requirements of Article 227 of Spanish Corporate Law, the provisional financial statements prepared by the Company are transcribed, showing the existence of sufficient profits in the periods so as to allow the distribution of interim dividends, proving the existence of sufficient liquidity so as to be able to make such payment.

Year 2016

On 22 July 2016, the Directors agreed to distribute an interim dividend for the 2016 financial year amounting to 12,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01/01/2016	15,357
Estimated Corporate Tax	(280)
Allocation to statutory reserves	-
Maximum amount available for distribution	**15,077**
Liquid Assets and Short-Term Financial Investments (*)	12,769
Interim dividend	(12,000)
Remaining liquid assets after payment	**769**

Year 2015

On 5 March 2015, the Directors agreed to distribute an initial interim dividend for the 2015 financial year amounting to 8,500 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01/01/201528/02/2015	9,103
Estimated Corporate Tax	(313)
Allocation to statutory reserves	-
Maximum amount available for distribution	**8,790**
Liquid Assets and Short-Term Financial Investments (*)	13,405
Interim dividend	(8,500)
Remaining liquid assets after payment	**4,905**

Likewise, on 18 March 2015, the Directors agreed to distribute a second interim dividend for the 2015 financial year amounting to 2,550 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 16/03/2015 to 16/03/2015	12,047
Estimated Corporate Tax	(313)
Allocation to statutory reserves	-
Interim dividend paid earlier	(8,500)
Maximum amount available for distribution	**3,234**
Liquid Assets and Short-Term Financial Investments (*)	4,859
Interim dividend	(2,550)
Remaining liquid assets after payment	**2,309**

Finally, on 27 July 2015, the Directors agreed to distribute a third interim dividend for the 2015 financial year amounting to 3,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01/01/2015 to 27/07/2015	15,852
Estimated Corporate Tax	(761)
Allocation to statutory reserves	-
Interim dividend paid earlier	(11,050)
Maximum amount available for distribution	**4,041**
Liquid Assets and Short-Term Financial Investments (*)	7,283
Interim dividend	(3,000)
Remaining liquid assets after payment	**4,283**

4. Valuation and registration rules

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

4.1. Intangible fixed assets

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

Research and development expenses –

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

The expenses recorded in the profit and loss account for the 2016 financial year amounted to 26 thousand euros (28 thousand euros in the 2015 financial year).

Transfer rights

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

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Company are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 5. The industrial property is amortised 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 capitalised on the basis of the costs incurred to acquire or develop them and to prepare them for use.

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

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

Impairment of intangible and tangible assets –

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

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

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

The Company annually evaluates the existence of impairment indicators (or in interim periods in the event of impairment indicators occurring), determining that on the date of these financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Company has not subjected them to impairment. In this regard, the Company has no significant intangible assets or any trade fund as of 31 December 2016, excepting the brands stated in Note 5 which, in accordance with the gross margins obtained in their marketing, have not been subjected to the impairment test as of 31 December 2016 due to there not being any impairment indicators.

4.2. Tangible fixed assets

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

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

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

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

The Company amortises its tangible fixed assets using the straight-line method, distributing the cost of the assets over the years of estimated useful life. The following table shows the estimated useful life for the 2016 and 2015 financial years for each fixed asset item:

	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

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

For fixed assets that require a period of more than one year to be serviceable, the capitalised costs include the financial expenses accrued prior to the asset being put into operating condition and which have been charged by the supplier or correspond to loans or other external financing, specific or generic, directly attributable to the acquisition or manufacture of the same. During the 2016 and 2015 financial years, there were no financial expenses capitalised as a higher value of an asset.

4.3. Leases

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

Financial leases

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

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

Operating leases –

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

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

4.4 Financial Instruments

Financial assets

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

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

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

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

Initial valuation

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

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

Subsequent valuation

Loans, receivables and investments held to maturity are valued at their amortised cost.

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

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

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

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

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

Financial liabilities

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

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

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

Equity instruments

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

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

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

4.5. Inventory

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

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

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

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

4.6. Cash and cash equivalents

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

4.7. Current/non-current classification

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

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

4.8. Corporate Tax

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

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

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

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

The attached balance sheet includes the tax credits whose recovery is estimated to be probable within a reasonable time horizon considering the positive tax bases that are estimated to be generated during normal activity according to the business plan drawn up by the Company's Management (see Note 14).

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

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

In Spain, Naturhouse Health S.A.U. was in the special tax consolidation scheme until 31 December 2015, 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 met the requirements provided by the regulations governing the taxation of consolidated profits of corporate groups in Spain.

With effect in the 2016 financial year, the Company no longer forms part of the aforementioned tax consolidation group.

4.9. Provisions and contingencies

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

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

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

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

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

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

4.10. Redundancies

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

4.11. Income and expenses

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

Sale of goods

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

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

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

- the amount of income can be reliably determined;

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

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

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

Provision of services

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

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

Other operating income

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

Interest and dividend income

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

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

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

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

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

__4.12. Foreign currency transactions__

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

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

__4.13. Transactions with related parties__

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

__4.14. Statement of Cash Flows__

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

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

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

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

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

__4.15. Environmental assets__

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

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

5. Intangible fixed assets

The changes in this heading on the balance sheet for the 2016 and 2015 financial years have been as follows:

Year 2016

Cost	Euros				
	31/12/2015	Additions	Disposals	Transfers	31/12/2016
Industrial property	2,330,638	-	-	-	2,330,638
Transfer rights	116,479	-	(66,479)	-	50,000
Software	171,374	2,557	(14,508)	3,120	162,543
Total cost	**2,618,491**	**2,557**	**(80.987)**	**3,120**	**2,543,181**

Amortisations	Euros				
	31/12/2015	Allocations	Disposals	Transfers	31/12/2016
Industrial property	(368,167)	(233,165)	-	-	(601,332)
Transfer rights	(44,550)	(10,000)	38,815	-	(15,735)
Software	(120,766)	(30,960)	18,501	-	(133,225)
Total amortisation	**(533.483)**	**(274.125)**	**57,316**	-	**(750.292)**

Total intangible assets	Euros	
	31/12/2015	31/12/2016
Cost	2,618,491	2,543,181
Amortisations	(533,483)	(750,292)
Net total	**2,085,008**	**1,792,889**

Year 2015

Cost	Euros			
	31/12/2014	Additions	Disposals	31/12/2015
Industrial property	2,330,638	-	-	2,330,638
Transfer rights	53,070	74,409	(11,000)	116,479
Software	152,800	18,574	-	171,374
Total cost	**2,536,508**	**92,983**	**(11.000)**	**2,618,491**

Amortisations	Euros			
	31/12/2014	Allocations	Disposals	31/12/2015
Industrial property	(135,003)	(233,164)	-	(368,167)
Transfer rights	(53,070)	(2,480)	11,000	(44,550)
Software	(97,307)	(23,459)	-	(120,766)
Total amortisation	**(285.380)**	**(259.103)**	**11,000**	**(533.483)**

Total intangible assets	Euros	
	31/12/2014	31/12/2015
Cost	2,536,508	2,618,491
Amortisations	(285,380)	(533,483)
Net total	**2,251,128**	**2,085,008**

During the 2016 financial year, there have been no significant additions to intangible assets.

The main asset under intangible assets basically corresponds to a set of brands acquired in the 2014 financial year amounting to 2,331 thousand euros, the net book value of which amounts to 1,729 and 1,962 thousand euros as of 31 December 2016 and 31 December 2015, respectively. These brands are amortised by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Company has not subjected them to the impairment test as of 31 December 2016, due to impairment indicators not being seen in them.

At yearend 2016 and 2015, the Company had fully amortised intangible assets still in use, as detailed below:

Fully amortised intangible assets	Euros	
	31/12/2015	31/12/2016
	Book Value (Gross)	Book Value (Gross)
Transfer rights	42,070	-
Software	57,315	47,184
Total	**99,385**	**47,184**

6. Tangible fixed assets

The changes in this heading on the balance sheet as of 31 December 2016 and 2015, as well as the most significant information affecting this heading, have been as follows:

Year 2016

Cost	Euros				
	31/12/2015	Additions	Disposals or derecognitions	Transfers	31/12/2016
Other facilities, tools and furnishings	4,655,069	168,649	(596,212)	-	4,227,506
Computer equipment	823,076	78,892	(155,583)	-	746,385
Transport elements	373,757	928	(112,280)	-	262,405
Advances and assets in construction	3,120	-	-	(3,120)	-
Total cost	**5,855,022**	**248,469**	**(864.075)**	**(3.120)**	**5,236,296**

Amortisations	Euros				
	31/12/2015	Allocations	Disposals or derecognitions	Transfers	31/12/2016
Other facilities, tools and furnishings	(2.118.016)	(222,564)	304,363	-	(2.036.217)
Computer equipment	(802,571)	(19,049)	152,332	-	(669,288)
Transport elements	(263,516)	(26,628)	95,503	-	(194,641)
Total amortisation	**(3.184.103)**	**(268.241)**	**552,198**	**-**	**(2.900.146)**

Total Tangible Fixed Assets	Euros	
	31/12/2015	31/12/2016
Cost	5,855,022	5,236,296
Amortisation	(3.184.103)	(2.900.146)
Net total	**2,670,919**	**2,336,150**

Year 2015

Cost	Euros 31/12/2014	Additions	Disposals or derecognitions	31/12/2015
Other facilities, tools and furnishings	4,822,205	156,604	(323,740)	4,655,069
Computer equipment	854,177	22,316	(53,417)	823,076
Transport elements	382,879	-	(9,122)	373,757
Advances and assets in construction	3,613	3,120	(3,613)	3,120
Total cost	**6,062,874**	**182,040**	**(389.892)**	**5,855,022**

Amortisations	Euros 31/12/2014	Allocations	Disposals or derecognitions	31/12/2015
Other facilities, tools and furnishings	(2.078.006)	(257,354)	217,344	(2.118.016)
Computer equipment	(796,625)	(57,429)	51,483	(802,571)
Transport elements	(239,200)	(31,633)	7,317	(263,516)
Total amortisation	**(3.113.831)**	**(346.416)**	**276,144**	**(3.184.103)**

Total Tangible Fixed Assets	Euros 31/12/2014	31/12/2015
Cost	6,062,874	5,855,022
Amortisation	(3.113.831)	(3.184.103)
Net total	**2,949,043**	**2,670,919**

During the 2016 financial year, the Company changed its registered offices and outsourced management of its warehouse in which it was under an operating lease contract.

