Naturhouse Health, S.A.
and Subsidiaries

Consolidated Financial Statements
for the financial year
ending 31 December 2017,
prepared in accordance with the International
Financial Reporting Standards
adopted in the European Union (EU-IFRS)
and Consolidated Management Report

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Explanatory Notes to the Consolidated Financial Statements for
Financial Statements for the 2017 financial year

1. Nature and corporate purpose of the companies of the Group

Naturhouse Health, S.A. (hereinafter, the "Company" or the "Parent Company"), was founded for an indefinite period in Barcelona on 29 July 1991. During the current year, the Parent Company has moved its registered office from the previous location at Pasaje Pedro Rodríguez 4-6 in Barcelona to the current location in Calle Claudio Coello, 91 (Madrid). 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"). Note 3 and Annex I detail the main data related to the subsidiaries in which the Parent Company, directly or indirectly, has a holding that have been included in the scope of the consolidation.

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

On 9 April 2015, the Board of Directors of the Parent 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 Parent Company have been listed since 24 April 2015 (See Note 13.a).

2. Basis of the presentation of the consolidated annual accounts

a) Basis of presentation

The consolidated financial statements for Naturhouse Health, S.A.U. and Subsidiaries, which have been obtained from the accounting records kept by the Parent Company and the other entities making up the Group, were prepared by the Directors of the Parent Company on 23 February 2017.

These consolidated financial statements for the financial year ending 31 December 2017 have been prepared in accordance with the provisions of the International Financial Reporting Standards, as approved by the European Union (EU-IFRS), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the European Council, as well as taking into consideration all the accounting principles and standards and valuation criteria that are mandatory, as well as the Commercial Code, Spanish Corporate Law and other corporate legislation applicable. They have been prepared from the Parent Company's individual accounts and those of each of the consolidated companies (detailed in Annex I) and they accurately present the assets, financial position, results of the Group, changes in consolidated equity and consolidated cash flows under EU-IFRS and other regulatory financial reporting frameworks applicable.

The financial consolidated statements for the 2016 financial year were approved by the Annual General Meeting held 27 April 2017 and filed with the Companies Registry of Barcelona.

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

- Statement of Financial Position

- Profit and Loss Account
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows

Since the accounting principles and valuation criteria used in preparing the Group's consolidated financial statements for the 2017 financial year (EU-IFRS) on occasion differ from those used by the Group companies (local regulations), during the consolidation process all the adjustments and reclassifications required to standardise such principles and criteria and to adapt them to the International Financial Reporting Standards adopted by the European Union have been introduced.

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

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

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

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

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

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

b) Adoption of the International Financial Reporting Standards

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

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

Changes in accounting policies and effective breakdowns of information in the year 2017

New accounting standards came into effect in the 2017 financial year, therefore, they have been taken into consideration in the preparation of the attached consolidated financial statements. The following standards have been applied in these consolidated financial statements, but they did not have an impact on the figures and breakdown therein:

New standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
Amendment to IAS 7. Breakdown Initiative (published in January 2016)	Introduces additional breakdown requirements on financing activities.	1 January 2017
Amendment to IAS 12. Recognition of deferred tax assets for unrealized losses (published in January 2016)	Clarification of the principles established regarding the recognition of deferred tax assets for unrealized losses.	1 January 2017
Not approved for use in the European Union:		
Improvements to the IFRS Cycle 2014-2016: Clarification in relation to IFRS 12	The clarification in relation to the scope of IFRS 12 and its interaction with IFRS 5 enters into force in this period.	1 January 2017

Accounting policies issued not in force for the 2017 financial year

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

New standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
New regulations:		
IFRS 15 Revenue from contracts with customers (published in May 2014)	New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31(.	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	Replacing the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
Improvements to the IFRS Cycle 2014-2016	Minor modifications to a series of standards (different effective dates, one of which is 1 January 2017).	1 January 2018
IFRS 16 Leases (published in January 2016)	Replacing IAS 17 and associated interpretations. The main new development lies in the new standard proposing a single accounting model for lessees, which will include all the leases in the balance sheet (with some limited exceptions) with an impact similar to that of the current financial leases (there will be amortization of the asset for the right of use and a financial expense for the amortized cost of the liability).	1 January 2019
Modifications and/or interpretations:		
Amendment to IFRS 4. Insurance contracts (released in September 2016)	Allows the entities under the scope of IFRS 4, the option of applying IFRS 9 ("overlay approach") or its temporary exemption.	1 January 2018

Not approved yet for use in the European Union:		
New regulations:		
IFRS 17. Insurance contracts (published in May 2017)	Replaces IFRS 4. It includes the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the financial statements.	1 January 2021
Modifications and/or interpretations:		
Amendment to IFRS 2. Classification and valuation of share-based payments (published in June 2016)	These are limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payments with net settlement features and some aspects of the amendments to the type of share-based payments.	1 January 2018
Amendment to IAS 40. Reclassification of real estate investments (published in December 2016)	The amendment clarifies that a reclassification of an investment from or to investment property is only permitted when there is evidence of a change in the use thereof.	1 January 2018
IFRIC 22. Transactions and advances in foreign currency (published in December 2016)	This interpretation establishes the "transaction date" for the purposes of determining the exchange rate applicable in transactions with foreign currency advances.	1 January 2018
IFRIC 23. Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Amendment to IFRS 9. Characteristics of early cancellation with negative compensation (published in October 2017).	The valuation at amortized cost of some financial instruments with characteristics of advance payment allowing the payment of an amount less than the unpaid amounts of capital and interest is allowed.	1 January 2019
Amendment to IAS 28. Long-term interest in associates and joint ventures (published in October 2017).	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendment to IAS 19 Amendment, reduction or termination of a plan	In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses in the determination of the cost of the services and the net interest for the period after the change of plan	1 January 2019
Amendment to IFRS 10 and IAS 28. Sale or contribution of assets between an investor and its associate/joint venture (published in September 2014)	Clarification regarding the income from these operations in the case of asset businesses.	No definite date

Improvement to IFRS cycle 2015-2017 (published in December 2017)	Minor modifications of a set of standards	1 January 2019

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

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

IFRS 15 Revenue from contracts with customers

IFRS 15 is the comprehensive standard for the recognition of income with customers, which will replace the following norms and interpretations currently in force: IAS 18 Revenue from ordinary activities, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 income-swaps of advertising services.

The requirements of IFRS 15 establish that income must be recognized in such a way that the transfer of promised goods or services to customers is shown at an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods or services. Specifically, it establishes an income recognition approach based on five steps:

- Step 1: Identify the contract or contracts with a customer.
- Step 2: Identify the obligations of the contract.
- Step 3: Determine the price of the transaction.
- Step 4: Distribute the price of the transaction between the obligations of the contract.
- Step 5: Recognize income when (or as) the entity complies with each of the obligations.

The Group has revised its revenue recognition policy in order to adapt it to the criteria for applying IFRS 15 in its business activities based on an analysis of the different types of contracts with which the Group operates.

In the case of income obtained through franchisees, there is a single performance obligation that is satisfied at a particular moment and specific time and whose price is determined in contracts with customers so, as a general rule, the recognition income in these activities is not complex and this occurs to the fulfilment of said performance obligation in accordance with the conditions of transfer of ownership of the merchandise sold. On the other hand, in own stores, the performance obligations of product sales and dietary advice are equally satisfied at a specific moment and time and their price is not variable nor are there guarantee commitments or second free visits with customers, nor any other type of commitment acquired with them, for which reason the Group considers that, in any case, the performance obligations are met under the same conditions as the current method of income recognition. Finally, master franchise revenues are already accrued in accordance with the estimated compliance of their performance obligations.

In conclusion, based on the revenue recognition policy and the analysis performed, the time of the recognition of Grupo Naturhouse's income is expected to be consistent with the Group's current practice, so the Management does not expect the application of the IFRS 15 to have other significant impacts on the financial and performance situation of the entity.

IFRS 9 Financial Instruments:

IFRS 9 will replace IAS 39 from the year beginning on January 1, 2018, and will affect both financial assets and liabilities, covering three major blocks: (i) Classification and measurement, (ii) impairment of value and (iii) hedge accounting. The Group has made a preliminary analysis of the impacts that IFRS 9 would have on the consolidated financial statements corresponding to the annual closing ended on December 31, 2017. The most relevant conclusions of the possible effects on the Group obtained from the evaluation carried out are the following:

- *Classification and measurement of financial instruments*

  The new asset classification approach is based on the contractual characteristics of the cash flows of the assets and the Group's business model. According to them, all assets will be classified into three categories: (i) amortized cost, (ii) fair value with changes in other comprehensive income (equity) and (iii) fair value with changes in profit and loss.

  From the preliminary analysis, there are no significant changes in the classification and measurement of financial assets based on the type of financial instruments and the Group's current business model. The transition from the four current classifications of IAS 39 to the three new classifications established in IFRS 9 will imply a change in the nomenclature, but not impacts on the valuation at the transition date.

- *Impairment of financial assets*

  The new standard replaces the "Loss incurred" models established in the current IAS 39 for a single "expected loss" model. This new model requires the recording, on the date of initial recognition of the financial assets, of the expected loss resulting from a "default" event during the next 12 months or throughout the life of the contract, depending on the evolution of the credit risk of the financial asset since its initial recognition on the balance sheet or by application of the "simplified" models permitted by the standard for certain financial assets.

  Based on the results of the preliminary estimate of the expected loss model on the additional allocation required by the application of the new model of the balances of financial assets held as of January 1, 2018, it is estimated that the additional impairment provisions would not be significant given that the Group prepays the majority of its revenues in advance or at the time of sale and there is no high credit risk given the guarantees received from customers, which include guarantees or advances (see Note 15).

IFRS 16 Leases

IFRS 16 will enter into force in 2019 and will replace IAS 17 and the current associated interpretations. The central novelty of IFRS 16 is that there will be a single accounting model for lessees, which will include in the balance sheet all leases (with some limited exceptions) with an impact similar to that of current finance leases (there will be amortization of the asset for the right of use and a financial expense for the amortized cost of the liability) (Note 9).

The Group is assessing the total effect of the application of IFRS 16 in the consolidated annual accounts. IAS 17 does not require the recognition of any asset or liability for right of use for future payments for these leases; however, certain information is disclosed as operating lease commitments in note 9.

The Management has initiated a project with the purpose of analysing all the leases included in the scope of this standard as well as developing the systems of financial information and their controls for the proper accounting of the lease agreements. At the current date, said project is ongoing. The Group does not intend to apply this rule in advance and, at the current date, estimates that its application will be made using the prospective method, that is, prospectively without adjustment to the opening balance of the equity (reserves or as corresponds) to the date of first application.

c) Functional currency

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

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

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

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

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

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

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

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

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

e) Information comparison

The information contained in this consolidated report referring to the 2016 financial year is presented, for comparison purposes, with information from the 2017 financial year.

f) Relative importance

When determining the information to be broken down in the consolidated notes on the different items of the consolidated financial statements or other matters, the Group has taken into consideration the relative importance in relation to these consolidated financial statements for the 2017 financial year.

1. Consolidation criteria

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

a) **Subsidiaries and associates**

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

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

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

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

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

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

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

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

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

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

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

c) Variations in the scope of the consolidation

2017 Financial year-

During 2017 there have been no changes in the consolidation perimeter of the Naturhouse Group.

