NATUR HOUSE
Expertos en Nutrición y Dietética

Naturhouse closes another year with double-digit net income, and a dividend of €17 M

- The company closed 2018 with net sales of €87.3 M, EBITDA of €23.2 M and net income of €15.4 M.

- After four years of continued growth (2013-2016), the changes implemented to the business model in 2017 and 2018, and certain extraordinary events occurred in 2018, were at the origin of the evolution of sales (-€7.4 M), EBITDA (-€6.1 M), and net income (-€4.7 M) in the last year.

- In 2018, Naturhouse maintained its traditional debt levels, with a €5.3 M positive net cash position, and a solid capacity to generate liquidity. The company distributed €16.8 M in dividends, a yield of 18%.

Madrid, 28th February, 2019 – Naturhouse, a company specialised in the sale of dietetic products and the re-education of nutritional habits, closed 2018 with turnover of 87.3 million euros, EBITDA of 23.2 million euros and net income of 15.4 million euros.

After four years of continued sales growth (2013-2016) despite the industrywide drastic consumption downturn, Naturhouse implemented in 2017 an optimisation plan within its commercial structure and a companywide digitalisation strategy to meet their growth objectives in new international markets.

The delisting of some of Naturhouse's point-of-sales from its traditional perimeter and the increased costs associated with the optimisation plan in the past two years, together with poor weather conditions and extraordinary social conflicts occurring predominantly in France in 2018 (Naturhouse's leading market), notably influenced last year's results.

1. Sales evolution

Throughout 2018, as part of the company's commercial structure optimisation plan to improve the average revenue per store, Naturhouse started a substitution process of its less profitable stores. This resulted in a net outflow figure of 77 stores (difference between closures and new openings), which explains a considerable part of the year's decline in turnover.

In addition to this strategic decision, the French market, which constitutes 42% of total company turnover, suffered a significant drop in sales as a result of abnormal weather episodes (snowstorms and floods in the months of February, March and October, respectively), combined with the social conflicts that occurred in the country, all causing a serious impact on logistics and the retail sector.

Therefore, whilst sales in other countries conjointly decreased approximately 4% (total of 2.3 million euros), primarily due to the optimisation plan introduced in the earlier paragraph, in France they dropped by 12.5% (5.1 million euros), which, given the importance of this country in the total company sales, complements the explanation of 2018's decline in turnover.

Despite these circumstances, the company's gross margin remained quite stable in 2018, at 71.2%.

2. Operating Income

Naturhouse closed 2018 with EBITDA of 23.2 million euros, compared to 29.3 million euros in 2017, a difference of 6.1 million euros. 90% of this loss, however, was generated over the first nine months of the year, with the fourth quarter showing an EBITDA much closer to that of the same period in 2017.

It is expected that this positive trend, which to a certain extent offset the accumulated results up to September, will translate into a returning to growth in the coming months in terms of sales, EBITDA and net income.

In terms of Naturhouse's operating costs evolution, in addition to the aforementioned events, extraordinary circumstances in Spain, Italy and Poland in 2018 directly impacted the company's operating margins.

Specifically, in Poland, fourth-by-size main market after France, Spain and Italy, Naturhouse had to deal with a case of disloyal competition headed by a former regional director of the company, which led to the need to increase advertising costs and strengthen the directly-operated stores network in the country, bringing about a series of extraordinary expenses in personnel, leases and store set-up costs.

Moreover, at the organisational structure level, the operating income shows the impact of the relocation of Naturhouse's corporate headquarters, the replacement of the country manager in France and some changes in the sales department in Italy.

In addition to the loss in EBITDA due to the lower 2018 sales mentioned in the first section, all extraordinary expenses had a total impact on the EBITDA of 2.5 million euros. However, none of the events should give rise to new cost increases in 2019.

Whilst the EBITDA margin stood at 26.6% at the closing of 2018, compared to 30.9% in 2017, not accounting for extraordinary circumstances, EBITDA margin would have equalled to 29.4%, the value Naturhouse intends to positively build upon in 2019.

3. Dividends

The setback suffered for sales and EBITDA generation in 2018 did not discredit the company's strong capacity to generate liquidity. Despite the difficulties of the year, and with the last instalment of the dividend pending to be paid out, Naturhouse will have remunerated its shareholders with 16.8 million euros from 2018 results, a dividend yield of 18%.