Additions in the 2016 financial year mainly correspond to the new facilities of the new registered offices. On the other hand, the derecognitions of tangible fixed assets correspond to derecognitions of non-transferable items following the aforementioned transfer, as well as to the sale of material in owned stores transferred to franchise holders or other third parties. The attached profit and loss account includes a loss amounting to 174 thousand euros recorded under "Impairment and income from disposal of fixed assets" as a result of the aforementioned derecognitions.

As of 31 December 2016 and 2015 under "Other facilities, tools and furnishings", photovoltaic panels and other fixed assets are included with a net book value amounting to 1,312 and 1,337 thousand euros respectively. These fixed assets are amortised by the straight-line method as with any of the Company's fixed assets, but they do not directly affect the Company's activities. As of 31 December 2016, such fixed assets did not meet the criteria set out by Rule 7 of the Valuation and Registration Rules under Spanish Generally Accepted Accounting Principles for classification as "Non-current assets held for sale".

As of 31 December 2016 and 2015, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to and 80 thousand euros, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 13).

The fully amortised tangible fixed assets still in use at yearend 2016 amount to 1,097 thousand euros (1,481 thousand euros at yearend 2015).

Firm purchase commitments

As of yearend 2016, the Company does not have any firm commitments to purchase fixed assets.

Insurance policy

The Company continues its policy to take out insurance policies to cover the potential risks to which the different elements of its tangible fixed assets are subject. It is estimated that the cover taken out as of yearend 2016 is sufficient so as to cover the risks inherent in the Company's activities.

7. Leases

Operating leases

As of 31 December 2016 and 2015, the Company has contracted with lessors the following non-cancellable minimum lease payments in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases in the CPI or future updates to rents agreed under contract:

Minimum operating lease payments	Euros	
	Nominal value	
	31/12/2016	31/12/2015
Less than 1 year	1,150,927	1,057,496
Between one and six years	3,421,031	2,987,429
More than five years	1,104,157	1,293,458
Total	**5,676,115**	**5,338,383**

The amount of operating lease payments recognised as an expense in the 2016 and 2015 financial years is as follows:

Operating lease payments	Euros	
	2016	2015
Office and warehouse rentals (*)	291,789	324,004
Other rentals	985,180	894,952
Total	**1,276,969**	**1,218,956**

(*) On 1 July 2016, the Company outsourced the warehouse and moved its offices, previously located at an industrial unit in L'Hospitalet de Llobregat (Barcelona) to offices owned by a related company (Note 17) at Pasaje Pedro Rodríguez 4-6, Barcelona.

In its capacity as lessee, the most significant operating lease contracts held by the Company as of 31 December 2016 are the following:

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

- During the first half of the 2016 financial year, the lease of premises for product storage and offices, located in L'Hospitalet de Llobregat (Barcelona), is included. During the second half, following the transfer of the Company's offices and registered offices only the rental of the new offices, located at Pasaje Pedro Rodríguez 4-6, Barcelona, is included. The lease contract is valid until June 2026.

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

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

The account balance under "Long-term investments in Group companies" at 31 December 2016 and 31 December 2015 is as follows:

	Euros	
	31/12/2016	31/12/2015
Equity instruments	12,332,777	11,550,685
Provision for impairment losses on equity instruments	(3.336.612)	(2.291.290)
Loans granted to Group companies	-	492,140
Provision for loans granted to Group companies	-	(388,611)
Total long-term investments in Group companies	**8,996,165**	**9,362,924**

8.1. Group company equity instruments

The changes under the headings "Equity instruments" and "Provision for impairment losses on equity instruments" for the 2016 and 2015 financial years are broken down in the following table:

Year 2016

	Euros			
	31/12/2015	Additions	Transfers	31/12/2016
Cost:				
Naturhouse Gmbh	288,000	-	-	288,000
Naturhouse S.R.L. (Italy)	193,937	-	-	193,937
Naturhouse Franchising Co Ltd. (UK)	118,832	-	-	118,832
Zamodiet México, S.A. de C.V.	363,084	-	492,140	855,224
Housediet, S.A.R.L	200,000	-	-	200,000
Kiluva Portuguesa –Nutriçao e Dietetica, Lda	2,800,000	-	-	2,800,000
Naturhouse, Sp Zo.o.	676,427	-	-	676,427
S.A.S Naturhouse	4,535,000	-	-	4,535,000
Ichem Sp. Zo.o	2,275,405	-	-	2,275,405
Naturhouse Inc.	100,000	289,952	-	389,952
Total cost	**11,550,685**	**289,952**	**492,140**	**12,332,777**
Impairment				
Naturhouse Gmbh	(120,171)	(18,908)	-	(139,079)
Naturhouse Franchising Co Ltd. (UK)	(34,139)	(7,053)	-	(41,192)
Zamodiet México, S.A. de C.V.	(286,704)	(80,750)	(388,611)	(756,065)
Kiluva Portuguesa –Nutriçao e Dietetica, Lda	(1.825.209)	(400,000)	-	(2.225.209)
Naturhouse Inc.	(25,067)	(150,000)	-	(175,067)
Total impairment	**(2.291.290)**	**(656.711)**	**(388.611)**	**(3.336.612)**
Net total	**9,259,395**	**(366.759)**	**103,529**	**8,996,165**

Year 2015

	Euros		
	31/12/2014	Additions	31/12/2015
Cost:			
Naturhouse Gmbh	288,000	-	288,000
Naturhouse, S.R.L.	193,937	-	193,937
Naturhouse Franchising Co Ltd.	118,832	-	118,832
Zamodiet México, S.A. de C.V.	363,084	-	363,084
Housediet, S.A.R.L	200,000	-	200,000
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	2,800,000	-	2,800,000
Naturhouse, Sp Zo.o.	676,427	-	676,427
S.A.S Naturhouse	4,535,000	-	4,535,000
Ichem Sp. Zo.o	2,275,405	-	2,275,405
Naturhouse Inc.	-	100,000	100,000
Total cost	**11,450,685**	**100,000**	**11,550,685**
Impairment			
Naturhouse Gmbh	(120,171)	-	(120,171)
Naturhouse Franchising Co Ltd.	(19,198)	(14,941)	(34,139)
Zamodiet México, S.A. de C.V.	(204,221)	(82,483)	(286,704)
Kiluva Portuguesa – Nutriçao e Dietetica, Lda.	(1.825.209)	-	(1.825.209)
Naturhouse Inc.	-	(25,067)	(25,067)
Total impairment	**(2.168.799)**	**(122.491)**	**(2.291.290)**
Net total	**9,281,886**	**(22.491)**	**9,259,395**

The main change in the 2016 financial year under the heading "Equity instruments in Group companies" has been as follows:

- **Capital increase in the United States, Naturhouse Inc.:** During this financial year, the Company increased the share capital by 290 thousand euros, approximately, keeping 100% of the shares.

- **Capital increase in Zamodiet México, S.A. de C.V.:** During this financial year, the Company increased the capital of its subsidiary in Mexico by offsetting credits. As a result of this transaction, the Company has increased its share from 51% to 79%.

The main changes in the 2015 financial year under the heading "Equity instruments in Group companies" were as follows:

- **Incorporation of the company, in the United States, Naturhouse Inc.:** On 27 May 2015, the subsidiary Naturhouse Inc. was incorporated. The Group paid 100 thousand euros as share capital in the new company, representing 100% of the issued capital.

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

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

Company	Euros	
	2016	2015
Naturhouse S.R.L.	3,819,540	3,460,000
Naturhouse Sp. Zoo	3,336,821	858,692
S.A.S Naturhouse	11,206,800	9,735,000
Ichem Sp. Zo.o	545,193	369,019
Kiluva Portuguesa –Nutriçao e Dietetica, Lda	269,035	40,678
Total	**19,177,389**	**14,463,389**

As of 31 December 2016, the Company has re-estimated the impairment of shareholdings in Group companies based on the underlying book value of the various investees on considering that this is the best evidence of their recoverable value, except for Kiluva Portuguesa – Nutriçao e Dietetica, Lda, in which it has calculate the fair value from the present value of the discounted estimated future cash flows.

For the determination of the recoverable amounts of the aforementioned cash-generating unit, the Company uses cash flow projections for the businesses in a four-year period, calculating a residual value based on the flow for the last year projected, as long as this flow is representative of a normalised flow. For discounting flows, a discount rate based on the weighted average cost of the capital for such assets is used, estimated at 9.03%. Sensitivity analyses are also conducted, especially in relation to the discount rate used and the projected gross margin.

The sensitivity of the recoverable value to variations in the most sensitive assumptions is shown in the following table:

	Thousands of Euros
	31/12/2016
Sensitivity to the discount rate (plus 50 bp)	(71)
Reduction in gross margin (minus 500 bp)	(170)

8.2. Long-term loans to Group companies

As a result of the capital increase of Zamodiet México, S.A. de C.V. by offsetting credits, the Company transferred its amount as the higher cost of the shareholding.