2016 Financial year-

During 2016, the Naturhouse Group increased the holding held in Zamodiet México S.A. de C.V., from 51% to 79%, given that the Parent Company acquired 29,389 new shares through capitalization of loans.

None of the variations in the scope of the 2017 and 2016 financial years has resulted in a business combination within the scope of IFRS 3.

2. Distribution of profit

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

	Thousands of Euros	
	2017	2016
Distribution basis:		
Profit for the financial year	22,088	22,843
	22,088	**22,843**
Distribution:		
To voluntary reserves	2,888	43
To interim dividend	12,000	12,000
To dividends	7,200	10,800
Total	**22,088**	**22,843**

Once the proposed distribution of profit for the 2017 financial year has been taken into consideration and including the interim dividend, the total dividends to be distributed against the profit for the 2017 financial year amounts to 19,200 thousand euros.

In accordance with the requirements of Article 277 of Spanish Corporate Law, the provisional financial statements prepared by the Parent 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 2017

On 21 July 2017, the Parent Company's Directors agreed to distribute an interim dividend for the 2017 financial year amounting to 12,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01/01/2017	15,333
Estimated Corporate Tax	(858)
Allocation to statutory reserves	-
Maximum amount available for distribution	**14,475**
Liquid Assets and Short-Term Group Financial Investments (*)	20,429
Interim dividend	(12,000)
Remaining liquid assets after payment	**8,429**

Year 2016

On 22 July 2016, the Parent Company's 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**

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

	2017	2016
Dividends:		
Dividends distributed and paid (in thousands of euros)	22,800	16,949
Dividends agreed to be distributed (in thousands of euros)	19,200	22,800
Number of shares	60,000,000	60,000,000
Dividend per share distributed and paid (in euros)	0.38	0.28
Dividend per share agreed to be distributed (in euros)	0.32	0.38

3. Valuation standards

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

a) Intangible assets

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

Research and Development

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

The expenses recorded in the consolidated profit and loss account for the 2017 financial year amounted to 20 thousand euros (26 thousand euros in the 2016 financial year).

Transfer Rights

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

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Group are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 7. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

Software

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

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

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

b) Tangible fixed assets

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

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

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

Financial expenses, incurred during the construction or production period prior to commissioning the assets, are capitalized, with both the sources of specific financing intended expressly for acquiring the fixed asset element, as well as the sources of generic financing in accordance with the guidelines established for qualifying assets in IAS 23. During the 2017 and 2016 financial years, there were no financial expenses capitalized as a higher value of an asset.

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

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

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

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

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

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

c) Impairment of non-financial assets

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

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

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

The Group annually evaluates the existence of impairment indicators (or in interim periods in the event of evidence of impairment occurring). As of the date of these consolidated financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Group has not subjected any non-financial assets to impairment. On the other hand, the Group has no significant intangible assets or any trade fund as of 31 December 2017, excepting the brands stated in Note 7 which, in accordance with the gross margins obtained in their marketing, have not been subjected to the impairment test as of 31 December 2017 due to there not being any impairment indicators.

d) Operating and financial leases

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

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

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

Rentals do not have periods of shortages or countervailing clauses that generate a future payment commitment obligation, which could have a significant impact on these consolidated financial statements.

e) Financial instruments

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

In the 2017 financial year, the Group applied the valuation standards listed below to its financial instruments:

Financial assets

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

- Loans and accounts receivable
- Financial assets available for sale

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

1. *Loans and accounts receivable*

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

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

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

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

2. *Financial assets available for sale*

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

All the financial assets available for sale held by the Group at yearend 2017 mainly relate to shares in companies listed on the Stock Exchanges.

Initial valuation

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

Subsequent valuation

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

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

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

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

Financial liabilities

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

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

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

f) Stock

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

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

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

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

g) Cash and other equivalent liquid assets

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

h) Provisions and contingencies

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

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

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

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

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

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

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

i) Redundancies

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

j) Commitments to staff

The long term benefits liability recognised in the consolidated statement of financial position attached represents the current value of the obligations assumed at the date of closure by the Italian subsidiary Naturhouse, S.R.L. (Note 14). The Group recognises as an expense or accrued income by way of long term benefits the net cost of the services provided during the financial year, as well as that corresponding to any reimbursements and the effect of any reduction or settlement of commitments assumed. The Group has considered the effect of updating such provision and the consequent financial impact on the consolidated equity and income to be insignificant.

k) Corporate tax and deferred taxes

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

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

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

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

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

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

l) Foreign currency

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

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

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

m) Recognition of income

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

Sale of goods

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

- the Group has transferred to the buyer the main risks and rewards arising from ownership of the goods;
- the Group does not maintain any involvement in the current management of the goods sold, nor does it retain effective control over them;
- the amount of income can be reliably determined;
- it is likely that the Group will receive the economic benefits arising from the transaction;

The sale of goods is primarily carried out through the sale of products to the franchisee customer, or directly to end customers (consumers) through the shops owned by the Group.

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

Provision of services

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

Other operating income

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

Interest and dividend income

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

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

n) Recognition of expenses

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

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

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

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

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

ñ) Transactions with related parties

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

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

Transactions with related parties not conducted at market prices are accounted for at their fair value. During the 2017 and 2016 financial years, this situation has not arisen.

o) Environmental information

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

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

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

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

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

p) Segment information

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

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

q) Consolidated statement of cash flows

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

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

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

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

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

r) Earnings per share

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

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

4. Exposure to risk

Financial risks

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

1. Credit risk

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

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

The Group's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the consolidated statement of financial position net of provisions for bad debts, estimated by the Group's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the consolidated statement of financial position attached as of 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Provision for bad debts	(9)	(179)

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

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

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

The average collection period varies, depending on the country, between 30 and 60 days, although a very significant portion of sales is collected in advance or 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 Group has the liquid assets shown on its statement of financial position, as well as financing and credit lines detailed in Note 15.

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

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

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

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

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

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

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of yearend 2017 and 2016, 100% of the borrowings were at variable interest rates.

However, as of yearend 2017 and 2016, the Group has an amount available in liquid assets that is much higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

This way, the Company has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2017 and 2016 financial years.

With regard to exchange rate risk, the Group does not operate significantly internationally in countries with currencies other than the euro and, therefore, its exposure to exchange rate risk from foreign currency transactions is not significant, except for its exposure to the Zloty (Poland), which represents 12% and 7% of the Group's sales and assets, respectively.

Capital management

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

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

The net financial debt ratio to Operating Income before amortization, impairment and other income as of 31st December 2017 and 2016 is at -0.3 and -0.4, respectively. In calculating this ratio, the Parent Company has considered the headings of the consolidated statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt.

5. Intangible assets

The changes in this heading in the consolidated statement of financial position for the financial years 2017 and 2016 were as follows:

Cost	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2015	**88**	**2,347**	**187**	**83**	**2,705**
Additions	9	2	15	-	26
Withdrawals	(71)	-	(19)	-	(90)
Transfers	-	-	3	-	3
Balance at 31 December 2016	**26**	**2,349**	**186**	**83**	**2,644**
Additions	-	8	84	-	92
Withdrawals	(4)	(5)	(4)	-	(13)
Balance at 31 December 2017	**22**	**2,352**	**266**	**83**	**2,723**

Accumulated amortization	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2015	**(4)**	**(373)**	**(117)**	**(18)**	**(512)**
Allocations	(14)	(233)	(40)	(5)	(292)
Applications	39	-	21	-	60
Transfers	-	-	-	(3)	(3)
Balance at 31 December 2016	**21**	**(606)**	**(136)**	**(26)**	**(747)**
Allocations	(13)	(235)	(46)	(2)	(296)
Applications	-	5	2	-	7
Balance at 31 December 2017	**8**	**(836)**	**(180)**	**(28)**	**(1.036)**

Net book value	Thousands of Euros	
	31/12/2017	31/12/2016
Transfer rights	30	47
Industrial property	1,516	1,743
Software	86	50
Other intangible assets	55	57
Total Intangible Assets	**1,687**	**1,897**

During the 2017 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 1,496 and 1,729 thousand euros as of 31 December 2017 and 31 December 2016, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Parent Company has not subjected them to the impairment test as of 31 December 2017, due to impairment indicators not being seen in them.

As of yearend 2017, the Group had fully amortized intangible assets still in use amounting to 160 thousand euros (86 thousand euros in the 2016 financial year).

The intangible assets located outside of Spain as of 31 December 2017 and 2016 are not significant (see Note 22).

6. Fixed assets

The movement during the 2017 and 2016 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

	Thousands of Euros						
Cost	Land and natural assets	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Assets in construction and advances	Total
Balance at 31 December 2015	**261**	**796**	**6,114**	**371**	**191**	**21**	**7,754**
Additions	-	-	972	101	57	-	1,130
Withdrawals	(5)	-	(1,214)	(156)	(154)	(1)	(1,530)
Transfers	-	(3)	3	-	-	(3)	(3)
Conversion differences	-	-	(12)	-	(1)	-	(13)
Balance at 31 December 2016	**256**	**793**	**5,863**	**316**	**93**	**17**	**7,338**
Additions	32	138	917	105	1	42	1,235
Withdrawals	-	(5)	(604)	(121)	(18)	-	(748)
Conversion differences	-	-	(28)	(1)	-	1	(28)
Balance at 31 December 2017	**288**	**926**	**6,148**	**299**	**76**	**60**	**7,797**

Accumulated amortization	Thousands of Euros				
	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Total
Balance at 31 December 2015	**(84)**	**(2.112)**	**(270)**	**(63)**	**(2,529)**
Allocations	(17)	(617)	(36)	(37)	(707)
Applications	-	661	152	136	949
Conversion differences	-	18	-	-	18
Balance at 31 December 2016	**(101)**	**(2,050)**	**(154)**	**36**	**(2,269)**
Allocations	(23)	(677)	(55)	(46)	(801)
Applications	3	356	130	6	495
Conversion differences	-	12	1	-	13
Balance at 31 December 2017	**(121)**	**(2,359)**	**(78)**	**(4)**	**(2,562)**

Impairment	Thousands of Euros		
	Land and natural assets	Buildings	Total
Balance at 31 December 2015	-	**(200)**	**(200)**
Balance at 31 December 2016	-	**(200)**	**(200)**
Balance at 31 December 2017	-	**(200)**	**(200)**

Net book value	Thousands of Euros	
	31/12/2017	31/12/2016
Land and natural assets	288	256
Buildings	605	492
Other facilities, tools and furnishings	3,789	3,813
Information processing equipment	221	162
Transport elements	72	129
Assets in construction and advances	60	17
Total Tangible Fixed Assets	**5,035**	**4,869**

The additions of the year 2017 correspond, fundamentally, to new installations in new own stores, as well as to improvements necessary for existing ones. On the other hand, disposals of property, plant and equipment correspond to the sale of material from own stores transferred to franchisees or other third parties. The accompanying income statement includes a profit for a total amount of 67 thousand euros recorded under the heading "Impairment and gains or losses on disposals of fixed assets" as a result of the aforementioned losses.