The company maintains its commitment to shareholder remuneration via dividends in the future.

4. International expansion

In terms of international expansion, the company added Austria to its geographical presence, thus reaching 32 countries in 2018. This addition proves once again the business model's adaptability to any country in the world regardless of its culture, religion and degree of economic development. Furthermore, the positive results in "master franchised" countries stood out in 2018, with an increase in the total number of stores by 12% thanks to the contribution of Ireland, Slovakia, Czech Republic and Romania. Through these contracts, Naturhouse accelerates the opening of franchises by utilising local partners in each target market.

5. Digitalisation

The Naturhouse Board of Directors approved in 2018 a firm commitment to incorporate digital technology into its traditional business. This decision responds to the company's desire to accelerate its development in new markets through a commercial strategy with lower operating costs, which will result in greater profitability for the business.

In response to this mandate, Naturhouse began developing its digitalisation plan in 2018 in the United Kingdom, Russia, UAE and India, to further enter into the United States in 2019.

Furthermore, the company announced late January 2019 the appointment of Jose Ramon Gimeno - previously Senior Manager at Amazon Spain, for the Entertainment category (Music, DVD, Video Games)- to accelerate the implementation of the digitalisation strategy in one of the largest markets for future growth: United States.

The project will include a change in visual merchandising and store layout, called "Store 2.0", a new concept aimed at boosting the commercial area, which will contribute to an increase in profitability as a result of selling products not only linked to overweight and which it is expected to attract a younger audience.

The great asset for Naturhouse in 2019 is the launch of the online strategy combined with Store 2.0, with which the company aims to increase sales in USA, UK and Germany. As early indication, market-testing online activity in the United Kingdom has increased sales in store by 8% in the first month and 9.2% in the second month.

All of the achievements made by Naturhouse so far have been thanks to a resilient business model that offers management based on an excellent risk/reward ratio, replicable worldwide. Thus, the company hopes to continue its successful geographical expansion and return to the path of positive results throughout 2019, following the recent strategic adjustments.

About Naturhouse

Naturhouse is a Spanish business group listed on the Spanish stock exchange operating in the dietetics and nutrition sector, with its own differentiated business model - the "Naturhouse Method". This plan consists of offering a personalised, free weight management advice provided by a qualified dietician and selling food supplements that complement the food re-education process. Since the opening of its first centre in Vitoria in 1992, Naturhouse has advised more than 6,500,000 people. The company, with a presence in 32 countries, accounts 2,283 centres, both directly-owned and franchised. Naturhouse is the only dietetic food company that is present in the entire **value chain,** from the development and manufacturing of the products, to the marketing and customer support. This quality, together with a business of **low investment requirements and attractive returns** for the franchisee, has made the company worthy of numerous awards. During nine consecutive years it has been chosen as one of the 100 best franchises in the world by Franchise Direct.

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2018 Results

February 25th 2019

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Main Figures

The Board of Directors has proposed the final 2018 dividend payment of 0,06€/share to be paid May 30, 2019[(1)], leading to a total dividend for 2018 of 0,28€/share and reaching a payout of 109% and a per-dividend yield of 17,74%[(2)]

Our EBITDA margin stands at 27%, which is almost double the industry average in the US[(2)]

Naturhouse started in 2017 with an optimistic plan within its commercial structure and a companywide digitalism strategy to meet the needs of newly growing international markets

At the end of the year, Naturhouse had operations in 32 countries with 2,283 stores
Close of the single centre in Lithuania with the objective to optimize operational costs
Close of 77 centres as part of a substitution process of the less profitable centres, based on the company's business optimisation plan to improve the average revenue per store.