9. Long-term financial investments

At yearend 2016 and 2015, the existing balance under the heading "Long-term financial investments" is as follows:

	Euros	
	31/12/2016	31/12/2015
Equity instruments		
- Assets available for sale	42,147	42,147
Other financial assets		
- Long term deposits and guarantees	383,121	356,963
Total	**425,268**	**399,110**

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

Information concerning the nature and level of risk of financial instruments

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

1. *Credit risk*

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

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

The Company's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the balance sheet net of provisions for bad debts, estimated by the Company's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the attached balance sheet as of 31 December 2016 is as follows:

	Euros	
	31/12/2016	31/12/2015
Provision for bad debts	(176,634)	(248,943)

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

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

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

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

2. Liquidity risk

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

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

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

The schedule of future payments for financial liabilities is included in Note 13.

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

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

The interest rate risk of the Company arises from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on the cash flows. As of yearend 2016, the Company has no significant variable rate long-term borrowings.

In addition, as of yearend 2016 and 2015, the Company has an amount available in liquid assets that is higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

Thus, the Company has not considered it necessary to cover interest rate fluctuations, consequently, it has not maintained derivative instruments during the 2016 and 2015 financial years.

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

10. Inventory

The composition of the Company's stock at 31 December 2016 and 2015 is as follows:

	Euros	
	31/12/2016	31/12/2015
Commercial stocks	1,285,114	887,857
Total	**1,285,114**	**887,857**

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

11. Equity and Own Funds

Share Capital

On 5 June 2014 the 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. The company that made said contribution is Kiluva, SA, the sole shareholder of the Company at that time, 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 17 June 2014, the 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.

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

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

As of 31 December 2016, the Company's share capital is represented by 60,000,000 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Company's share capital, both directly as well as indirectly, higher than 3% of the share capital, as of 31 December 2016 are as follows:

Shareholder	%
Kiluva, SA	73.17
Schroeders plc (*)	4.56

(*) Indicating the indirect holding controlled by the aforementioned shareholder through Schroeder Investment Management Limited and Schroeder Investment Management North America Limited.

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

Distribution of profit and dividends

On 21 April 2016, the Annual General Meeting approved the allocation of the Company's profits for the 2015 financial year, which amounted to 17,964 thousand euros, to dividends amounting to 17,964 thousand euros, of which 14,050 thousand euros had been distributed as interim dividends for the 2015 financial year. On the same date, the Annual General Meeting approved a dividend against reserves amounting to 1,036 thousand euros

Additionally, on 26 July 2016, the Company distributed interim dividends amounting to 12,000 thousand euros for the profit for the 2016 financial year.

Legal reserve

In accordance with the Spanish Corporate Law, a figure equal to 10% of profits from the financial year must be allocated to the legal reserve until this reaches at least 20% of the share capital.

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

As of 31 December 2016, this reserve has been completely established.

Treasury Shares

As of yearend 2016, the Company held company shares in accordance with the following breakdown:

Year	Number of shares	Euros		
		Nominal value	Average acquisition price	Total acquisition cost
2016	49,500	2,475	4.58	226,942
2015	52,816	2,641	4.05	214,017

As of 31 December 2016, the Company's shares held by it represent 0.08% of the Company's share capital, totalling 49,500 shares with a cost of 227 thousand euros and an average acquisition price of 4.58 euros per share.

The movement in company shares during the 2016 financial year has been as follows:

Number of shares	2016	2015
Start of the financial year	52,816	-
Purchases	214,325	64,864
Sales	(217,641)	(12,048)
Yearend	**49,500**	**52,816**

Additionally, profits from the sale of company shares have been registered in equity for a total amount of 52 thousand euros (3 thousand euros in 2015).

12. Provisions and contingencies

Non-current provisions

As of 31 December 2016 and 2015, the Company did not have any long-term provisions recorded.

Contingencies

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

13. Amounts owed to credit institutions and other financial liabilities

The account balance under "Long-term debts" and "Short-term debts" at 31 December 2016 and 2015 is as follows:

31 December 2016

	Euros			
	Amount Initial or Limit	Maturity		Total
		Non-	Current current	
Amounts owed to credit institutions:				
Financial leases	79,538	12,057	18,048	30,105
Subtotal of debts to credit institutions:	**79,538**	**12,057**	**18,048**	**30,105**
Other financial liabilities	-	5,094	-	5,094
TOTAL	**79,538**	**17,151**	**18,048**	**35,199**

31 December 2015

	Euros			
	Amount Initial or Limit	Maturity		Total
		Non-	Current current	
Amounts owed to credit institutions:				
Loans and credit facilities	12,000,000	1,883,962	-	1,883,962
Financial leases	79,538	18,033	31,994	50,027
Subtotal of debts to credit institutions:	**12,079,538**	**1,901,995**	**31,994**	**1,933,989**
Other financial liabilities	-	151	1.000	1,151
Total	**12,079,538**	**1,902,146**	**32,994**	**1,935,140**

Loans and credit facilities

During the 2016 financial year, the Company repaid and amortised all its loans and credit faculties at maturity.

Financial leases

The reduction in financial leases during the 2016 financial year is explained by the instalments paid during the financial year.

14. Public Administrations and Fiscal Situation

The composition of the balances with Public Administrations is as follows:

	Euros			
	Debit balances		Credit balances	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Current balances:				
Tax Authorities, debtor/creditor due to IS	4,601,312	-	-	-
Tax Authorities, debtor/creditor due to IVA (VAT)	25,495	30,093	-	-
Social Security agencies, creditor	-	-	92,780	92,912
Tax Authorities, creditor due to income tax	299,611	-	154,433	82,528
Total current balances	**4,926,418**	**30,093**	**247,213**	**175,440**

14.1 Reconciliation of accounting profit and taxable base

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

The reconciliation of the Company's accounting profit for the financial year ending 31 December 2016 and 31 December 2015 with the Corporate Tax taxable base is as follows:

Year 2016

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	23,572,667
Permanent differences:			
Arising in the financial year	675,723	(19.177.389)	(18.501.665)
Arising in previous financial years	51,272	-	51,272
Temporary differences:			
Arising in the financial year	65,958	(945)	65,013
Arising in previous financial years	-	(89,558)	(89,558)
Offsetting negative tax bases from previous financial years	-	-	(2.005.911)
Total tax base	**792,953**	**(19.267.893)**	**3,091,818**

Year 2015

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	19,413,175
Permanent differences:			
Arising in the financial year	229,321	(14.463.389)	(14.234.068)
Temporary differences:			
Arising in the financial year	73,614	(945)	72,669
Arising in previous financial years	-	(89,647)	(89,647)
Total tax base	**302,935**	**(14.553.981)**	**5,162,129**

The permanent differences mainly correspond to the exemption from double taxation of dividends received from Group companies as of 31 December 2016 and 2015 (Note 8.1) and, on the other hand, impairments on long-term investments in Group companies have basically been adjusted positively.

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

In determining the tax base for the 2016 financial year, the Company offset negative tax bases amounting to 2,006 thousand euros, taking into consideration the limitations set out in Royal Decree-Law 3/2016, of 2 December, adopting taxation measures aimed at consolidating public finances and other urgent measures on social matters, published in the Official State Gazette of 3 December 2016. Given that the Company's net turnover is less than 60 million euros, the applicable offset limit on negative tax bases is 50%, which has not been exceeded with the offset of the tax bases.

This Royal Decree-Law also sets out the reversal of impairment losses on securities representing holdings in the capital or own funds of entities that have been tax deductible on the Corporate Tax taxable base in tax periods prior to 1 January 2013. However, to the extent that the Company did not record impairment losses on securities representing holdings that were significant deductibles, this measure has not had any significant impact on the attached financial statements.

Finally, during the 2016 financial year, the Company made payments on account and withholdings and tax payments on account for Corporate Tax have been carried out for the 2016 financial year amounting to 5,324 thousand euros, mainly as a result of the publication of Royal Decree-Law 2/2016 of 30 September, introducing taxation measures aimed at reducing the public deficit. On this basis, at yearend the company holds a balance to be recovered from the Tax Authorities amounting to 4,601 thousand euros, which has been registered as a current tax asset.

At yearend 2015, the account payable in respect of Corporate Tax was recorded under "Short-term debts with Group companies and associates" as a result of filing consolidated tax returns for Kiluva, S.A. (Note 15).

14.2. Reconciliation between accounting profit and corporate tax expense

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

	Euros	
	2016	2015
Accounting profit before tax	23,572,668	19,413,175
Permanent differences	(18.450.393)	(14.234.068)
Instalment at 25% (28% in 2015)	1,280,569	1,450,150
Deductions not activated	(49,903)	-
Offsetting negative tax bases from previous financial years not activated	(501,478)	-
Effect of change in Corporate Tax rate	-	(509)
Total tax expense (income) recognised on the profit and loss account	**729,188**	**1,449,641**

14.3. Breakdown of corporate tax expense or income

The breakdown of the amount recorded for corporate tax corresponding to the 2016 and 2015 financial years is as follows:

	Euros	
	2016	2015
Current tax:		
Continuing operations	723,052	1,445,396
Deferred tax:		
Continuing operations	6,136	4,754
Effect of change in Corporate Tax rate	-	(509)
Total tax expense	**729,188**	**1,499,641**

14.4 Deferred tax assets

Deferred tax assets, registered -

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

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

Deferred tax assets, not registered -

At yearend 2016, there are no significant deferred tax assets that are not registered on the attached balance sheet.