As of 31 December 2017 and 2016 under "Other facilities, tools and furnishings", photovoltaic panels and other fixed assets are included with a net book value amounting to 1,248 and 1,312 thousand euros respectively. These fixed assets are amortized by the straight-line method as with any of the Group's fixed assets, but they do not directly affect the Group's activities. As of 31 December 2017, such fixed assets did not meet the criteria set out by IFRS 5 for classification as "Non-current assets held for sale".

As of 31 December 2017 and 2016, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to and 507 thousand euros, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 9).

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2017, the Parent Company's Directors deem that there was no deficit in insuring against these risks.

The tangible fixed assets located outside the Spanish territory as of 31 December 2017 and 2016 are broken down below:

	Thousands of Euros	
	31/12/2017	31/12/2016
Net book value		
Land and natural assets	288	256
Buildings	605	492
Other facilities, tools and furnishings	1,578	1,621
Information processing equipment	105	85
Transport elements	31	62
Assets in construction	60	17
Total Net book value	**2,667**	**2,533**

The fully amortized tangible fixed assets still in use at yearend 2017 amount to 2,111 thousand euros (1,920 thousand euros at yearend 2016).

As of yearend 2017 and 2016, the Group had no significant firm commitments to purchase tangible assets.

7. Leases

Financial leases

At yearend 2017 and 2016 the Group, in its capacity as financial lessee, has recognised assets that are leased according to that broken down below>

Year 2017

Concept	Contract length in months	Thousands of Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	339	27	7	-
Transport elements	36-48	134	59	22	24	5
Total		**507**	**398**	**49**	**31**	**5**

Year 2016

Concept	Contract length in months	Thousands of Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	293	46	27	7
Transport elements	36-48	134	29	30	22	53
Total		**507**	**322**	**76**	**49**	**60**

The net book value of assets associated with leasing contracts at yearend 2017 and 2016 is as broken down below:

	Thousands of Euros	
	31/12/2017	31/12/2016
Land and structures	304	307
Transport elements	79	95
Total	**383**	**402**

At yearend 2017 and 2016 the Group has contracted with lessors the following minimum lease payments (including, where appropriate, purchase options), according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments:

Financial leases Minimum payments	Thousands of Euros	
	31/12/2016	31/12/2016
Less than one year	31	49
Between one and six years	5	60
Total	**36**	**109**

At the end of 2017 and 2016, financial leases correspond, mainly, to a store located in Lisbon (Portugal) and to commercial vehicles.

Operating leases

At yearend 2017 and 2016 the Group has contracted with lessors the following minimum lease payments, according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments (in thousands of Euros):

Minimum payments	Thousands of Euros	
	31/12/2017	31/12/2016
Less than one year	3,734	3,089
Between one and six years	10,121	8.937
More than five years	3,871	3,158
Total	**17,726**	**15,184**

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

The cost of these leases are recorded under "Other operating expenses" in the accompanying consolidated income statement and amount to 4,271 and 3,736 thousand Euros in 2017 and 2016, respectively.

8. Financial assets

10.1 Non-current financial assets

At 31 December 2017 and 2016, the breakdown under this heading is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Equity instruments		
- Assets available for sale	42	42
- Other equity instruments	76	76
Other financial assets		
- Long term deposits and guarantees	920	874
Total	**1,038**	**992**

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

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

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

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

Assets available for sale

This section shows no transactions for the years 2017 and 2016.

Deterioration of portfolio

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

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

10.2 Investments in associates and affiliates

Investment accounted by equity method

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

As established by IFRS 10, the Group do not have control over this company as it lacks the majority of the voting rights in its Governing Body. However, as established by IFRS 11, it is considered that there is joint control over such company (joint venture) as the Group, with the voting rights it holds, can veto any significant decision, consequently, decisions on relevant activities require the unanimous consent of the parties sharing control. The remaining Ichem shareholders are the related company Zamodiet, S.A., with 24.9%, and Polish individuals or entities without any connection to Naturhouse, with 50.2%. All its product purchase transactions are made at market prices (supported by a study conducted by tax advisers, Note 19).

During the 2017 financial year, the Group continued to exercise joint control over Ichem, Sp. zo.o given that there have been no changes in the company's governance structure.

The breakdown on investment in equity accounted companies at yearend 2017 and 2016, as well as the movement occurring during both periods, is as follows:

Year 2017

	Thousands of Euros					
	Balance on 1 January 2017	Participation in results from equity-accounted companies	Dividends	Other movements	Conversion differences	Balance on 31 December 2017
Ichem Sp. Zo.o	3,208	434	(643)	(40)	177	3,136

Year 2016

	Thousands of Euros					
	Balance on 1 January 2016	Participation in results from equity-accounted companies	Dividends	Other movements	Conversion differences	Balance on 31 December 2016
Ichem Sp. Zo.o	3,140	820	(545)	(81)	(126)	3,208

Other information related to this investee is as follows (figures as of 31 December 2017 and in thousands of Euros):

Name and Registered Office	Activity	Total Assets	Equity	Sales (*)	Result after tax (*)
Ichem Sp. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	16,078	12,596	16,264	1,745

(*) Sales and result from Ichem, Sp. Zo.o included that corresponding to the year ended 31 December 2017. The total assets and equity is presented at the closing rate as of 31 December 2017, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2017 financial year.

9. Stock

The breakdown of "stock" in the consolidated statement of financial position attached, to 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Goods	4,449	4,231

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

10. Cash and other equivalent liquid assets

Nearly all of the balances of this item of the consolidated statement of the financial position as of December 31, 2017 and 2016 correspond to the amount deposited in current accounts and financial deposits of less than 3 months that the Group held at such dates with financial entities, freely available and remunerated at market rates, the amount of cash and due from banks is not significant.

11. Net equity

a) Share Capital

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

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

As of 31st December 2017, the Parent Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Parent Company's share capital, both directly as well as indirectly, higher than 3% of the share capital as of 31 December 2017 are as follows:

Shareholder	%
Kiluva, SA	72.60
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 Parent Company have no knowledge of other shares equal to or higher than 3% of the Parent Company's share capital or voting rights, or that are lower than the percentage established, allowing significant influence to be exercised over the Parent Company.

b) Distribution of profit and dividends

On 27 April 2017, the Annual General Meeting approved the allocation of the Parent Company's profits for the 2016 financial year, which amounted to 22,843 thousand euros, to dividends amounting to 22,800 thousand euros, of which 12,000 thousand euros had been distributed as interim dividends for the 2016 financial year.

Additionally, on 20 July 2017, the Parent Company distributed interim dividends amounting to 12,000 thousand euros for the profit for the 2017 financial year.

c) Legal reserve

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

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

As of 31 December 2017, this reserve of the Parent Company has been completely established.

d) Net equity attributable to minority interests

The breakdown of this heading in the consolidated statement of financial position attached, to 31 December 2017 and 2017 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Zamodiet México, S.A de C.V.	28	38
Total	**28**	**38**

The variations in the years 2017 and 2016 in this section of the consolidated statement of financial position is attached below:

	Thousands of Euros
Balance on 31 December 2015	**161**
Profit attributable to minority interests	(22)
Conversion differences	(9)
Other movements	(92)
Balance on 31 December 2016	**38**
Profit attributable to minority interests	(7)
Conversion differences	(3)
Balance on 31 December 2017	**28**

e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, 31 December 2017 and 2016 corresponds to the exchange differences that occur as a result of the conversion into Euros of financial statements of subsidiaries whose local currency is not the Euro: Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse Sp. zo.o. (Poland), Ichem Sp. zo.o (Poland), Zamodiet México, S.A. (Mexico), Naturhouse Inc. (US) and Naturhouse d.o.o. (Croatia), according to the following breakdown:

	Thousands of Euros	
	31/12/2017	31/12/2016
Naturhouse Inc.	(121)	(5)
Naturhouse Sp. zo.o.	(151)	(262)
Ichem Sp. Zo.o	(33)	(192)
Other	(104)	(94)
Total	**(409)**	**(548)**

f) Treasury Shares

As of yearend 2017 and 2016, the Parent Company held company shares in accordance with the following breakdown:

Year	Number of shares	Euros		
		Nominal value	Average acquisition price	Total acquisition cost
2017	14,000	700	4,58	64,186
2016	49.500	2.475	4,58	226,942

As of 31 December 2017, the Parent Company's shares held by it represent 0.02% of the Parent Company's share capital, totalling 14,000 shares with a cost of 64 thousand euros and an average purchase price of 4.58 euros per share.

The movement in company shares during the 2017 2016 financial years has been as follows:

Number of shares	2017	2016
Start of the financial year	49.500	52.816
Purchases	-	214.325
Sales	(35.500)	(217,641)
Year end	**14,000**	**49,500**

Additionally, profits from the sale of company shares have been registered in equity for a total amount of 10 thousand euros (52 thousand euros in 2016).

g) Profit / (loss) per share

The profit or loss per share is calculated based on the profit or loss attributable to shareholders of the parent company by the average number of ordinary shares outstanding during the period. At yearend 2017 and 2016, the profit or loss per share is as follows:

	31.12.2017	31.12.2016
Weighted average number of shares in circulation	60,000,000	60,000,000
Average number of own shares	31,750	51,158
Average number of actions to determine basic benefit per share	59,968,250	59,948,842
Consolidated Net Income of the Parent Company (Thousands of Euros)	19,855	22,504
Number of own shares	14,000	49,500
Profit /(loss) per share (in Euros per share)(*)		
- Basic	0.33	0.38
- Diluted	0.33	0.38

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

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

12. Provisions and contingencies

a) Non-current provisions

The balance of other non-current provisions mainly refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 730 thousand euros at yearend 2017 (711 thousand euros in 2016). This TFR commitment (end-of-contract severance pay), payable at the time of termination of the employment relationship, regardless of whether the termination is voluntary or not. As of 1 January 2007, with the regulatory change in Italy, the reserve constituted for TFR up until 31 December 2006 remains in the company, and is revalued within the parameters of Law 297/82, and the withholding of wages paid to each employee is paid by the company to INPS (Italian state entity equivalent to Social Security). This commitment is not outsourced and the expense thereof is recorded under "Personnel expenses" in the consolidated income statement, which amounted to 19 and 25 thousand Euros for the years 2017 and 2016, respectively.

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

b) **Contingencies**

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

13. Financial debt

The breakdown of current and non-current financial debt of the Group at 31 December 2017 and 2016 is as follows:

Year 2017

	Thousands of Euros			
	Amount	Maturity		
	Initial or Limit	Non-	Current current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	31	5	36
Subtotal of debts to credit institutions:	**-**	**31**	**5**	**36**
Other financial liabilities	-	24	3,075	3,099
Total	**-**	**55**	**3,080**	**3,135**

Year 2016

	Thousands of Euros			
	Amount	Maturity		
	Initial or Limit	Non-	Current current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	49	60	109
Subtotal of debts to credit institutions:	**-**	**49**	**60**	**109**
Other financial liabilities	-	41	3.117	3.158
Total	**-**	**90**	**3.177**	**3.267**

Loans and credit facilities

The Group does not hold open balances at the close of the 2017 and 2016 periods for loans and/or credit policies.

Other financial liabilities

Included under the heading "Other non-current financial liabilities" are the amounts given as surety by franchisees of S.A.S Naturhouse (France) to guarantee compliance with its contractual obligations. Naturhouse in guarantee of compliance with its contractual obligations. In the rest of the Group companies, these guarantees are obtained through bank guarantees. At 31 December 2017, these deposits are valued at amortized cost.