	2017	2018	var %
Sales	94.700	87.289	-7,8%
EBITDA	29.292	23.168	-20,9%
EBITDA Margin	*30,9%*	*26,5%*	
Net Income	19.848	15.355	-22,6%
Centres	2.360	2.283	-77
Countries	33	32	-1
Net Cash Position	5.191	5.372	3,5%

In Thousand of euros

(1) Approval of this dividend is planned for the next General Shareholder's Meeting.
(2) Calculated according to the Naturhouse closing price December 31st 2017 (1,578€/share) and taking as reference the two interim dividends for 2018 (total amount 0,28€/share).
(3) Weight Watchers, GNC, Vitamin Shoppe, Nutrisystem and Herbalife

Consolidated Profit & Loss Account

	2017	2018	var %
Total Sales	**94.700**	**87.289**	**-7,83%**
Procurements	**-27.119**	**-25.158**	**-7,23%**
Gross profit	**67.580**	**62.131**	**-8,06%**
Gross profit margin	*71,4%*	*71,2%*	
Personnel	**-20.390**	**-20.709**	
Other operating expenses	**-18.645**	**-19.619**	**5,23%**
Other Income	**746**	**1.365**	**82,94%**
EBITDA	**25.556**	**23.168**	**-20,91%**
EBITDA Margin	*30,9%*	*26,5%*	
Amortization & Impairments	**-1.030**	**-1.020**	**-0,97%**
EBIT	**28.262**	**22.148**	**-21,63%**
EBIT Margin	*29,8%*	*25,4%*	
Financial results	**-40**	**-26**	**-35,00%**
Share of profit (loss) of associated (Ichem)	**434**	**597**	**37,30%**
EBT	**28.656**	**22.718**	**-20,72%**
Taxes	**-8.808**	**-7.364**	**-16,40%**
Net profit	**19.848**	**15.355**	**-22,64%**
Net profit margin	*21,0%*	*17,6%*	

In thousands of euros

Note 1: EBITDA definition*: operational result + amortisation of fixed assets + impairment and results due to disposal of fixed assets.*

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Sales & EBITDA by Country

Sales according to country

	2017	2018	%
France	40.875	**35.770**	-12,5%
Spain	19.343	**18.549**	-4,1%
Italy	20.764	**20.084**	-3,3%
Poland	11.208	**10.360**	-7,6%
Rest countries	2.510	**2.525**	0,6%
Total	**94.699**	**87.288**	**-7,8%**
International Segmen	**75.356**	**68.739**	**-8,8%**

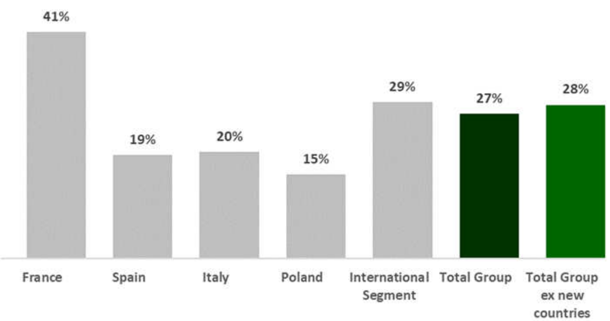
In thousands of euros

EBITDA development according to country

	2017	2018	%
France	16.249	**14.811**	-8,85%
Spain	5.473	**3.512**	-35,83%
Italy	4.559	**3.930**	-13,80%
Poland	3.745	**1.599**	-57,30%
Rest	-801	**-684**	14,61%
TOTAL	**29.225**	**23.168**	**-20,7%**
International Segm	**23.752**	**19.656**	**-17,2%**

In Thousands of euros

EBITDA margin according to country (%)



- Turnover at the end of2018 stands at €87,3m.

  - ✓ From the total loss of sales in 2018, €1.15m are justified by the effect of 2018 net closures as result of the optimisation plan.
  - ✓ In France, sales have fallen due to bad climate conditions in February, March and October, combined with the social conflicts that occurred in the country, all causing a serious impact on the firm's logistics and the France's retail sector.
  - ✓ In the case of Spain and Italy, retail challenges are taking their toll on sales. Notwithstanding, we remain confident that we will turn the situation around in the coming quarters.
  - ✓ As for Poland, the emergence of a new competitor is leading to a slowdown in growth from 2017 last quarter. A change of trend has occurred in 2018 last quarter were sales increase 5.1% versus sales of 2017 last quarter.
  - ✓ As for the other countries, the fall has mainly come through Portugal's decline, with new countries(1) growing at rates of over 31% compared with year 2017. In 2018 last quarter, we see an increase in sales in 7.6% versus 2017 last quarter.
  - ✓ Meanwhile, sales to master franchise countries are up 20%. Expansion in China is under way and significant progress is being made in India, to the extent that we will be able to open our first store in the coming months.