At yearend 2015, the Company had not registered on the attached balance sheet certain deferred tax assets, due to considering that the future off-set thereof did not meet the requirements of probability provided for in the accounting standard. The breakdown of the assets that were not registered was as follows:

	Thousands of Euros	
	31/12/2015	
	Base	Fee
Deductions generated in 2011	-	21
Deductions generated in 2012	-	11
Deductions generated in 2013	-	2
Tax-loss carryforwards 2012	2.006	502
Total non-recorded deferred tax assets		**536**

14.5 Deferred tax liabilities

The amount registered under the heading "Deferred tax liabilities" as of 31 December 2016 and 31 December 2015 is as follows:

	Euros	
	31/12/2016	31/12/2015
Financial leases	345,361	361,614
Total	**345,361**	**361,614**

14.6. Years pending approval and auditing actions

In accordance with current legislation, tax cannot be considered as definitively settled until the returns submitted have been inspected by the tax authorities or the limitation period of four years has expired. As of 31 December 2016, the Company has the 2012 and following financial years open for inspection for Corporate Tax and the 2013 and following financial years open for the other applicable taxes.

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

15. Balances with related parties

Balances with related parties

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

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

Year 2016

Company	Euros		
	Debtor balance		Creditor balance
	Non-		Non-
	Commercial debts	Other financial assets	Commercial transactions
Credits:			
Zamodiet México, S.A. de C.V.	-	31,000	-
From the ordinary course of business:			
Other Group Companies			
Naturhouse Gmbh	11,677	-	-
Naturhouse S.A.S.	581,274	-	3,121
Kiluva Portuguesa – Nutriçao e Dietetica Lda.	6,025	-	-
Naturhouse Franchising Ltd. Co.	5,766	-	-
Naturhouse Sp Zoo	197,797	-	-
Zamodiet México, S.A. de C.V.	67,607	-	-
Naturhouse Inc.	25,278	-	-
Naturhouse, S.R.L.	339,593	-	-
Naturhouse Belgium, S.P.R.L.	-	-	-
Associates			
Zamodiet, SA	-	-	8,272
Indusen, SA	-	-	403,664
Gartabo, SA	-	-	-
Giro Fibra, S.A.	-	-	50,650
Ichem Sp. Zo.o	-	-	700,210
Healthhouse Sun, S.L.	-	-	10,271
Laboratorios Abad, S.L.U.	-	-	1,677
Ferev Uno Strategic Plans, S.L.	24,200	-	-
Parent Company			
Kiluva, SA	-	49,045	-
Total	**1,259,217**	**80,045**	**1,177,865**

Year 2015

Company	Euros				
	Debtor balance			Creditor balance	
	Non-		Non-current	Non-	
	Commercial debts	Other financial assets	Loans granted	Other financial liabilities	Commercial transactions
Credits:					
Zamodiet México, S.A. de C.V.	-	-	103,529	-	-
From the ordinary course of business:					
Other Group Companies					
Naturhouse Gmbh	13,368	-	-	-	-
S.A.S Naturhouse	522,820	-	-	-	-
Kiluva Portuguesa – Nutriçao e Dietetica Lda.	3,546	-	-	546,330	-
Naturhouse Franchising Ltd. Co.	11,664	12,318	-	-	-
Naturhouse Sp. Zo.o.	198,625	-	-	-	-
Zamodiet México, S.A. de C.V.	41,660	-	-	-	-
Naturhouse, Inc.	14,491	-	-	-	-
Naturhouse, S.R.L.	27,400	-	-	-	-
Naturhouse Belgium, S.P.R.L.	20,000	-	-	-	-
Associates					
Zamodiet, SA	-	-	-	-	62,208
Indusen, SA	-	-	-	-	176,808
Gartabo, SA	1,046	-	-	-	-
Girofibra, S.A.	-	-	-	-	49,227
Ichem Sp. Zo.o	-	-	-	-	707,769
Healthouse Sun, S.L.	15,815	-	-	-	-
Laboratorios Abad, S.L.U.	-	-	-	-	6,926
Tartales, SLU	-	-	-	-	78
U.D. Logroñés, SAD	-	-	-	-	100,000
Parent Company					
Kiluva, SA	-	268	-	1,445,100	29,820
Total	**870,435**	**12,586**	**103,529**	**1,991,430**	**1,132,836**

The other current financial liabilities as of 31 December 2015 include the amount payable for Corporate Tax for the 2015 financial year on Kiluva, S.A. (Note 14.1) as a result of filing consolidated tax returns in said financial year.

16. Income and expenses

16.1 Net amount of revenue

The breakdown of net revenues for the years of 2016 and 2015 of the Company is detailed below:

	Euros	
	2016	2015
Sales	19,055,651	19,059,379
Provision of services	2,478,038	2,353,705
Total	**21,533,689**	**21,413,084**

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

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

The distribution of net turnover corresponding to the 2016 and 2015 financial years, distributed by geographical market, is as follows:

	Euros	
	2016	2015
Domestic Market	18,978,684	18,657,632
Export Market	2,555,005	2,755,452
Total sales	**21,533,689**	**21,413,084**

16.2. Supplies

The account balance for "Consumption of goods" and "Consumption of raw materials and other consumables" for the 2016 and 2015 financial years has the following composition:

	Euros	
	2016	2015
Purchases	6,958,527	6,586,870
Changes in stocks (Note 10)	(397,257)	17,634
Total supplies	**6,561,270**	**6,604,504**

16.3. Breakdown of purchases by origin

The details of the purchases made by the Company during 2016 and 2015, by source, is as follows:

	Euros			
	2016		2015	
	Domestic	Intra-Community	Domestic	Intra-Community
Purchases	3,628,807	3,329,720	3,616,314	2,970,556

16.4. Personnel costs

The account balance for "Social costs" for the 2016 and 2015 financial years has the following composition:

	Euros	
	2016	2015
Social Security paid by the company	988,196	921,050
Other social expenses	58,328	38,367
Total	**1,046,524**	**959,417**

16.5. Financial income and expenses

The financial income and expenses for the 2016 and 2015 financial years have been as follows:

	Euros			
	2016		2015	
	Incomes Financial	Expenses Financial	Incomes Financial	Expenses Financial
From debts with group companies	-	-	-	(18,297)
Debts with third parties	-	(79,407)	-	(233,567)
Shares in equity instruments, Group companies and associates	19,177,389	-	14,463,389	-
Marketable securities and other financial instruments with third parties	4,071	-	2,057	-
Total	**19,181,460**	**(79.407)**	**14,465,446**	**(251.864)**

17. Transactions with related companies

The transactions carried out by the Company with Group companies during the 2016 and 2015 financial years are as follows:

Company	Euros	
	31.12.2016	31.12.2015
Sales, provision of services and other revenues		
Group companies		
Naturhouse Franchising Ltd	43,008	28,290
Naturhouse S.R.L.	1,567,247	1,366,062
Naturhouse S.P.Z.o.o.	1,048,043	863,035
Kiluva Portuguesa – Nutriçao e Dietetica Lda.	22,077	24,947
Zamodiet de México, S.A. de C.V.	25,947	41,670
Naturhouse GmbH	27,931	18,717
Naturhouse S.A.S. (France)	2,935,793	2,837,764
Naturhouse Inc.	10,787	14,492
Naturhouse Belgium	-	20,000
Related Companies		
Laboratorios Abad, S.L.U.	1,728	11,705
Ferev Uno Strategic Plans, S.L.	20,000	-
Healthouse Sun, S.L.	3.531	8,852
Gartabo, SA	1,975	44,129
Parent Company		
Kiluva, SA	23,596	159,682
Total revenues	**5,731,663**	**5,439,344**
Purchases		
Group companies		
Naturhouse S.A.S. (France)	3,121	525
Related companies		
Laboratorios Abad, S.L.U.	66,747	71,065
Indusen, SA	1,799,237	1,606,799
Zamodiet, SA	-	162,295
Ichem Sp. Zo.o	3,148,795	2,820,328
Healthouse Sun, S.L.	-	72,407
Girofibra, SL	293,788	293,867
Total purchases	**5,391,781**	**5,027,286**

Company	Euros	
	31.12.2016	31.12.2015
Services received		
Group companies		
Naturhouse Franchising Ltd	53,144	-
Related Companies		
Abbot Laboratories, SLU	-	936
U.D. Logroñés, SAD	225,000	173,420
Healthouse Sun, S.L.	80,094	-
Luair, S.L.U. (directly or indirectly)	335,502	46,553
Leasing and Insurance		
Tartales, SLU	340,053	397,603
Kiluva, SA	29,820	29,820
Total services received	**1,063,613**	**648,332**
Financial expenses		
Naturhouse S.A.S. (France)	-	18,297
Total financial expenses	**-**	**18,297**

Likewise, the Company has received the dividends broken down in Note 8.1 from its subsidiaries and associates.

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

As of the date of drawing up these financial statements, the Company has updated the transfer pricing report corresponding to the 2015 financial year together with its tax advisors, which includes the main transactions that the Company performs with its related companies:

- Royalties from the sale of brands
- Support services to the management (management fees).
- Sale of products
- Purchase of products

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").

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

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

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

This report has been issued in relation to transactions with affiliate companies in 2015. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2016 financial year, consequently, they believe that they are duly backed up.

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

During 2016 the current Directors of the Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 240 thousand Euros (252 thousand Euros). In addition, the members of the Board of Directors with executive positions have received the remuneration stated in the following paragraph. On the other hand, in the current financial year, no members of the Board of Directors holds any advance with the Company (at yearend 2015, a member held an advance amounting to 80 thousand euros). Finally, there are no bank guarantees granted, or other commitments made, regarding pensions or life insurance policies with the Directors. The Company's current Directors were appointed during the 2014 financial year, except for one who was appointed during the current financial year.