14. Commercial debtors and other accounts payable

The balances of this heading in the current liabilities of the consolidated statement of financial position at 31 December 2017 and 2016 have the following composition:

	Thousands of Euros	
	31/12/2017	31/12/2016
Suppliers	2,061	2,477
Various creditors	542	792
Staff (remuneration pending payment)	1,574	1,522
Short-term accruals	612	490
Total	**4,790**	**5,281**

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

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

Information on the average payment period to suppliers

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

	31.12.2017	31.12.2016
	Days	Days
Average payment period to suppliers	42,74	44,57
Ratio of paid operations	44,84	44,99
Ratio of operations pending payment	28,62	42,28
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
Total payments made	11,191	10,212
Total outstanding payments	1,454	1,853

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

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

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

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

15. Tax situation

17.1 Current balances with Public Administrations

The composition of current balances with Public Administrations at 31 December 2017 and 2016 is as follows:

Debit balances

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT (refund) receivable	167	320
Other concepts (refund) receivable	-	354
Corporation tax (refund) receivable	9,206	5.247
All other credit with Public Administration bodies	**9,373**	**5.921**

Credit balances

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT (refund) payable	219	109
VAT (refund) withholdings payable	630	581
Creditor Social Security Organisms	465	640
Corporation tax (refund) payable	28	374
Other concepts (refund) payable	2	1
All other debts with Public Administration bodies	**1,344**	**1.705**

17.2 The reconcilement between income and expenses for Corporation Tax

At 31 December 2017 and 2016, the Group is not established in the consolidated statement regime, therefore the heading "Income Tax Payments" in the consolidated income statement reflects the sum of the amounts reported in the individual statements of each of the Group companies from the time of inclusion in the scope of each one of them.

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

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

	Thousands of Euros	
	2017	2016
Consolidated profit before tax	28,656	32,104
Permanent differences and consolidation adjustments	331	500
Adjusted profit	**28,987**	**32,604**
Tax rate	*25%*	*25%*
Profit adjusted according to tax rate	**7,247**	**8,151**
Negative tax bases not activated	-	(501)
Differences according to tax rate	1,273	1,289
Other adjustments	288	683
Total tax expense	**8,808**	**9,622**

In the 2016 financial year, the Parent Company offset negative tax bases amounting to 2,006 thousand euros (a quote of 501 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 Parent Company's net turnover was less than 60 million euros, the applicable offset limit on negative tax bases was 50%, which has not been exceeded with the offset of the tax bases.

In 2016, the "Other adjustments" included the penalty received by the Italian subsidiary from the tax authorities of that country for an amount of 320 thousand euros once a tax inspection of said subsidiary was completed (Note 17.6).

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at yearend 2017 are as follows:

Country	Tax rate
Spain	25%
France	33.33%
Italy	24%
Poland	19%
Portugal	21%
Mexico	30%
United Kingdom	20%
Belgium	33.99%
Germany	30%
Croatia	20%
Lithuania	15%
United States	35% (*)

(*) 21% in 2018 and following

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

	Thousands of Euros	
	2017	2016
Expense/(income) deferred tax	87	174
Expense/(income) current tax	8,721	9.448
Total expense (income) due to tax	**8,808**	**9.622**

As a result of the payments on account for Corporate Tax made in the 2017 financial year essentially originating in the Parent Company following the publication of Royal Decree-Law 2/2016, of 30 September, introducing taxation measures aimed at reducing the public deficit, at yearend the Group holds a balance to be recovered from the Tax Administration for this item amounting to 8,281 thousand euros, which has been registered as a current tax asset.

17.3 Recorded deferred tax assets

The breakdowns regarding the balance on this account at the close of the year 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Temporary differences (prepaid taxes):		
Tax effect of the consolidation adjustments	124	160
70% depreciation limit	83	97
Others	117	15
Total deferred tax assets	**324**	**272**

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

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

17.4 Non-recorded deferred tax assets

At yearend 2017 and 2016, there are no significant deferred tax assets that are not registered on the consolidated balance sheet.

17.5 Deferred tax liabilities

The breakdowns regarding the balance on this account at the close of the year 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Temporary differences (deferred taxes):		
Financial leases	329	345
Others	33	56
Total deferred tax liabilities	**362**	**401**

17.6 Years pending approval and auditing actions

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

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

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

However, during the year 2017, the tax inspection of the corporate tax for the year 2012 of the Italian subsidiary was initiated and resolved, with a penalty of 229 thousand euros.

Additionally, during 2016, the following inspections were completed and no significant liabilities were derived from the Group:

- Tax inspection concerning corporate tax for the 2013 financial year of the Italian subsidiary, with a penalty amounting to 409 thousand euros, of which 320 thousand euros correspond to corporate tax and 89 thousand euros to interest on arrears and penalties.
- Tax inspection concerning corporate tax for the 2013 and 2014 financial years of the French subsidiary, with a total penalty of 76 thousand euros corresponding to corporate tax.

As of the date of drawing up these financial statements, there are no ongoing tax inspections. In addition, no additional significant liabilities for the Group are expected to accrue as a result of the inspection of financial years pending inspection.

16. Income and expenses

18.1 Net amount of revenue

The breakdown of net revenues for the years of 2017 and 2016 of the Group is detailed below:

	Thousands of Euros	
	2017	2016
Sales	93,590	96,760
Provision of services	1,110	1,055
Total	**94,700**	**97,815**

18.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2017 and 2016 has the following composition:

	Thousands of Euros	
	2017	2016
Consumption of merchandise:		
Purchases	27,338	29,327
Variation in stock	(218)	(689)
Total	**27,120**	**28,638**

The breakdowns of the purchases made by the Group during 2017 and 2016, by source, is as follows:

	Thousands of Euros	
	2017	2016
Spain	5,022	5,348
Europe	22,303	23,936
Others	13	43
Total purchases	**27,338**	**29,327**

The breakdown of staff expenses accrued during 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expense	14,995	14,841
Social security contributions	4,406	4,244
Severance indemnities	989	183
Total	**20,390**	**19,268**

18.4 Financial income and expenses

The breakdowns of the financial result of the Group during the year 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Financial income	**65**	**55**
In third parties	65	55
Financial expenses	**(93)**	**(112)**
Debts with third parties	(93)	(112)
Exchange differences	**(12)**	**(34)**
Financial result	**(40)**	**(91)**

18.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2017 and 2016 has the following composition:

	Thousands of Euros	
	2017	2016
Leases	4.271	3,736
Repairs	421	367
Transportation	2,593	2,641
Supplies	1,033	745
Advertising	5,647	5,298
Other external services	4,679	4,977
Total	**18,644**	**17,764**

17. Balances and transactions with related parties

The following are considered related parties:

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

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

19.1 Balances with affiliate companies

As of December 31 2017 and 2016, the Group had the following balances with affiliated companies:

	Thousands of Euros			
	Debit balances		Credit balances	
Company	2017	2016	2017	2016
Short-term financial balances				
Kiluva, SA	-	49	-	-
Tartales, SLU	1	-	-	-
Total short-term financial balances	**1**	**49**	**-**	**-**
Short-term commercial balances				
Gartabo, SA	-	-	42	-
Girofibra, SL	-	-	113	228
Healthouse Sun, S.L.	-	-	1	2
Ichem Sp. Zo.o	-	-	2,718	3,353
Indusen, SA	-	-	650	823
Kiluva, SA	-	-	12	-
Abbot Laboratories, SLU	-	-	9	4
U.D. Logroñés, SAD	-	-	7	-
Zamodiet, SA	-	-	8	8
Ferev Uno Strategic Plans, S.L.	-	73	-	-
Ferev S.A.R.L.	301	127	-	-
Total short-term commercial balances	**301**	**200**	**3,560**	**4,418**
Total	**302**	**249**	**3,560**	**4,418**

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

19.2 Transactions with affiliate companies

During the years 2017 and 2016, the Group performed the following transactions with related companies:

	Thousands of Euros	
Company	2017	2016
Sales		
Gartabo, SA	-	2
Healthouse Sun, S.L.	2	4
Ichem Sp. Zo.o	-	30
Laboratorios Abad, S.L.U.	-	2
Ferev S.A.R.L.	254	-
Services provided		
Kiluva, SA	-	24
Total operating revenues	**256**	**62**
Purchases		
Girofibra, SL	1,197	1,179
Ichem Sp. Zo.o	15,954	17,902
Indusen, SA	3,630	4,012
Laboratorios Abad, S.L.U.	195	158
Services received		
Ichem Sp. Zo.o	30	34
Heatlhouse Sun, S.L.	204	167
Girofibra, SL	2	2
Luair, S.L.U. (Directly and indirectly)	337	336
U.D. Logroñés, SAD	269	313
Ferev Uno Strategic Plans, S.L.	-	20
Leasing and Insurance		
Kiluva, SA	14	30
Tartales, SLU	380	340
Total operating expenses	**22,212**	**24,493**

Consideration should be given to the dividend distributions described in Note 13.

Likewise, there are transactions with a company related to a member of the Parent Company's Board of Directors amounting to 62 thousand euros in the 2017 financial year (60 thousand euros in the 2016 financial year).

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

As of the date of drawing up these financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2016 financial year together with its tax advisors, which includes the main transactions that the Parent Company performs with its related companies:

- Royalties from the sale of brands

- Support services to the management (management fees).

- Sale of products

- Purchase of products

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

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

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

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

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

This report has been issued in relation to transactions with affiliate companies in 2016. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2017 financial year, consequently, they believe that they are duly backed up.

19.3 Compensation to Directors and Senior Management of the Parent Company

During 2017 the current Directors of the Parent Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 268 (240 thousand Euros). Additionally, they have received remuneration indicated in the following paragraph for the development of their executive positions. On the other hand, no member of the Board of Directors maintains any advance with the Parent Company at the close of the 2017 and 2016 years. Finally, there are no bank guarantees granted, or other commitments made, regarding pensions or life insurance policies with the Directors.

The compensation received in the year 2017 by the senior executives of the Group amounted to 3,787 thousand Euros for salaries and wages and services and compensations (1,782 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Group has received no remuneration for other services. The remunerations received by the Group's Senior Management in the 2016 financial year amounted to 3,015 thousand euros (1,791 thousand euros received by members of the Board of Directors in the development of their executive positions).

At yearend 2017 and 2016 the body of the Senior Management of the Group consists of the following persons:

	2017		2016	
Categories	Men	Women	Men	Women
Senior Management	8	1	7	1

As of yearend 2017 and 2016, there are no advances (except for what is stated above), loans granted, pension obligations or life insurance obligations with Senior Management.

The Board of Directors consists of six men and one woman at the end of 2017 (six men and two women at the end of 2016).

The Parent Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros to 31 December 2017 (5 thousand euros in 2016).

19.4 Information relating to conflicts of interest by the Directors

As of year-end 2017, 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.