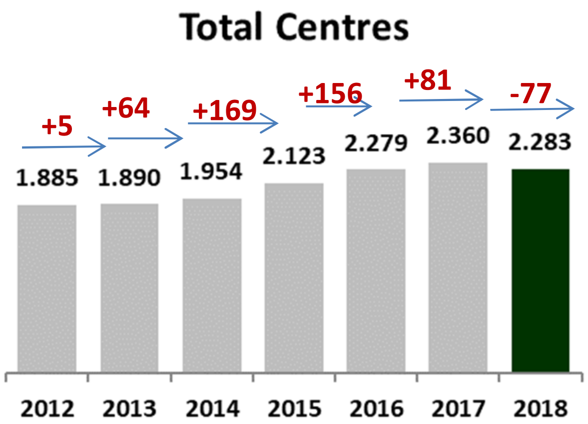
- Without extraordinary expenses, EBITDA has reached €25,66m.

  - ✓ EBITDA has fallen in France due to lower sales figures, although to a lesser extent than in other markets. As an extraordinary cost due to the general manager reorganization (€+0.08m)
  - ✓ EBITDA in Spain has been affected due to the transfer of the headquarters from Barcelona to Madrid (+€0.8m) and increased rental costs and reorganisation of commercial area (€+0.1m).
  - ✓ In Italy, the rise in staff costs due to reorganisation of the commercial area (+€0.3m).
  - ✓ In Poland, there has been a significant increase of new DOS centres to deal with a case of disloyal competition headed by a former regional director of the company. Also has been a rise in advertising, staff costs and rental expenses due to a higher number of directly-operated stores (€+1.3 m).
  - ✓ Expansion into new countries(1) has had an impact on EBITDA, valued at -€0.88m.

This has all had an impact on non-recurring costs to the value of €2.5 million.

Naturhouse Centres

2,283 centres in 32 countries
-77 closes as part of the company's business optimisation plan to improve the average revenue per store

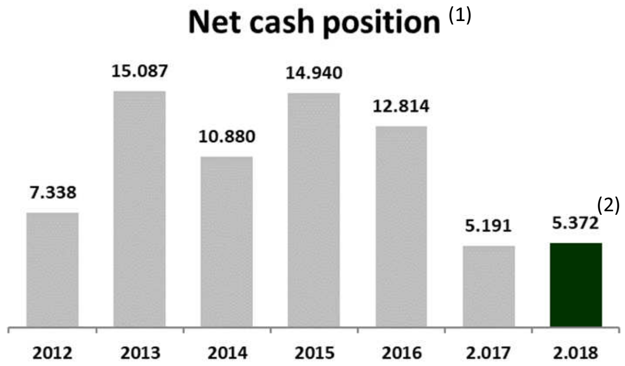


1,778 of centres are franchises, 243 are directly-operated stores and 262 are master franchises

	2017			2018			2018 Net Openings		
	Total	DOS	Franchise	Total	DOS	Franchise	Total	DOS	Franchise
France	643	37	606	618	26	592	-25	-11	-14
Spain	589	89	500	563	85	478	-26	-4	-22
Italy	475	56	419	475	51	416	0	-5	-3
Poland	348	29	319	304	59	245	-44	19	-74
Rest of Countries	71	23	48	69	22	47	-2	-1	-1
Masterfranchise Countries	234	0	234	262	0	262	28	0	28
	2.360	234	2.126	2.283	243	2.040	-77	9	-86

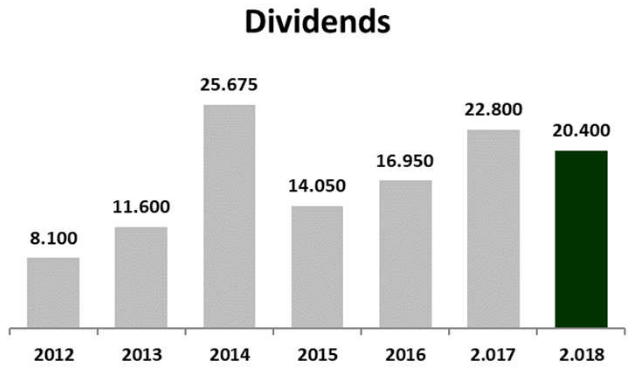
Net Cash Position & Dividends

Naturhouse maintains its payment commitment: >85% in 2018



Figures in thousands of euros

(2) This does not include the €5.6m pending repayment by the Spanish Tax Authority. €3.6m were repaid on February 2019, and the rest is expected to be paid before January 2020