The compensation received in the year 2016 by the senior executives of the Company amounted to 2,120 thousand Euros for salaries and wages (1,790 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Company has received no remuneration for other services. In the 2015 financial year, the remuneration received by the Company's Senior Management amounted to 1,859 thousand euros (1,532 thousand euros received by members of the Board of Directors in the development of their executive positions).

At yearend 2016 and 2015 the body of the Senior Management of the Company consists of the following persons:

Categories	2016		2015	
	Men	Women	Men	Women
Senior Management	4	1	4	1

As of yearend 2016, there were no advances, loans granted, life insurance or pension obligations. As of yearend 2015, there was an advance of 80 thousand euros granted to a member of Management who, in turn, is a member of the Board of Directors.

The Board of Directors is made up of six men and two women as of yearend 2016 and 2015.

The Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros to 31 December 2016 (6 thousand euros in 2015).

19. Information relating to conflicts of interest by the Directors

As of yearend 2016, neither the members of the Board of Naturhouse Health, S.A. nor any persons related to them as defined by Spanish Corporate Law, have communicated to the other members of the Board of Directors any situation involving direct or indirect conflict that they or persons related to them, as defined by Spanish Corporate Law, may have with the Company's interests.

20. Environmental information

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

21. Other information

21.1. Personnel

The average number of employees during the years 2016 and 2015, broken down by category, is as follows:

Categories	Number of employees	
	2016	2015
Senior Management	5	5
Rest of Senior Staff	6	5
Administrative and technical staff	20	25
Commercial, sales' staff and operators	148	125
Total	**179**	**160**

Likewise, the gender distribution of the Company at the end of the years 2016 and 2015, broken down by category, is as follows:

Categories	2016		2015	
	Men	Women	Men	Women
Senior Management	4	1	4	1
Rest of Senior Staff	4	2	3	2
Administrative and technical staff	6	12	4	11
Commercial, sales' staff and operators	7	148	16	138
Total	**21**	**163**	**27**	**152**

The average number of persons employed during the 2016 and 2015 financial years with a disability greater than or equal to 33%, broken down by category, is as follows:

Categories	2016	2015
Senior Management	-	-
Rest of Senior Staff	-	-
Administrative and technical staff	2	3
Commercial, sales' staff and operators	-	-
Total	**2**	**3**

21.2. Audit fees

During the 2016 financial year, the fees for audit services and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., have been as follows:

Year 2016

	Services provided by the principal auditor	**Services provided by other auditors**
The Company's Audit Services (individual and consolidated)	85,000	-
Other verification services (*)	26,200	-
Total auditing and related services	**111,200**	-
Tax Advice Services	-	22,938
Other services	-	-
Total Professional Services	**111,200**	**22,938**

(*) Other Verification Services correspond to the limited review by the auditor of Naturhouse Group's consolidated interim financial statements for the six months ending 30 June 2016 and a report on agreed procedures.

During the 2015 financial year, the fees for audit services and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., were as follows:

Year 2015

	Services provided by the principal auditor	**Services provided by other auditors**
The Company's Audit Services (individual and consolidated)	85,000	-
Other verification services (*)	25,000	-
Total auditing and related services	**110,000**	-
Tax Advice Services	-	24,266
Other services	45,400	-
Total Professional Services	**155,400**	**24,266**

(*) Other Verification Services correspond to the limited review by the auditor of Naturhouse Group's consolidated interim financial statements for the six months ending 30 June 2015.

21.3. Information on the average payment period to suppliers

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

	31.12.2016	31.12.2015
	Days	Days
Average payment period to suppliers	44.57	66.14
Ratio of paid operations	44.99	67.97
Ratio of operations pending payment	42.28	53.18
	Amount (euros)	Amount (euros)
Total payments made	10,211,980	10,218,927
Total outstanding payments	1,853,167	1,416,690

In accordance with the ICAC Resolution, in order to calculate the average payment period to suppliers, commercial operations corresponding to delivering goods or providing services accrued from the date of entry into force of Law 31/2014 of 3 December have been taken into account.

For the sole purpose of providing the information required by this Resolution, suppliers are considered to be trade creditors for debts with suppliers of goods or services included under "Trade creditors and other accounts payable - Suppliers" and "Trade creditors and other accounts payable - Suppliers, group companies and associates" of the current liabilities of the balance sheet.

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

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

21.4. Modification or termination of contracts

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

22. Subsequent events

There have been no significant subsequent events after the close of 31 December 2016 and the formulation of the financial statements.

Barcelona, 24 February 2017.

MANAGEMENT

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2014

31 December 2016

INDEX

1. Situation and Business Development

Naturhouse Health S.A. is a company dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. As of yearend 2016, it had a network of 583 centres.

The 2016 financial year has been marked by the commercial effort to stem the closure of Naturhouse centres in changing the franchisee profile, from investor to self-employer, and the policy of opening centres in high visibility locations such as shopping centres.

On 16 January 2016, there was a capital increase in the Mexican company of the Naturhouse Group, Zamodiet de México S.A. de C.V., consequently, the Naturhouse Health S.A. stake has risen from 51% to 78.73%.

On 25 February 2016, the Board of Directors proposed the allocation of the Company's profits for the 2015 financial year, which amounted to 17,964 thousand euros, to dividends, of which 14,050 thousand euros had been distributed as interim dividends for the 2015 financial year. An additional dividend distribution was also approved amounting to 1,036 thousand euros against reserves.

The Annual General Meeting was held on 21 April 2016, approving the following;

- Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Consolidated Explanatory Notes and the Consolidated Management Report for the Consolidated Naturhouse Health, S.A. Group and subsidiaries for the financial year ending 31 December 2015.
- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2015 financial year.
- Remuneration of the company's Board of Directors.
    - Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2015 financial year.
    - Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2016 financial year.
    - Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2016 financial year.
- Amendment to the Naturhouse Health, S.A. Articles of Association to adapt them to the latest legislative reforms introduced by Law 9/2015 of 25 May on Urgent Measures in Bankruptcy, Law 15/2015 of 2 July on Voluntary jurisdiction and Law 22/2015 of 20 July on Account Audits, which amend the Spanish Corporate Law. Specifically, the amendments proposed are as follows:
    - Amendment of section 2 of Article 3 of the Articles of Association, to adapt them to Law 9/2015 of 25 May on Urgent Measures in Bankruptcy.
    - Amendment of section 6 of Article 21 of the Articles of Association, to adapt them to Law 15/2015 of 2 July on Voluntary Jurisdiction.
    - Amendment of Article 41.1 of the Articles of Association, to adapt them to Law 22/2015 of 20 July on Account Audits.
- Amendment of section 4 of Article 6 of the Regulations of the Annual General Meeting following the amendment of Article 21 of the Articles of Association.
- Advisory vote on the amendment of Article 14.1 of the Regulations of the Company's Board of Directors, to adapt them to the aforementioned statutory reforms.

- Delegation to the Board of Directors, for a period of 5 years, of the power to increase the share capital at any time, once or several times, without such increases being higher in any case than half of the company's share capital at the time of authorisation, for the amount and under the conditions determined by the Board of Directors in each case, granting the power to exclude all or part of the preferential subscription right and with express authorisation to redraft Article 5 of the Articles of Association, if necessary, and to request admission, retention and/or exclusion of shares on the organised secondary markets, if necessary.
- Authorisation to the Board of Directors for the direct and indirect acquisition of own shares, under the legal limits and requirements. Authorisation for the disposal and amortisation of the same and authorisation to the Board of Directors for the application and enforcement of the agreements in accordance with the provisions of Article 146 of Spanish Corporate Law.
- Delegation of powers to supplement, develop, execute, remedy and formalise the resolutions adopted by the General Meeting.

On 4 May 2016, the outstanding payment of dividends was made for the 2015 financial year, amounting to 4,949 thousand euros.

On 22 July 2016, Board Director Mr Juan María Nin Génova resigned as member of the Board of Directors and Chairman of the Appointments and Remuneration Committee. Motivated by the recent incorporation of Mr Juan María Nin Génova to Banco Société Générale S.A., ("Société Générale") in Paris, as a member of its Board of Directors and a member of its Risk and Remuneration Committees.

On 12 September 2016, the payment of interim dividends was made for the 2016 financial year, amounting to 12,000 thousand euros.

On 31 October 2016, the Board of Directors of Naturhouse Health, S.A., agreed to adapt the Internal Code of Conduct in Matters Relating to the Stock Market to the provisions set out in Regulation (EU) of the European Parliament and the Council 596/2014, of 16 April 2014 on market abuse. This Internal Code of Conduct on Stock Markets can be downloaded from the following link (http://www.naturhouse.com/relacion-con-inversores/reglamento-interno-de-conducta/).

On 31 October 2016, Mr Ignacio Bayón was appointed as Independent Director by agreement of the Board of Directors of Naturhouse by co-optation, to fill the vacancy created by the resignation of the Independent Director Mr Juan Maria Nin Génova. The appointment occurred on the proposal of the Naturhouse Appointments and Remuneration Committee, having issued the relevant supporting report.

On 15 December 2016, the liquidity contract signed with Banco Alcalá, S.A. was terminated.

During the 2016 financial year, three new agreements for master franchises in countries in which Naturhouse was not present, Malta, Hungary and India, were signed.