18. Information on the environment

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

19. Other information

21.1 Personnel

The average number of employees during the years 2017 and 2016, broken down by category, is as follows:

	Number of employees	
Categories	2017	2016
Senior Management	8	8
Rest of Senior Staff	25	22
Administrative and technical staff	42	62
Commercial, sales' staff and operators	468	398
Total	**544**	**490**

Likewise, the gender distribution of the Group at the end of the years 2017 and 2016, broken down by category, is as follows:

	2017		2016	
Categories	Men	Women	Men	Women
Senior Management	8	1	7	1
Rest of Senior Staff	18	8	7	11
Administrative and technical staff	6	39	11	47
Commercial, sales' staff and operators	16	477	40	362
Total	**48**	**525**	**65**	**421**

21.2 Audit fees

During 2017 and 2016, the fees for audit services and other services provided by the auditor of the consolidated annual accounts of the Group, Deloitte, S.L. and companies belonging to the Deloitte network, as well as fees for services billed by the auditors of individual annual accounts of the companies included in the consolidation and by entities linked to same by control, common ownership or management, were as follows (in thousands of Euros):

Description	Audit Services from the main auditor	
	Year 2017	Year 2016
Audit Services	134	137
Other verification services (*)	30	26
Total auditing and related services	**164**	**163**
Tax Advice Services	-	-
Other services	-	-
Total Professional Services	**164**	**163**

(*) 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 2017 and a report on agreed procedures (same concepts referred in 2016).

20. Information by segments

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

Segmentation criteria

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

- Spain
- France
- Italy
- Poland
- Other countries

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

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

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

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

- It has different financial information.

Basis and methodology of the information by business segment

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

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

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

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

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

Information regarding the consolidated income statements for 2017 and 2016, broken down by Segment, is as follows:

	Thousands of Euros													
	Sectors												Total	
	Spain		France		Italy		Poland		Other countries		Others and elimina.			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External Sales	19,343	19,181	40,875	41,074	20,764	22.473	11,208	12,501	2,510	2,586	-	-	94,700	97.815
Sales between sectors	5,638	5,681	314	334	14	14	106	29	250	202	(6,322)	(6,260)	-	-
Other operating income	376	120	142	46	141	143	87	153	-	15	-	-	746	477
Total revenues	**25,357**	**24,982**	**41,331**	**41,454**	**20,919**	**22,630**	**11,401**	**12,683**	**2,760**	**2,803**	**(6,322)**	**(6,260)**	**95,446**	**98.292**
Supplies	(6.468)	(6,561)	(11.924)	(12,158)	(5.842)	(6,563)	(4.719)	(5,153)	(915)	(929)	2,748	2,726	(27,120)	(28,638)
Personnel	(7.189)	(6,633)	(5.510)	(4,807)	(5.445)	(5,606)	(927)	(1,202)	(1.318)	(1,020)	(1)	-	(20,390)	(19,268)
Amortization	(559)	(542)	(174)	(158)	(279)	(251)	(155)	(95)	(67)	(105)	137	152	(1,097)	(999)
Other operating costs	(6.226)	(5,942)	(7.652)	(7,446)	(5.074)	(4,892)	(2.009)	(1,910)	(1.326)	(1,107)	3,643	3.533	(18,644)	(17,764)
Impairment losses and income from disposal of fixed assets	40	(174)	15	(10)	-	(51)	22	-	(10)	(13)	-	-	67	(248)
Operating results	**4,955**	**5,130**	**16,086**	**16,875**	**4,279**	**5,267**	**3,613**	**4,323**	**(876)**	**(371)**	**205**	**151**	**28,262**	**31,375**
Financial income	-	-	-	-	-	-	-	-	-	-	65	55	65	55
Financial expenses	-	-	-	-	-	-	-	-	-	-	(105)	(146)	(105)	(146)
Financial result	-	-	-	-	-	-	-	-	-	-	**(40)**	**(91)**	**(40)**	**(91)**
Results of equity method associated companies	-	-	-	-	-	-	-	-	-	-	**434**	**820**	**434**	**820**
Profit / (loss) before tax	**4,955**	**5,130**	**16,086**	**16,875**	**4,279**	**5,267**	**3,613**	**4,323**	**(876)**	**(371)**	**599**	**880**	**28,656**	**32,104**

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

The breakdown per segment of certain items of the consolidated statement of financial position, to 31 December 2017 and 2016 is as follows:

	Thousands of Euros													
	Sectors												**Total**	
	Spain		France		Italy		Poland		Other countries		Others and elimina.			
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	**31/12/2016**
ASSETS														
Other intangible assets	1,591	1,793	14	14	72	79	-	1	10	10	-	-	1,687	**1,897**
Tangible fixed assets	2,367	2,336	733	804	861	701	141	96	933	932	-	-	5,035	**4,869**
Total Assets	**14,688**	**12,183**	**10,013**	**14,384**	**4,814**	**5,956**	**2,871**	**4,635**	**3,545**	**2,914**	**2,906**	**3,176**	**38,837**	**43,248**
Total Liabilities	**2,619**	**2,750**	**3,598**	**4,592**	**3,354**	**3,700**	**1,077**	**1,136**	**582**	**396**	**3,104**	**3,528**	**14,334**	**16,102**

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

Other segment information

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

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

	In Thousands of Euros					
	Spain	France	Italy	Poland	Other	**Total**
Additions 2016	251	359	364	119	63	**1,156**
Additions 2017	421	140	502	165	99	**1,327**

21. Subsequent events

On January 22, 2018, the Parent Company collected an amount of 4,061 thousand euros corresponding to the Corporation Tax for the year 2016 pending repayment by the Spanish Tax Agency.

With the exception of the aforementioned event, there have been no significant subsequent events after the closing of December 31, 2017 and the formulation of the consolidated financial statements.

Madrid, 23 February 2018.

Board of Directors

Consolidated Management Report

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2017

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1. Situation and Business Development

Naturhouse Group is a business group dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. At yearend 2017 it had an active presence in 32 countries through a network of 2,360 centres, with France, Italy, Spain and Poland being its most important markets.

The companies included in full consolidation in the year 2017 are: Naturhouse Health S.A. (Spain), S.A.S. Naturhouse (France), Housediet S.A.R.L. (France), Naturhouse S.R.L. (Italy), Naturhouse Sp Zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Lda (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. of C.V. (Mexico), Nutrition Naturhouse Inc. (Canada), Naturhouse d.o.o. (Croatia), UAB Naturhouse (Lithuania) and Naturhouse Inc. (USA).

The year 2017 is marked by the commercial effort aimed at the consolidation of existing markets, especially in Europe, and the opening of new international geographic markets, specifically the United States and the United Kingdom. Likewise, the strategy of the company has been marked by increasing the profitability of the Naturhouse stores and the type of customers.

The Annual General Meeting was held on 27 April 2017, 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 2.016.
- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2.016 financial year.
- Approval of the management of the Board of Directors for the year 2016.
- Ratification and appointment as Independent Director of Mr Ignacio Bayón Marine.
- Re-election and appointment of Deloitte, S.L. as auditors of the Company for a maximum term of three years for the audit of the Group's individual and consolidated annual accounts, corresponding to the years 2017-2018 and 2019, maximum.
- 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 2016 financial year.
  - Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2.017 financial year.
  - Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2.017 financial year.

- Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury shares, within the limits and legal requirements, directly or through group companies, in accordance with the provisions of article 146 of the Capital Companies Law.

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

On 5th May 2017, an advance dividend distribution for the 2016 financial year was made, amounting to 10,800 thousand euros.

On May 30, 2017, the departure of Mr Olivier Roques as General Director of the subsidiary of Naturhouse Health, S.A in France is made effective. Furthermore, Mr Didier Ricaud, following the favourable report of the members of the Appointments and Remuneration Committee and the conformity of the Board of Directors, has been appointed Director General of France. Mr Ricaud has extensive experience in the retail and franchise sector, having worked for more than 21 years at Ives Rocher, where he held the position of Managing Director of Italy. Later and until his incorporation in Naturhouse he has held the position of Director of Expansion of the Duty Free franchise in Europe. Mr Didier Ricaud graduated from the INSEEC business school in Paris and holds a Master's degree from IPADE Business School.

On June 15, 2017 it is reported that Mrs Isabel Tocino Biscarolasaga has informed the Company of her resignation from her position as Independent Director of the Board of Directors of Naturhouse Health S.A.
Even though this does not imply any legal impediment to her remaining on the Naturhouse Board, the resignation occurred once Mrs Isabel Tocino, as she informs us, learned, through the press, that the President of Naturhouse, in his own right, is a shareholder of Banco Popular, with the current owner being Grupo Santander, of which Mrs Isabel Tocino is an Independent Director.

On June 19, 2017, Mr Andrzej Gladysz, General Director of the Polish subsidiary of Naturhouse Health S.A., stated his decision to leave the company due to health reasons with effect from July 31, 2017. From now on, the Polish subsidiary becomes organically dependent on Mr Kilian Revuelta, the Company's executive vice president, until in November 2017 Mr Piotr Rafat Podlaszewski joins as the country's new general director.

On July 20, 2017, the Board of Directors, with the favourable report of the Appointments and Remuneration Committee, has agreed to appoint as member of the Appointments, Remuneration and Audit Committee, the independent director, Mr Ignacio Bayón Mariné, thus covering the vacancy caused by the resignation of Mrs Isabel Tocino Biscarolasaga. Likewise, it has been agreed to appoint the Independent Director Mr Pedro Nueno Iniesta, President of the Appointments and Remuneration Committee.

On August 1, 2017, the Board of Directors of Naturhouse Health agreed to transfer the registered office from Barcelona on Calle Pasaje Pedro Rodríguez No. 6 to Madrid at Calle Claudio Coello No. 91, with the consequent amendment to the first section of article 3 of the Articles of Association. The reason for this transfer is for operational reasons, because since the company went public, in April 2015, it has consolidated the company and group management in its offices in Madrid. In these offices, in addition to the presidency and vice-presidency, the operating directions of the company are located, and the Board of Directors and its Delegate Committees meet regularly.

On 15 September 2017, the payment of interim dividends was made for the 2017 financial year, amounting to 12,000 thousand euros.

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

Consolidated Profit and Loss Account

(Thousands of Euros)	Year 2017	Year 2016
Net amount of revenue	94,700	97,815
Supplies	(27,120)	(28,638)
Gross Margin	**67,580**	**69,177**
Other operating income	746	477
Personnel costs	(20.390)	(19,268)
Other operating costs	(18.644)	(17,764)
Operating income before depreciation and amortization, impairment and other results	**29,292**	**32,622**
Depreciation and amortization	(1,097)	(999)
Impairment losses and income from disposal of fixed assets	67	(248)
OPERATING INCOME	**28,262**	**31,375**
FINANCIAL RESULT	**(40)**	**(91)**
Results of equity method associated companies	434	820
CONSOLIDATED PROFIT BEFORE TAX	**28,656**	**32,104**
Corporation Tax	**(8,808)**	**(9,622)**
NET INCOME FROM CONTINUING OPERATIONS	**19,848**	**22,482**
CONSOLIDATED NET INCOME	**19,848**	**22,482**

	31.12.2017	**31.12.2016**
Average number of employees	546	490
Gross Margin without Sales	71%	71%
Operating Income without Sales	30%	32%
Net Income without Sales	21%	23%

- 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 98,74% in 2017.