Figures in thousands of euros
Note 1: Data from 2012, 2013 and 2014 include SAS Naturhouse in all periods

- **Our net cash position at the end of 2018 stands at €5.24m,** after paying out €20.4 in dividends in 2018 and In anticipation of the repayment of €5.6m from the Spanish Tax Authority**. If we include this latter amount, our net cash position at the endo of 2018 would have stood at €10.84m.**

- **Proposed a 2018 final dividend at € 0.06/share, to be paid on the May 15. With this amount, the total 2018 dividend comes to €0.28/share, showing a payout rate of 109% and pricing pre-dividend yield at 17.74%(2). This dividend will be subject to the approval of the forthcoming General Shareholder's Meeting.**

- **It has also been agreed that the dividend in 2019 will be divided into 4 payments.**

(1) Definition of Net Cash position: *cash and equivalents – current debt – non-current debt*
*(2) Calculated according to the Naturhouse closing price December 31st 2017 (*1,578€/share) and taking as reference the two interim dividends for 2018 (total amount 0,28€/share)

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Balance Sheet

	2017	2018
Intangible assets	1.687	1.412
Property, plant & equipment	5.035	3.806
Non current financial assets	1.038	882
Investment in associated companies	3.136	3.348
Deferred tax assets	324	150
Non current Assets	**11.220**	**9.598**
Inventories	4.449	4.429
Trade receivables	4.373	4.288
Current tax assets	9.373	6.866
Other current assets (anticipated spendings)	1.095	687
investment in related companies	1	0
Cash & equivalents	8.326	8.247
Current assets	**27.617**	**24.517**
TOTAL ASSETS	**38.837**	**34.115**
Equity	**24.503**	**18.840**
Non current provisions	1.143	904
Non current borrowings	3.080	2.870
Long term accrued expenses	362	303
Non current liabilities	**4.585**	**4.077**
Current borrowings	55	5
Suppliers	4.790	6.091
Suppliers related companies	3.560	3.793
Current tax liabilities and other payables	1.344	1.309
Current liabilities	**9.749**	**11.198**
TOTAL LIABILITIES	**38.837**	**34.115**

In Thousands of euros

Strategy and Outlook

Strategy

- ✓ Optimisation plan within its commercial structure to improve the average revenue per store in a mid term.

- ✓ Accelerate digital business in respond to company's desire to accelerate its development in new markets and achieving it through a commercial strategy with lower operating costs, resulting in greater profitability for the business.

- ✓ Transfer directly-operated stores to franchise status, especially in Spain and Poland.

- ✓ Change centres image towards a format we call *Tienda 2.0*, where customers can head directly for products not linked to weight loss without requiring advice, given that said products are all categorised. This will allow us to promote the items we already have on sale and which do not currently make a significant contribution in terms of turnover.

Goals

- ✓ Increase sales in main countries and new markets.

- ✓ Increase international presence and digital sales.

- ✓ Ensure EBITDA margin of more than 30%.

- ✓ Maintain solid balance sheet and cash generating ability.

For further information see attach result note

Material facts for the period

- 23 February 2018: Final dividend 2017
- 23 February 2018: Annual Corporate Governance Report
- 23 February 2018: Board Members' Compensation Report
- 23 February 2018: Corporate Social Responsibility Report
- 23 February 2018: 2017 Results
- 15 March 2018: Call for the General Shareholders' Meeting 2018
- 20 April 2018: Result of the votes on the proposals from the General Shareholders' Meeting 2018
- 23 April 2018: Termination of contract with managing director, France
- 30 April 2018: Ignacio Bayon, new Chair of the Audit Committee
- 23 July 2018: Interim dividend
- 23 July 2018: Appointment of new managing director in France
- 23 July 2018: 1H18 Results
- 30 October 2018: 3Q18 Results
- 30 October 2018: Second Interim 2018 dividend
- 30 October 2018: Non board member vice secretary of the board of directors appointment
- 24 January 2019: Appointment E-Commerce Director for the united States

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