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

Profit and Loss Account

	Year 2016	Year 2015
CONTINUING OPERATIONS:		
Net amount of revenue	**21,533,689**	**21,413,084**
Sales	19,055,651	19,059,379
Provision of services	2,478,038	2,353,705
Supplies	**(6.561.270)**	**(6.604.504)**
Consumption of goods:	(6.561.270)	(6.604.504)
Other operating income	**3,447,468**	**2,964,586**
Ancillary and other current operating income	3,447,468	2,964,586
Operating subsidies included in the profit for the financial year	-	-
Personnel costs	**(6.633.251)**	**(6.074.404)**
Wages, salaries and similar expense	(5,586727)	(5.114.987)
Social security contributions	(1.046.524)	(959,417)
Other operating costs	**(5.942.487)**	**(5.663.938)**
External services	(5.661.296)	(5.403.581)
Taxes	(121,314)	(146,898)
Losses, impairment and changes in trade provisions	70,129	(27,238)
Other current operating expenses	(230,006)	(86,221)
Amortisation of fixed assets	**(542.366)**	**(605.519)**
Impairment losses and income from disposal of fixed assets	**(174.458)**	**(12.610)**
Income from disposals and other	(174,458)	(12,610)
Operating Profit / (Loss)	**5,127,325**	**5,416,695**
Financial income	**19,181,160**	**14,465,446**
Income from shares in equity instruments, group companies and associates	19,177,389	14,463,389
Other income from marketable securities and other financial instruments with third parties	4,071	2,057
Financial expenses	**(79.407)**	**(251.864)**
Due to debts with the group	-	(18,297)
Debts with third parties	(79,407)	(233,567)
Impairment losses and income from disposal of financial instruments	**(656.711)**	**(217.102)**
Financial Profit / (Loss)	**18,445,342**	**13,996,480**
Pre-tax Profit / (Loss)	**23,572,667**	**19,413,175**
Corporate Tax	(729,188)	(1.449.641)
Profit / (Loss) for the financial year	**22,843,479**	**17,963,534**

	31-12-2016	31-12-2015
Average number of employees	**179**	**160**
Gross Margin without Sales	70%	69%
Operating Profit/(Loss) without Sales	24%	25%
Net Income without Sales	106%	84%

- 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 88.49% in 2016.

    2. Prevision of service;
        a. €600 annual fee paid by each franchise to subsidiaries of the Group. Represents 1.40% of net revenues in 2016.
        b. In the 2016 financial year, 0.12% of total turnover has been recognised as income from the Master Franchise upfront fee. Incorporation of Malta, Hungary and India.
        c. Fee for direct supply to suppliers by the master franchisee; corresponds to the fee of 10% of purchases made directly by the master franchises from suppliers approved by Naturhouse Health, S.A. This represents 9.99% of net turnover in the 2016 financial year.

- Net turnover in the 2016 financial year amounted to 21,533,689 euros, representing an increase of 0.56% over the previous year for the first time since the start of the financial crisis. All the foregoing is in spite of the reduction of 11 Naturhouse centres during the 2015 financial year. This fact confirms the message from 2015, in which we observed some recovery in the Spanish market.

- The gross margin on net turnover has been increased by one percentage point, from 69% to 70%.

- "Other operating income" corresponds to income from activities that fall outside the Naturhouse business, which in 2016 mainly includes management fees to the Group's subsidiaries amounting to 3,327,812 euros.

- In 2016 there is an average workforce of 179 employees in the Company, of which 83% are direct employees of the Naturhouse centres under self-management and commercial offices that control the smooth running of all the centres, both franchises and the Group's own centres, and the remaining 17% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.
  Personnel Expenses represents 31% of net revenues. There has been an increase in sales personnel and a decrease in administrative personnel, the result of the policy of outsourcing processes that do not add value for the company.

- "Other operating expenses" has increased by 5% with respect to 2015, mainly due to:

    - *Travel:* Travel spending has increased due to the company's policy focused on developing countries such as the United States, Britain and Germany.

    - *Services:* in July 2016, logistics services were outsourced in Spain.

    - *Transport*: because of outsourcing the logistics service, we have had an extraordinary expense for transporting goods from our warehouse in Hospitalet del Llobregat (Barcelona) to our logistics operator's warehouse in Meco (Madrid). The better warehouse location has reduced transport charges.

- The net result on turnover is around 106% due to dividends received from Naturhouse Group companies during the 2016 financial year.

3. **Individual Statement of Financial Position**

ASSET	31/12/2016	31/12/2015
NON-CURRENT ASSETS:		
Intangible fixed assets	**1,792,889**	**2,085,008**
Concessions and Patents	1,729,306	1,962,471
Transfer rights	34,265	71,929
Software	29318	50,608
Tangible fixed assets	**2,336,150**	**2,670,919**
Technical facilities and other tangible fixed assets	2,336,150	2,667,799
Assets in construction and advances	-	3,120
Long-term investments in Group companies-	**8,996,165**	**9,362,924**
Equity instruments	8,897,007	9,259,395
Loans to companies	99,158	103,529
Long-term financial investments-	**425,268**	**399,110**
Deferred tax assets-	**97,059**	**119,448**
Non-current assets	**13,647,531**	**14,637,409**
CURRENT ASSETS:		
Inventory	**1,285,114**	**887,857**
Trade and other accounts receivable-	**6,445,684**	**1,413,423**
Customer receivables for sales and services	230,814	423,300
Customers, group companies and associates	1,259,217	870,435
Other debtors	29,235	89,595
Current tax assets	4,601,312	-
Other credits with Public Administrations	325,106	30,093
Short-term investments in Group companies and associates	**80,045**	**12,586**
Short-term accruals	**50,696**	**160,129**
Cash and cash equivalents	**1,027,260**	**3,127,421**
Total current assets	**8,888,799**	**5,601,416**
Total assets	**22,536,330**	**20,238,825**

EQUITY AND LIABILITIES	31/12/2016	31/12/2015
NET EQUITY:		
Own funds-		
Capital	**3,000,000**	**3,000,000**
Issue premium	**2,148,996**	**2,148,996**
Reserves-	**3,987,813**	**4,955,550**
Legal and statutory	600,000	600,000
Other reserves	3,387,813	4,355,550
Own shares and company shares	**(226.942)**	**(214.017)**
Profit or loss for the financial year	**22,843,479**	**17,963,534**
Interim dividend	**(12.000.000)**	**(14.050.000)**
Total net equity	**19,753,346**	**13,804,063**
NON-CURRENT LIABILITIES:		
Long-term debts	**18,048**	**32,994**
Deferred tax liabilities	**345,361**	**361,614**
Non-current liabilities	**363,409**	**394,608**
CURRENT LIABILITIES:		
Short-term debts-	**17,151**	**1,902,146**
Amounts owed to credit institutions:	-	1,883,962
Financial lease creditors	12,057	18,033
Other financial liabilities	5,094	151
Short-term debts with Group companies and associates	**-**	**1,991,430**
Trade creditors and other receivables	**2,252,424**	**2,146,578**
Suppliers	257,206	313,674
Suppliers, group companies and associates	1,177,865	1,132,836
Various creditors	383,954	315,836
Personnel	186,186	208,792
Other debts with Public Administrations	247,213	175,440
Short-term accruals	**150,000**	**-**
Total current liabilities	**6,040,154**	**6,040,154**
TOTAL NET EQUITY AND LIABILITIES	**22,536,330**	**20,238,825**

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

- In the 2016 financial year, a balance is shown under "Current tax assets" that includes the excess payments on account to the Tax Authorities for corporate tax for the 2016 financial year. This amount is expected to be recovered in full.

- The fall under "Cash and cash equivalents" is directly related to the advance payments on account for corporate tax for the 2016 financial year to the Tax Authorities.

- Even though the company terminated the liquidity contract with Banco Alcalá on 15 December 2016, at 31 December 2016 there is a balance in own shares and company shares of €226,942, represented by a total of 49,500 shares at an average acquisition price of €4.58/share.

- On 12 September 2016, Naturhouse Health, S.A. decided to distribute an interim dividend for the 2016 financial year amounting to 12,000,000 euros.

- In the 2016 financial year, the company's current and non-current financial debt has been reduced by 1,899,941 euros (-98%). The company has been reducing its financial debt in recent years, and will continue alone this line. The Company does not anticipate significant investments that require significant funding to banks.

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

- The Company's average payment period has been 45 days, within the maximum period set out under the regulations on late payments.

4. Financial risk management and use of hedging instruments

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

Market risk in the interest rate and the exchange rate:

The Company's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. At 31 December 2016% of the borrowings was at a variable interest rate. However, the Company has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

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

Credit risk

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

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

Liquidity risk

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

5. Risk Factors

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

Negative impact due to the difficult economic situation in Spain. 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 Company.

6. R + D + i activities

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

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

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 62% of total consolidated purchases to 31 December 2016. Naturhouse Health, S.A. holds 24.9% of its capital. The benefits sought with this holding are:

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

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

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., majority shareholder of Naturhouse Health S.A>, has stakes (Indusen, Girofibra, Laboratorios Abad and Zamodiet), which represent approximately 33% of total purchases in 2015, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 15% of total purchases in 2016.

7. Treasury Shares

As of 31 December 2016, the Company holds a total of 49,500 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

There are no significant subsequent events to be mentioned.

9. Capital structure and significant shareholdings

At 31 December 2016, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31 December 2016, the share capital is represented by 60,000,000 shares. The main shareholders of the Group are Kiluva, S.A. with a stake of 73.17%, and Schroeders plc with 4.56% (indirect shareholding controlled by said shareholder through Schroeder Investment Management Limited and Schroeder Investment Management North America Limited).

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 restrictions or regulatory restrictions on voting rights.

11. Administrative Body, Board

The Parent Company's administrative body is made up of a Board of Directors composed of 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 Ignacio Bayón Marine.

12. Significant agreements

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

13. Annual Corporate Governance Report

Annexed to this Management Report is the Annual Corporate Governance Report, which forms an integral part of the Naturhouse Health, S.A. Report for the 2016 financial year.