    2. Provision of services
        a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.21% of net turnover for the 2017 financial year.
        b. Master franchise fee: corresponds to the entry fee that the Group bills to the masters franchisees for the operation of the business in an exclusively new country. This fee is charged in advance in the first year of operation of the business and entitles the exploitation of the Naturhouse channel for 7 years. The amount of the fee varies according to the estimated potential number of Naturhouse centres in that country. During 2017, a new franchise master contract was signed in Ireland. This represents 0.05% of net turnover for the 2017 financial year.

- Net turnover in the 2017 financial year amounted to 94,700 thousand euros, representing an decrease of -3.18% over the previous year. This variation mainly includes the following effects:

- In France sales are 40,875 thousand Euros. In the 2016, they were 41,074 thousand euros, a decrease of 0.5%, as a consequence of a poor result in the fourth quarter of 2017 due to the increase in the number of transfers between franchisees, causing a period of low activity.
- In Spain, sales are 19,343 thousand euros. In the 2016, they were 19,181 thousand euros, an increase of 0.8%, as a consequence of the net opening of 6 centres during the year 2017. We confirm the consolidation of the growth in the Spanish market as we advanced in the previous quarters.
- In Italy, sales are 20,764 thousand euros. In the 2016, they were 22,473 thousand euros, a reduction of -7.6%, due to the weakness that retail sales continue to show, not only at a general level but also as far as pharmaceutical products are concerned. The restructuring of the commercial area has also contributed to the specific decrease in productivity in the subsidiary.
- In Poland, sales are 11,208 thousand euros. In 2016 they were 12,501 thousand euros, a reduction of -10.3%, as a result of the transition in the direction of the country, which has concluded with the incorporation of two commercial directors under the direct supervision of a new general director incorporated in November 2017.

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

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

- In 2017 there is an average workforce of 546 employees in the Group, of which 87% 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 13% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.
  Personnel Expenses represents 21,53% of net revenues.

- Other Operating Expenses has increased by 4.95% over the 2016 financial year basically due to the following reasons:
  - Increased Lease costs: Derived from the strategy of the group of opening its own centres for its later transfer to a franchised centre, and going into shopping centres.
  - Expenses derived from the outsourcing of the logistics service in Spain (start of service in June 2016), France, Italy and Poland.

- The operating result on the amount of the turnover decreased one percentage point, from 32% to 30%, as a result of the increase in personnel expenses and other operating expenses on which we have previously commented.

- As a result of the 24.9% stake of the company Ichem Sp zo.o, in the 2017 financial year, 434 euros is registered in the "Results from equity accounted companies" in the attached abridged profit and loss account.

- The net result on the amount of turnover decreased by two percentage points, from 23% to 21%, with respect to the year 2016, as a result of the increase in costs mentioned above.

3. **Consolidated Statement of Financial Position**

ASSET (Thousands of Euros)	31.12.2017	31.12.2016
NON-CURRENT ASSETS:		
Intangible fixed assets	**1,687**	**1,897**
Tangible fixed assets	**5,035**	**4,869**
Non-current financial assets	**1,038**	**992**
Investments in associates	**3,136**	**3,208**
Deferred tax assets	**324**	**272**
Non-current assets	**11,220**	**11,238**
CURRENT ASSETS:		
Inventory	**4,449**	**4,231**
Customer receivables for sales and services	**4,072**	**4,606**
Customers, related companies	**301**	**200**
Current tax assets and other receivables with public administrations	**9,373**	**5,921**
Other current assets	**1,095**	**922**
Investments in affiliate companies	**1**	**49**
Current financial assets		
Cash and cash equivalents	**8,326**	**16,081**
Total current assets	**27,617**	**32,010**
Total assets	**38,837**	**43.248**
LIABILITIES (Thousands of Euros)	**31.12.2017**	**31.12.2016**
NET EQUITY:		
Capital and reserves-		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Premium	11,944	12,230
Own shares and company shares	(64)	(227)
Conversion differences	(409)	(548)
Results of the year	19,855	22,504
Interim dividend	(12,000)	(12,000)
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**24,475**	**27,108**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**28**	**38**
Total net equity	**24,503**	**27,146**
NON-CURRENT LIABILITIES:		
Non-current provisions	**1,143**	**1,030**
Non-current liabilities	**3,080**	**3,177**
Deferred tax liabilities	**362**	**401**
Non-current liabilities	**4,585**	**4,608**
CURRENT LIABILITIES:		
Current liabilities	**55**	**90**
Trade creditors and other receivables	**4,790**	**5,281**
Suppliers, related companies	**3,560**	**4,418**
Current tax liabilities and other payables with public administrations	**1,344**	**1,705**
Total current liabilities	**9,749**	**11,494**
TOTAL NET EQUITY AND LIABILITIES	**38,837**	**43,248**

- The reduction of 72 thousand euros of the "Investments in associated companies" is as a consequence of the share in results of the company Ichem Sp. Zo.o, is the balance resulting from the distribution of dividends for the year of 2016 and the contribution of the result for the year 2017.

- The increase of 3,452 thousand euros in "Assets for current tax and other credits with public administrations" is due to the payment on account of the corporation tax of the Spanish company, Naturhouse Health, S.A., to the Spanish tax authority. At the close of 2017, the advance payment of the company tax of the Spanish company for 2016 and 2017 is pending. It is worth mentioning that the amount advanced by the company tax for the year 2016 was returned in the month of January 2018, with only the advance amount for the year 2017 remaining to be returned by the Spanish tax authority.

- Even though the company terminated the liquidity contract with Banco Alcalá on 15 December 2016, at 31 December 2017 there is a balance in own shares and company shares of €64,186, represented by a total of 14,000 shares at an average acquisition price of €4.58/share.

- On 15 September 2017, 12,000 thousand euros were distributed as an interim dividend for the 2017 financial year.

- The average payment period of the Spanish company included in the Naturhouse Group was 43 days, within the maximum period established in the delinquency regulations.

4. **Financial risk management and use of hedging instruments**

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

Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2017, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

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

Credit risk:

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

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

Liquidity risk:

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

5. Risk Factors

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

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

6. R + D + i activities

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

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

The main supplier of the Group is the Polish company Ichem Sp. Zo.o, since it represents 59% of total consolidated purchases as of December 31, 2017. The Group 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 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, has stakes (Indusen, Girofibra SL and Laboratorios Abad SLU), which represent approximately 19% of total purchases in 2017, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 23% of total purchases in 2017.

7. Treasury Shares

As of 31 December 2017, the Parent Company holds a total of 14,000 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. Subsequent events

On January 22, 2018, the Parent Company collected an amount of 4,061 thousand euros corresponding to the Corporation Tax for the year 2016 pending repayment by the Tax Agency.

With the exception of the aforementioned event, there have been no significant subsequent events after the closing of December 31, 2017 and the formulation of the consolidated financial statements.

9. **Capital structure and significant shareholdings**

As of 31 December 2017, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2017, the share capital is represented by 60,000,000 shares. The main shareholders of the Group are, Kiluva, S.A. with a participation of 72.60%, and Schroder PLC. with 4.56%

10. **Shareholder agreements and restrictions on transferability and vote**

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

11. **Administrative Body, Board**

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

12. **Significant agreements**

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

13. **Annual Corporate Governance Report**

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

14. **Corporate Social Responsibility Report**

The Corporate Social Responsibility report that is part of the management report can be consulted on the website of the National Securities Market Commission (CNMV) and on the website of the Naturhouse Group.

www.cnmv.es
www.naturhouse.com

Madrid, 23 February 2018

Board of Directors

ANNEX I
Companies included in the consolidation

At 31 December 2017 and 2016 the affiliate companies in full consolidation and the information relating to same is as follows:

Year 2017

Company	Activity	Holding %
Naturhouse Health S.A. Pasaje Pedro Rodríguez 4-6 Barcelona (Spain)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Processing and marketing dietetic products	100%
Ichem Sp. Zo.o (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24.9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (US)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc.** Rue de la Guachetière Ouest Montréal Québec (Canada)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Marketing of dietary products medicinal herbs and natural cosmetics	100%

Company	Activity	Holding %
SAS Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Marketing of products dietary	100%
UAB Naturhouse Konstitucijos pr. 7 09308 Vilnius (Lithuania)	Marketing of products dietary	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Marketing of dietary products	79%

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

(**) Company not consolidated due to its inactivity

Year 2016

Company	Activity	Holding %
Naturhouse Health S.A. Pasaje Pedro Rodríguez 4-6 Barcelona (Spain)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Processing and marketing dietetic products	100%
Ichem Sp. Zo.o (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24.9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (US)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc.** Rue de la Guachetière Ouest Montréal Québec (Canada)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Marketing of dietary products medicinal herbs and natural cosmetics	100%

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

(**) Company not consolidated due to its inactivity

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 23 February 2018, we have drawn up the consolidated financial statements for Naturhouse Health, S.A. and subsidiaries for the financial year ending 31 December 2017.

In this regard, we declare that, to the best of our knowledge, the aforementioned consolidated 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. and subsidiaries for the financial year ending 31 December 2017, 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. and subsidiaries as of 31 December 2017, taken as a whole, together with the description of the principal risks and uncertainties they face.

That the consolidated Financial Statements for the financial year ending 31 December 2017 - comprising the Balance Sheet, Profit and Loss Accounts, Cash Flow Statement and Statement of Changes in Equity and the Explanatory Notes - and the Management Report, cover 70 sheets of plain paper, on one side only, numbered consecutively from 1 to 70, with pages 1 to 70 being signed by the Secretary of the Board of Directors and page 70 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. The RSC Report covers 55 sheets of plain paper, on one side only, numbered consecutively from 1 to 55, 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	Pedro Nueno Iniesta
	Ignacio Bayon Mariné	

Naturhouse Health S.A. and Dependent Companies

CONSOLIDATED FINANCIAL SITUATION AT 31 DECEMBER 2017

(Thousands of Euros)

ASSET	Report notes	31/12/2017	31/12/2016
NON-CURRENT ASSETS:			
Intangible fixed assets	Note 7	1.687	1.897
Tangible fixed assets	Note 8	5.035	4.869
Non-current financial assets	Note 10.1	1.038	992
Investments in associates			
Holdings consolidated under the equity method	Note 10.2	3.136	3.208
Deferred tax assets	Noe 17.3	324	272
Non-current assets		11.220	11.238
CURRENT ASSETS:			
Inventory	Note 11	4.449	4.231
Customer receivables for sales and services		4.072	4.606
Customers, related companies	Note 19.1	301	200
Current tax assets and other receivables with public administrations	Note 17.1	9.373	5.921
Other current assets		1.095	922
Investments in affiliate companies	Notes 19.1	1	49
Cash and cash equivalents	Note 12	8.326	16.081
Total current assets		27.617	32.010
Total assets		38.837	43.248

NET EQUITY AND LIABILITIES	Report notes	31/12/2017	31/12/2016
NET EQUITY:			
Capital and reserves			
Subscribed capital	Note 13	3.000	3.000
Issue premium		2.149	2.149
Premium		11.944	12.230
Treasury Shares	Note 13	(64)	(227)
Conversion differences	Note 13	(409)	(548)
Results of the year		19.855	22.504
Interim dividend		(12.000)	(12.000)
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		24.475	27.108
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	Note 13	28	38
Total net equity		24.503	27.146
NON-CURRENT LIABILITIES:			
Non-current provisions	Note 14	1.143	1.030
Non-current liabilities	Note 15	3.080	3.177
Deferred tax liabilities	Note 17.5	362	401
Non-Current liabilities		4.585	4.608
CURRENT LIABILITIES:			
Current liabilities	Note 15	55	90
Trade creditors and other receivables	Note 16	4.790	5.281
Suppliers, related companies	Note 19.1	3.560	4.418
Current tax liabilities and other payables with public administrations	Note 17.1	1.344	1.705
Total current liabilities		9.749	11.494
TOTAL NET EQUITY AND LIABILITIES		38.837	43.248

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of this Consolidated Statement of Financial Position on 31 December 2017.

Naturhouse Health S.A. y Sociedades Dependientes

CONSOLIDATED LOSS AND PROFIT ACCOUNT AT DECEMBRE 2017

(Thousands of Euros)

	Report notes	Year 2017	Year 2016
Net amount of revenue	Note 18.1	94.700	97.815
Supplies	Note 18.2	(27.120)	(28.638)
Gross Margin		**67.580**	**69.177**
Other operating income		746	477
Personnel costs	Note 18.3	(20.390)	(19.268)
Other operating costs	Note 18.5	(18.644)	(17.764)
Operating income before depreciation and amortization, impairment and other results		**29.292**	**32.622**
Depreciation and amortization	Notes 7 and 8	(1.097)	(999)
OPERATING INCOME		**28.262**	**31.375**
Financial income	Note 18.4	**65**	**55**
Income from holdings in equity instruments, third parties		-	-
Other financial income		65	55
Financial expenses	Note 18.4	**(93)**	**(112)**
Debts with third parties		(93)	(112)
Exchange differences	Note 18.4	**(12)**	**(34)**
FINANCIAL RESULT		**(40)**	**(91)**
Share in profits from equity accounted companies		**434**	**820**
[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
NET INCOME FROM CONTINUING OPERATIONS		**19.848**	**22.482**
CONSOLIDATED NET INCOME		**19.848**	**22.482**
Equity attributable to third-party shareholders		7	22
NET PROFIT OR LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY	Note 13	**19.855**	**22.504**
Profit /(loss) per share (in Euros per share)(*)			
- Basic		**0,33**	**0,38**
- Diluted		**0,33**	**0,38**

consolidated profit and loss account from financial year 2017.

Naturhouse Health S.A. and Dependent Companies

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 2017 FINANCIAL YEAR
(Thousands of Euros)

	Share Capital	Issue premium	Premium	Treasury Shares	Conversion differences	Result of the financial year attributed to the dominant company	Interim dividend	Minority interests	Total Equity
Balance at 31 December 2015	**3.000**	**2.149**	**8.225**	**(214)**	**(115)**	**22.860**	**(14.050)**	**161**	**22.016**
Recognised income and expenses	-	-	-	-	(433)	22.504	-	(31)	**22.040**
Distribution of profit from financial year 2015									
- Distribution to reserves	-	-	4.897	-	-	(18.947)	14.050	-	**-**
- Distribution of dividends	-	-	-	-	-	(3.913)	-	-	**(3.913)**
Operations with treasury shares									
Operations with shares (net)	-	-	52	(13)	-	-	-	-	**39**
Other operations with shareholders:									
- Distribution of dividends	-	-	(1.036)	-	-	-	(12.000)	-	**(13.036)**
a) ***Variations in the scope and others***	-	-	92	-	-	-	-	(92)	**-**
Balance at 31 December 2016	**3.000**	**2.149**	**12.230**	**(227)**	**(548)**	**22.504**	**(12.000)**	**38**	**27.146**
Recognised income and expenses	-	-	-	-	139	19.855	-	(10)	**19.984**
Distribution of profit from financial year 2016									
- Distribution to reserves	-	-	43	-	-	(12.043)	12.000	-	**-**
- Distribution of dividends	-	-	(339)	-	-	(10.461)	-	-	**(10.800)**
Operations with treasury shares									
Operations with shares (net)	-	-	10	163	-	-	-	-	**173**
Other operations with shareholders:									
- Distribution of dividends	-	-	-	-	-	-	(12.000)	-	**(12.000)**
Balance at 31 December 2017	**3.000**	**2.149**	**11.944**	**(64)**	**(409)**	**19.855**	**(12.000)**	**28**	**24.503**

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss statement from financial year 2017.

Naturhouse Health S.A. and Dependent Companies

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2017 FINANCIAL YEAR
(Thousands of Euros)

	Report notes	Year 2017	Year 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**16.001**	**16.034**
Pre-tax profit		**28.656**	**32.104**
Adjustments to profit:		**749**	**444**
- Depreciation of fixed assets (+)	Notes 7 y 8	1.097	999
- Changes in provisions (+/-)		113	(74)
- Results from removing or decommissioning fixed assets (+/-)	Notes 7 y 8	(67)	248
- Financial income (-)	Note 18.4	(65)	(55)
- Financial expenses (+)	Note 18.4	93	112
- Exchange-rate differences (+/-)	Note 18.4	12	34
- Share of company profits (losses) stated in net equivalences of dividends (+/-)	Note 10.2	(434)	(820)
Changes in working capital		**(1.673)**	**(234)**
- Stocks (+/-)	Note 11	(218)	(690)
- Debtors and other accounts payable (+/-)		433	51
- Other current assets (+/-)		(173)	(46)
- Creditors and other accounts due (+/-)		(1.715)	451
Other cash flows from operating activities		**(11.731)**	**(16.280)**
- Payment of interest (-)		(93)	(112)
- Receipt of dividends (+)		643	545
- Receipt of interest (+)		65	55
- Receipt (payment) of profit tax (+/-)		(12.346)	(16.768)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(999)**	**(976)**
Payments for investments (-)		**(1.373)**	**(1.384)**
- Investments in related companies and business units	Note 19.1	-	(49)
- Intangible and tangible fixed assets	Notes 7 and 8	(1.327)	(1.156)
- Other financial assets		(46)	(179)
Receipts for divestments (+)		**374**	**408**
- Receipts from related companies	Note 10.2	48	-
- Intangible and tangible fixed assets		326	366
- Other financial assets		-	42
CASH FLOWS FROM FINANCIAL ACTIVITIES		**(22.759)**	**(18.533)**
Receipts and payments from equity instruments		**173**	**39**
- Net decommissions (acquisitions) of equity of the Dominant Company		173	39
Receipts and payments from financial liability instruments		**(132)**	**(1.623)**
- Net return and depreciation of:			
Debts with credit entities and other debts (-)		(132)	(1.623)
Payments from dividends and remuneration from other equity instruments		**(22.800)**	**(16.949)**
- Dividends (-)		(22.800)	(16.949)
EFFECT OF CHANGES IN EXCHANGE RATES		**2**	**(274)**
NET INCREASE/DECREASE IN CASH OR EQUIVALENT		**(7.755)**	**(3.749)**
Cash or equivalent at the start of the financial year		16.081	19.830
Cash or equivalent at the end of the financial year		8.326	16.081

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss statement from financial year 2017.

Naturhouse Health S.A. and Dependent Companies

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2017 FINANCIAL YEAR

(Thousands of Euros)

	Year 2017	Year 2016
A- RESULT OF THE PROFIT AND LOSS ACCOUNT	**19.848**	**22.482**
B- OTHER GLOBAL RESULT DIRECTLY RECOGNISED IN THE EQUITY		
Line items that will not be transferred to the result:	-	-
Line items that may be transferred to the results later:		
Because of differences in the conversion of financial accounts in foreign currency	136	(442)
TOTAL COMPREHENSIVE INCOME FROM THE FINANCIAL YEAR (A+B+C)	**19.984**	**22.040**
Total Comprehensive Income attributable to:		
- The parent company	19.994	22.071
- Minority partners	(10)	(31)
TOTAL COMPREHENSIVE INCOME	**19.984**	**22.040**

Notes 1 to 23 described in the Consolidated Report and Appendix I attached are an integral part of the consolidated profit and loss account from financial year 2017.

Naturhouse Health, S.A. and Subsidiaries

Consolidated Financial Statements
for the financial year
ending 31 December 2017,
prepared in accordance with the International
Financial Reporting Standards
adopted in the European Union (EU-IFRS)
and Consolidated Management Report

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Naturhouse Health, S.A.
and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for
Financial Statements for the 2017 financial year

1. Nature and corporate purpose of the companies of the Group

Naturhouse Health, S.A. (hereinafter, the "Company" or the "Parent Company"), was founded for an indefinite period in Barcelona on 29 July 1991. During the current year, the Parent Company has moved its registered office from the previous location at Pasaje Pedro Rodríguez 4-6 in Barcelona to the current location in Calle Claudio Coello, 91 (Madrid). 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"). Note 3 and Annex I detail the main data related to the subsidiaries in which the Parent Company, directly or indirectly, has a holding that have been included in the scope of the consolidation.

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

On 9 April 2015, the Board of Directors of the Parent 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 Parent Company have been listed since 24 April 2015 (See Note 13.a).

2. Basis of the presentation of the consolidated annual accounts

a) *Basis of presentation*

The consolidated financial statements for Naturhouse Health, S.A.U. and Subsidiaries, which have been obtained from the accounting records kept by the Parent Company and the other entities making up the Group, were prepared by the Directors of the Parent Company on 23 February 2017.

These consolidated financial statements for the financial year ending 31 December 2017 have been prepared in accordance with the provisions of the International Financial Reporting Standards, as approved by the European Union (EU-IFRS), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the European Council, as well as taking into consideration all the accounting principles and standards and valuation criteria that are mandatory, as well as the Commercial Code, Spanish Corporate Law and other corporate legislation applicable. They have been prepared from the Parent Company's individual accounts and those of each of the consolidated companies (detailed in Annex I) and they accurately present the assets, financial position, results of the Group, changes in consolidated equity and consolidated cash flows under EU-IFRS and other regulatory financial reporting frameworks applicable.

The financial consolidated statements for the 2016 financial year were approved by the Annual General Meeting held 27 April 2017 and filed with the Companies Registry of Barcelona.

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

- Statement of Financial Position

- Profit and Loss Account
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows

Since the accounting principles and valuation criteria used in preparing the Group's consolidated financial statements for the 2017 financial year (EU-IFRS) on occasion differ from those used by the Group companies (local regulations), during the consolidation process all the adjustments and reclassifications required to standardise such principles and criteria and to adapt them to the International Financial Reporting Standards adopted by the European Union have been introduced.