Barcelona, 24 February 2017

ANNEX I TO THE NATURHOUSE HEALTH, S.A. EXPLANATORY NOTES
31 DECEMBER 2016

Group company equity instruments in the 2016 financial year

Company	Euros					
	Capital	Premium and other EQUITY	Net profit for the period	Holding % Direct	Holding % Indirect	Shareholder
Housediet S.A.R.L. (1) 75 rue Beaubourg 75003 Paris (France)	200,000	166,702	(4,828)	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa –Nutriçao e Dietetica, Lda (2) Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	49,880	976,270	176,225	28% - -	- 43% 29%	Naturhouse Health S.A. Naturhouse S.R.L. S.A.S Naturhouse
Ichem Sp. Zo.o. (2) ul. Dostawcza 12 93-231 Lodz (Poland)	180,487	9,445,281	3,258,941	25%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. (1) Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(85,415)	(166,763)	-	100%	S.A.S Naturhouse
Naturhouse Franchising Co, Ltd (1) 33 church road, Ashford Middlesex (Great Britain)	348,837	(49,158)	(78,401)	33% -	- 67%	Naturhouse Health S.A. Naturhouse S.R.L.
Naturhouse, Gmbh (1) Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(241,647)	7,577	56% -	- 44%	Naturhouse Health S.A. S.A.S Naturhouse
Naturhouse Sp. Zo.o. (2) Ul/Dostawcza, 12 93-231 Lodz (Poland)	85,034	138,590	3,516,768	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. (2) Viale Panzacchi, nº 19 Bologna (Italy)	100,000	634,864	3,482,374	100%	-	Naturhouse Health S.A.
Naturhouse Inc. (1) 1395 Brickellave 800 STE Miami FL (USA)	400,085	(40,262)	(154,118)	-	100%	Naturhouse Health S.A.
Nutrition Naturhouse Inc. (3) Rue de la Gauchetière Ouest Montreal Quebec (Canada)	-	-	-	-	100%	S.A.S Naturhouse
Naturhouse d.o.o. (1) Ilica 126, City of Zagreb (Croatia)	100,136	(40,117)	(59,983)	-	100%	Naturhouse Sp. Zo.o.
SAS Naturhouse (2) 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	(3.690.804)	11,297,527	100%	-	Naturhouse Health S.A.
UAB Naturhouse (1) Konstitucijos pr. 7 09308 Vilna (Lithuania)	100,000	(57,371)	(48,176)	-	100%	Naturhouse Sp. Zo.o.
Zamodiet México S.A. de C.V. (1) Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	960,808	(676,844)	(103,173)	79%	-	Naturhouse Health S.A.

(1) Financial statements not required to undergo external review available as of 31 December 2016.

(2) Audited financial statements as of 31 December 2016.

(3) Company being formed, pending formalisation.

Group company equity instruments in the 2015 financial year

Company	Capital	Premium and other EQUITY	Net profit for the period	Holding % Direct	Holding % Indirect	Shareholder
	Euros					
Housediet S.A.R.L. (1) 75 rue Beaubourg 75003 Paris (France)	200,000	190,993	(24,291)	100%	-	Naturhouse Health S.A.
Kiluva Portuguesa –Nutriçao e Dietetica, Lda (2) Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	49,880	1,869,510	(67,599)	28% - -	- 43% 29%	Naturhouse Health S.A. Naturhouse S.R.L. S.A.S Naturhouse
Ichem Sp. Zo.o. (2) ul. Dostawcza 12 93-231 Lodz (Poland)	186,684	8,772,618	3,649,228	25%	-	Naturhouse Health S.A.
Naturhouse Belgium S.P.R.L. (1) Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	22,476	(107,891)	-	100%	S.A.S Naturhouse
Naturhouse Franchising Co, Ltd (1) 33 church road, Ashford Middlesex (Great Britain)	408,747	(88,776)	26,250	33% -	- 67%	Naturhouse Health S.A. Naturhouse S.R.L.
Naturhouse, Gmbh (1) Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(217,507)	(6,933)	56% -	- 44%	Naturhouse Health S.A. S.A.S Naturhouse
Naturhouse Sp. Zo.o. (2) Ul/Dostawcza, 12 93-231 Lodz (Poland)	87,948	541,858	3,055,524	100%	-	Naturhouse Health S.A.
Naturhouse S.R.L. (2) Viale Panzacchi, nº 19 Bologna (Italy)	100,000	757,370	3,697,034	100%	-	Naturhouse Health S.A.
Naturhouse Inc. (1) 1395 Brickellave 800 STE Miami FL (USA)	100,303	(590)	(30,885)	-	100%	Naturhouse Health S.A.
Nutrition Naturhouse Inc. (3) Rue de la Gauchetière Ouest Montreal Quebec (Canada)	-	-	-	-	100%	S.A.S Naturhouse
Naturhouse d.o.o. (1) Ilica 126, City of Zagreb (Croatia)	99,110	125	(39,426)	-	100%	Naturhouse Sp. Zo.o.
SAS Naturhouse (2) 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	100,000	(4.291.572)	11,869,038	100%	-	Naturhouse Health S.A.
UAB Naturhouse (1) Konstitucijos pr. 7 09308 Vilna (Lithuania)	100,000	-	(57,369)	-	100%	Naturhouse Sp. Zo.o.
Zamodiet México S.A. de C.V. (1) Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	1,079,270	(553,502)	(197,335)	51%	-	Naturhouse Health S.A.

(1) Financial statements not required to undergo external review available as of 31 December 2015.

(2) Audited financial statements as of 31 December 2015.

(3) Company being formed, pending formalisation.

Statement of responsibility of the Naturhouse Health, S.A. Board of Directors under Article 8 section b) of Chapter I of Royal Decree 1362/2007 of 19 October, developing Law 24/1988 of 28 July on the Stock Market, regarding transparency requirements concerning information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market of the European Union.

On 24 February 2017, we have drawn up the financial statements for Naturhouse Health, S.A. for the financial year ending 31 December 2016.

In this regard, we declare that, to the best of our knowledge, the aforementioned financial statements drawn up in accordance with applicable consolidation and accounting principles as described in the explanatory notes to the financial statements provide a true and fair view of the assets, financial position and results of Naturhouse Health, S.A. for the financial year ending 31 December 2016, taken as a whole, and that the Management Report accompanying the aforementioned financial statements includes an accurate analysis of the development, business results and position of Naturhouse Health, S.A. as of 31 December 2016, taken as a whole, together with the description of the principal risks and uncertainties they face.

That the Financial Statements for the financial year ending 31 December 2015 - comprising the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity and the Explanatory Notes - and the Management Report, cover 61 sheets of plain paper, on one side only, numbered consecutively from 1 to 61, with pages 1 to 61 being signed by the Secretary of the Board of Directors and page 62 being signed by all the Board Directors present at the meeting. The Annual Corporate Governance Report covers 46 sheets of plain paper, on one side only, numbered consecutively from 1 to 46, being signed by the Secretary of the Board of Directors, plus an additional sheet of paper signed by all the Board Directors present at the meeting.

Félix Revuelta Fernández	Vanesa Revuelta Rodríguez	Kilian Revuelta Rodríguez
Rafael Moreno Barquero	José María Castellanos	Isabel Tocino Biscarolasaga
Pedro Nueno Iniesta	Ignacio Bayón Marine	

NATURHOUSE HEALTH, S.A.

BALANCE SHEET ON 31 DECEMBER 2016

(Euros)

ASSET	Notes from the report	31/12/2016	31/12/2015
NON-CURRENT ASSETS:			
Intangible fixed assets	**Note 5**	**1.792.889**	**2.085.008**
Concessions and patents		1.729.306	1.962.471
Transfer rights		34.265	71.929
Computer applications		29.318	50.608
Tangible fixed assets	**Note 6**	**2.336.150**	**2.670.919**
Technical installations and other tangible fixed assets		2.336.150	2.667.799
Assets in construction and advances		-	3.120
Long-term investments in companies in the group	**Note 8**	**8.996.165**	**9.362.924**
Equity instruments		8.996.165	9.259.395
Loans to companies		-	103.529
Long-term financial investments	**Note 9**	**425.268**	**399.110**
Deferred tax assets	**Note 14**	**97.059**	**119.448**
Non-current assets		**13.647.531**	**14.637.409**
CURRENT ASSETS:			
Inventory	**Note 10**	**1.285.114**	**887.857**
Trade debtors and other accounts receivable		**6.445.684**	**1.413.423**
Customer receivables for sales and services		230.814	423.300
Customers, companies in the group and related companies	**Note 15**	1.259.217	870.435
Other debtors		29.235	89.595
Current tax assets	**Note 14**	4.601.312	-
Other receivables with public administrations	**Note 14**	325.106	30.093
Short-term investments in companies in the group and related companies	**Note 15**	**80.045**	**12.586**
Short-term accruals		**50.696**	**160.129**
Cash and other equivalent liquid assets		**1.027.260**	**3.127.421**
Total current assets		**8.888.799**	**5.601.416**
Total assets		**22.536.330**	**20.238.825**

NET ASSETS AND LIABILITIES	Notes from the report	31/12/2016	31/12/2015
NET ASSETS:			
Own funds-			
Capital		**3.000.000**	**3.000.000**
Issue premium		**2.148.996**	**2.148.996**
Reserves-		**3.987.813**	**4.955.550**
Legal and statutory		600.000	600.000
Other reserves		3.387.813	4.355.550
Own equity shares and holdings-		**(226.942)**	**(214.017)**
Own shares and company shares		(226.942)	(214.017)
Results of the year		**22.843.479**	**17.963.534**
Interim dividend		**(12.000.000)**	**(14.050.000)**
Total net assets	**Nota 11**	**19.753.346**	**13.804.063**
NON-CURRENT LIABILITIES:			
Long-term debts-	**Note 13**	**18.048**	**32.994**
Credits from financial leases		18.048	31.994
Other financial liabilities		-	1.000
Deferred tax liabilities	**Note 14**	**345.361**	**361.614**
Non-Current liabilities		**363.409**	**394.608**
CURRENT LIABILITIES:			
Short-term debts-	**Note 13**	**17.151**	**1.902.146**
Amounts owed to credit institutions		-	1.883.962
Creditors from financial leases		12.057	18.033
Other financial liabilities		5.094	151
Short-term debts with companies in the group and related companies	**Note 15**	**-**	**1.991.430**
Trade creditors and other receivables		**2.252.424**	**2.146.578**
Suppliers		257.206	313.674
Suppliers, companies in the group and related companies	**Note 15**	1.177.865	1.132.836
Miscellaneous creditors		383.954	315.836
Personnel		186.186	208.792
Other debts with public administrations	**Note 14**	247.213	175.440
Short-term accruals		**150.000**	**-**
Total current liabilities		**2.419.575**	**6.040.154**
TOTAL NET ASSETS AND LIABILITIES		**22.536.330**	**20.238.825**

Notes 1 to 22 aND Appendix I described in the attached Report are an integral part of the balance sheet on 31 December 2016.

NATURHOUSE HEALTH, S.A.

PROFIT AND LOSS STATEMENT OF THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016

(Euros)

	Notes in the Report	Year 2016	Year 2015
ONGOING OPERATIONS:			
Net income-	**Note 16.1**	**21.533.689**	**21.413.084**
Sales		19.055.651	19.059.379
Provision of services		2.478.038	2.353.705
Supplies-	**Note 16.2**	**(6.561.270)**	**(6.604.504)**
Consumption of merchandise		(6.561.270)	(6.604.504)
Other operating income-		**3.447.468**	**2.964.586**
Accessory income and other income from current management		3.447.468	2.964.586
Operating subsidies added to the result of the financial year		-	-
Personnel expenses-		**(6.633.251)**	**(6.074.404)**
Salaries, wages and similar		(5.586.727)	(5.114.987)
Social security contributions	**Note 16.4**	(1.046.524)	(959.417)
Other operating expenses-		**(5.942.487)**	**(5.663.938)**
External services		(5.661.296)	(5.403.581)
Taxes		(121.314)	(146.898)
Losses, impairment and variation in stock due to commercial operations	**Note 9**	70.129	(27.238)
Other expenses from current management		(230.006)	(86.221)
Depreciation of fixed assets	**Notes 5 and 6**	**(542.366)**	**(605.519)**
Impairment and income from disposal of fixed assets-		**(174.458)**	**(12.610)**
Result from disposals and others		(174.458)	(12.610)
Operating result - Profit		**5.127.325**	**5.416.695**
Financial income	**Notes 8 and 16.5**	**19.181.460**	**14.465.446**
Income from shares in equity instruments, companies in the group and related companies		19.177.389	14.463.389
Other income from marketable securities and other financial instruments		4.071	2.057
Financial expenses	**Note 16.5**	**(79.407)**	**(251.864)**
For debts with the group		-	(18.297)
Debts with third parties		(79.407)	(233.567)
Impairment and result from disposal of financial instruments	**Note 8**	**(656.711)**	**(217.102)**
Financial result - Profit		**18.445.342**	**13.996.480**
Pre-tax result - Profit		**23.572.667**	**19.413.175**
Tax on profits	**Note 14**	(729.188)	(1.449.641)
Result of the financial year - Profit		**22.843.479**	**17.963.534**

Notes 1 to 22 and in Appendix I described in the attached Report are an integral part of the profit and loss statement for the financial year ending on 31 December 2016.

NATURHOUSE HEALTH, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING

31-dic-16

(Euros)

A) STATE OF RECOGNISED INCOME AND EXPENSES

	Year 2016	Year 2015
RESULT OF THE PROFIT AND LOSS STATEMENT (I)	**22.843.479**	**17.963.534**
INCOME AND EXPENSES DIRECTLY ALLOCATED TO EQUITY (II)	**-**	**-**
TRANSFERS TO THE PROFIT AND LOSS STATEMENT (III)	**-**	**-**
RECOGNISED INCOME AND EXPENSES (I+II+III)	**22.843.479**	**17.963.534**

Notes 1 to 22 and in Appendix I described in the attached Report are an integral part of the statement of recognised income and expenses for the financial year ending 31 December 2016.

NATURHOUSE HEALTH, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2016

(Euros)

B) TOTAL STATEMENT OF CHANGES IN EQUITY

	Notes from the Report	Capital	Issue premium	Legal reserve	Voluntary premiums	Own shares	Result of the financial year	Interim dividend	Total
2	**Note 11**	**3.000.000**	**2.148.996**	**75.000**	**4.358.759**	**-**	**16.488.333**	**(14.207.260)**	**11.863.828**
Total recognised income and expenses		-	-	-	-	-	17.963.534	-	17.963.534
Distribution of the result of financial year 2014:									
- Distribution to reserves		-	-	525.000	-	-	(525.000)	-	-
- Distribution to dividends		-	-	-	-	-	(15.963.333)	14.207.260	(1.756.073)
Operations with own shares:									
Other operations with shareholders:		-	-	-	(3.209)	(214.017)	-	-	(217.226)
Operations with shareholders:									
- Distribution to dividends		-	-	-	-	-	-	(14.050.000)	(14.050.000)
Balance on 31 December 2015	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**4.355.550**	**(214.017)**	**17.963.534**	**(14.050.000)**	**13.804.063**
Total recognised income and expenses		-	-	-	-	-	22.843.479	-	22.843.479
Distribution of the result of financial year 2015:									
- Distribution to dividends		-	-	-	-	-	(17.963.534)	14.050.000	(3.913.534)
Operations with own shares									
Other operations with shareholders:		-	-	-	52.393	(12.925)	-	-	39.468
Operations with shareholders:									
- Distribution to dividends		-	-	-	(1.036.000)	-	-	(12.000.000)	(13.036.000)
Other changes in equity		-	-	-	15.870	-	-	-	15.870
Balance on 31 December 2016	**Nota 11**	**3.000.000**	**2.148.996**	**600.000**	**3.387.813**	**(226.942)**	**22.843.479**	**(12.000.000)**	**19.753.346**

Notes 1 to 22 and in Appendix I described in the attached Report are an integral part of the statement of changes in equity for the financial year ending on 31 December 2016.

NATURHOUSE HEALTH, S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016

(Euros)

	Notes in the Report	Year 2016	Year 2015
Pre-tax result of the financial year		**23.572.667**	**19.413.175**
Adjustments to the result		**(17.648.647)**	**(13.351.113)**
- Depreciation of fixed assets	**Notes 5 and 6**	542.366	605.519
- Variations in stock		(70.129)	27.238
- Results due to derecognition and disposals of fixed assets		174.458	12.610
- Impairments and results from derecognition and disposal of financial instruments	**Note 8**	656.711	217.102
- Financial income	**Note 16.5**	(19.181.460)	(14.465.446)
- Financial expenses	**Note 16.5**	79.407	251.864
- Other income and expenses		150.000	-
Changes in working capital		**(526.927)**	**(2.644.909)**
- Stocks	**Notes 10&16.2**	(397.257)	17.634
- Debtors and other accounts receivable		(360.820)	(735.127)
- Other current assets		109.433	(47.604)
- Creditors and other accounts payable		121.717	(1.879.812)
Other cash flows from operating activities		**12.332.588**	**12.206.196**
- Payment of interest		(79.407)	(251.864)
- Receipt of dividends	**Note 8**	19.177.389	14.463.389
- Receipt of interest		4.071	2.057
- Receipts (payments) via tax on profits	**Note 14**	(6.769.465)	(2.007.386)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**17.729.681**	**15.623.349**
Payments from investments		**(634.595)**	**(595.349)**
- Intangible and tangible fixed assets	**Notes 5 and 6**	(251.026)	(275.023)
-Investments in related companies	**Note 8**	(357.411)	(262.394)
- Other financial assets		(26.158)	(57.932)
Receipts from disinvestments		**161.090**	**7.002.049**
- Receipts from related companies		-	6.900.911
- Intangible and tangible fixed assets	**Notes 5 and 6**	161.090	101.138
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**(473.505)**	**6.406.700**
Receipts and payments from equity instruments		**39.468**	**(217.226)**
- Net disposals (acquisitions) of equity	**Nota 11**	39.468	(217.226)
Receipts and payments from financial liability instruments		**(2.446.271)**	**(3.898.418)**
- Issuance of other debt		4.943	**-**
- Issuance and repayment of debt with companies from the group	**Note 15**	(546.330)	546.330
- Repayment and depreciation of debt with credit entities	**Note 13**	(1.883.962)	(4.444.748)
- Repayment and depreciation of other debt		(20.922)	-
Payments from dividends and remuneration from other equity instruments		**(16.949.534)**	**(15.806.073)**
- Payment of dividends		(16.949.534)	(15.806.073)
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(19.356.337)**	**(19.921.717)**
NET INCREASE/DECREASE IN CASH OR EQUIVALENT (I+II+III+IV)		**(2.100.161)**	**2.108.332**
Cash or equivalent at the start of the financial year		3.127.421	1.019.089
Cash or equivalent at the end of the financial year		1.027.260	3.127.421

Notes 1 to 22 and in Appendix I described in the attached Report are an integral part of the statement of cash flows for the financial year ending on 31 December 2016