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

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

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

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

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

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

b) Adoption of the International Financial Reporting Standards

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

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

Changes in accounting policies and effective breakdowns of information in the year 2017

New accounting standards came into effect in the 2017 financial year, therefore, they have been taken into consideration in the preparation of the attached consolidated financial statements. The following standards have been applied in these consolidated financial statements, but they did not have an impact on the figures and breakdown therein:

New standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
Amendment to IAS 7. Breakdown Initiative (published in January 2016)	Introduces additional breakdown requirements on financing activities.	1 January 2017
Amendment to IAS 12. Recognition of deferred tax assets for unrealized losses (published in January 2016)	Clarification of the principles established regarding the recognition of deferred tax assets for unrealized losses.	1 January 2017
Not approved for use in the European Union:		
Improvements to the IFRS Cycle 2014-2016: Clarification in relation to IFRS 12	The clarification in relation to the scope of IFRS 12 and its interaction with IFRS 5 enters into force in this period.	1 January 2017

Accounting policies issued not in force for the 2017 financial year

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

New standards, amendments and interpretations		Mandatory application for financial years from:
Approved for use in the European Union:		
New regulations:		
IFRS 15 Revenue from contracts with customers (published in May 2014)	New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31(.	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	Replacing the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
Improvements to the IFRS Cycle 2014-2016	Minor modifications to a series of standards (different effective dates, one of which is 1 January 2017).	1 January 2018
IFRS 16 Leases (published in January 2016)	Replacing IAS 17 and associated interpretations. The main new development lies in the new standard proposing a single accounting model for lessees, which will include all the leases in the balance sheet (with some limited exceptions) with an impact similar to that of the current financial leases (there will be amortization of the asset for the right of use and a financial expense for the amortized cost of the liability).	1 January 2019
Modifications and/or interpretations:		
Amendment to IFRS 4. Insurance contracts (released in September 2016)	Allows the entities under the scope of IFRS 4, the option of applying IFRS 9 ("overlay approach") or its temporary exemption.	1 January 2018

Not approved yet for use in the European Union:		
New regulations:		
IFRS 17. Insurance contracts (published in May 2017)	Replaces IFRS 4. It includes the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the financial statements.	1 January 2021
Modifications and/or interpretations:		
Amendment to IFRS 2. Classification and valuation of share-based payments (published in June 2016)	These are limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payments with net settlement features and some aspects of the amendments to the type of share-based payments.	1 January 2018
Amendment to IAS 40. Reclassification of real estate investments (published in December 2016)	The amendment clarifies that a reclassification of an investment from or to investment property is only permitted when there is evidence of a change in the use thereof.	1 January 2018
IFRIC 22. Transactions and advances in foreign currency (published in December 2016)	This interpretation establishes the "transaction date" for the purposes of determining the exchange rate applicable in transactions with foreign currency advances.	1 January 2018
IFRIC 23. Uncertainty about tax treatments (published in June 2017)	This interpretation clarifies how to apply the registration and measurement criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity.	1 January 2019
Amendment to IFRS 9. Characteristics of early cancellation with negative compensation (published in October 2017).	The valuation at amortized cost of some financial instruments with characteristics of advance payment allowing the payment of an amount less than the unpaid amounts of capital and interest is allowed.	1 January 2019
Amendment to IAS 28. Long-term interest in associates and joint ventures (published in October 2017).	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendment to IAS 19 Amendment, reduction or termination of a plan	In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses in the determination of the cost of the services and the net interest for the period after the change of plan	1 January 2019
Amendment to IFRS 10 and IAS 28. Sale or contribution of assets between an investor and its associate/joint venture (published in September 2014)	Clarification regarding the income from these operations in the case of asset businesses.	No definite date

Improvement to IFRS cycle 2015-2017 (published in December 2017)	Minor modifications of a set of standards	1 January 2019

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

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

IFRS 15 Revenue from contracts with customers

IFRS 15 is the comprehensive standard for the recognition of income with customers, which will replace the following norms and interpretations currently in force: IAS 18 Revenue from ordinary activities, IAS 11 Construction contracts, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 income-swaps of advertising services.

The requirements of IFRS 15 establish that income must be recognized in such a way that the transfer of promised goods or services to customers is shown at an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods or services. Specifically, it establishes an income recognition approach based on five steps:

· Step 1: Identify the contract or contracts with a customer.

· Step 2: Identify the obligations of the contract.

· Step 3: Determine the price of the transaction.

· Step 4: Distribute the price of the transaction between the obligations of the contract.

· Step 5: Recognize income when (or as) the entity complies with each of the obligations.

The Group has revised its revenue recognition policy in order to adapt it to the criteria for applying IFRS 15 in its business activities based on an analysis of the different types of contracts with which the Group operates.

In the case of income obtained through franchisees, there is a single performance obligation that is satisfied at a particular moment and specific time and whose price is determined in contracts with customers so, as a general rule, the recognition income in these activities is not complex and this occurs to the fulfilment of said performance obligation in accordance with the conditions of transfer of ownership of the merchandise sold. On the other hand, in own stores, the performance obligations of product sales and dietary advice are equally satisfied at a specific moment and time and their price is not variable nor are there guarantee commitments or second free visits with customers, nor any other type of commitment acquired with them, for which reason the Group considers that, in any case, the performance obligations are met under the same conditions as the current method of income recognition. Finally, master franchise revenues are already accrued in accordance with the estimated compliance of their performance obligations.

In conclusion, based on the revenue recognition policy and the analysis performed, the time of the recognition of Grupo Naturhouse's income is expected to be consistent with the Group's current practice, so the Management does not expect the application of the IFRS 15 to have other significant impacts on the financial and performance situation of the entity.

IFRS 9 Financial Instruments:

IFRS 9 will replace IAS 39 from the year beginning on January 1, 2018, and will affect both financial assets and liabilities, covering three major blocks: (i) Classification and measurement, (ii) impairment of value and (iii) hedge accounting. The Group has made a preliminary analysis of the impacts that IFRS 9 would have on the consolidated financial statements corresponding to the annual closing ended on December 31, 2017. The most relevant conclusions of the possible effects on the Group obtained from the evaluation carried out are the following:

- *Classification and measurement of financial instruments*

The new asset classification approach is based on the contractual characteristics of the cash flows of the assets and the Group's business model. According to them, all assets will be classified into three categories: (i) amortized cost, (ii) fair value with changes in other comprehensive income (equity) and (iii) fair value with changes in profit and loss.

From the preliminary analysis, there are no significant changes in the classification and measurement of financial assets based on the type of financial instruments and the Group's current business model. The transition from the four current classifications of IAS 39 to the three new classifications established in IFRS 9 will imply a change in the nomenclature, but not impacts on the valuation at the transition date.

- *Impairment of financial assets*

The new standard replaces the "Loss incurred" models established in the current IAS 39 for a single "expected loss" model. This new model requires the recording, on the date of initial recognition of the financial assets, of the expected loss resulting from a "default" event during the next 12 months or throughout the life of the contract, depending on the evolution of the credit risk of the financial asset since its initial recognition on the balance sheet or by application of the "simplified" models permitted by the standard for certain financial assets.

Based on the results of the preliminary estimate of the expected loss model on the additional allocation required by the application of the new model of the balances of financial assets held as of January 1, 2018, it is estimated that the additional impairment provisions would not be significant given that the Group prepays the majority of its revenues in advance or at the time of sale and there is no high credit risk given the guarantees received from customers, which include guarantees or advances (see Note 15).

IFRS 16 Leases

IFRS 16 will enter into force in 2019 and will replace IAS 17 and the current associated interpretations. The central novelty of IFRS 16 is that there will be a single accounting model for lessees, which will include in the balance sheet all leases (with some limited exceptions) with an impact similar to that of current finance leases (there will be amortization of the asset for the right of use and a financial expense for the amortized cost of the liability) (Note 9).

The Group is assessing the total effect of the application of IFRS 16 in the consolidated annual accounts. IAS 17 does not require the recognition of any asset or liability for right of use for future payments for these leases; however, certain information is disclosed as operating lease commitments in note 9.

The Management has initiated a project with the purpose of analysing all the leases included in the scope of this standard as well as developing the systems of financial information and their controls for the proper accounting of the lease agreements. At the current date, said project is ongoing. The Group does not intend to apply this rule in advance and, at the current date, estimates that its application will be made using the prospective method, that is, prospectively without adjustment to the opening balance of the equity (reserves or as corresponds) to the date of first application.

c) Functional currency

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

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

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

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

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

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

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

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

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

e) Information comparison

The information contained in this consolidated report referring to the 2016 financial year is presented, for comparison purposes, with information from the 2017 financial year.

f) Relative importance

When determining the information to be broken down in the consolidated notes on the different items of the consolidated financial statements or other matters, the Group has taken into consideration the relative importance in relation to these consolidated financial statements for the 2017 financial year.

1. Consolidation criteria

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

***a)* Subsidiaries and associates**

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

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

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

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

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

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

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

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

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

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

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

c) **Variations in the scope of the consolidation**

2017 Financial year-

During 2017 there have been no changes in the consolidation perimeter of the Naturhouse Group.

2016 Financial year-

During 2016, the Naturhouse Group increased the holding held in Zamodiet México S.A. de C.V., from 51% to 79%, given that the Parent Company acquired 29,389 new shares through capitalization of loans.

None of the variations in the scope of the 2017 and 2016 financial years has resulted in a business combination within the scope of IFRS 3.

2. Distribution of profit

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

	Thousands of Euros	
	2017	2016
Distribution basis:		
Profit for the financial year	22,088	22,843
	22,088	**22,843**
Distribution:		
To voluntary reserves	2,888	43
To interim dividend	12,000	12,000
To dividends	7,200	10,800
Total	**22,088**	**22,843**

Once the proposed distribution of profit for the 2017 financial year has been taken into consideration and including the interim dividend, the total dividends to be distributed against the profit for the 2017 financial year amounts to 19,200 thousand euros.

In accordance with the requirements of Article 277 of Spanish Corporate Law, the provisional financial statements prepared by the Parent 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 2017

On 21 July 2017, the Parent Company's Directors agreed to distribute an interim dividend for the 2017 financial year amounting to 12,000 thousand euros:

	Thousands of Euros
	Provisional Accounting Statement Formulated
Profits from 01/01/2017 Estimated Corporate Tax Allocation to statutory reserves	15,333 (858) -
Maximum amount available for distribution	**14,475**
Liquid Assets and Short-Term Group Financial Investments (*) Interim dividend	20,429 (12,000)
Remaining liquid assets after payment	**8,429**

Year 2016

On 22 July 2016, the Parent Company's 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 Estimated Corporate Tax Allocation to statutory reserves	15,357 (280) -
Maximum amount available for distribution	**15,077**
Liquid Assets and Short-Term Financial Investments (*) Interim dividend	12,769 (12,000)
Remaining liquid assets after payment	**769**

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

	2017	2016
Dividends:		
Dividends distributed and paid (in thousands of euros)	22,800	16,949
Dividends agreed to be distributed (in thousands of euros)	19,200	22,800
Number of shares	60,000,000	60,000,000
Dividend per share distributed and paid (in euros)	0.38	0.28
Dividend per share agreed to be distributed (in euros)	0.32	0.38

3. Valuation standards

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

a) Intangible assets

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

Research and Development

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

The expenses recorded in the consolidated profit and loss account for the 2017 financial year amounted to 20 thousand euros (26 thousand euros in the 2016 financial year).

Transfer Rights

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

Industrial property

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Group are recorded in this account. During the 2014 financial year, brands were acquired as stated in Note 7. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

Software

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

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

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

b) Tangible fixed assets

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

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

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

Financial expenses, incurred during the construction or production period prior to commissioning the assets, are capitalized, with both the sources of specific financing intended expressly for acquiring the fixed asset element, as well as the sources of generic financing in accordance with the guidelines established for qualifying assets in IAS 23. During the 2017 and 2016 financial years, there were no financial expenses capitalized as a higher value of an asset.

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

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

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

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

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

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

c) Impairment of non-financial assets

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

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

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

The Group annually evaluates the existence of impairment indicators (or in interim periods in the event of evidence of impairment occurring). As of the date of these consolidated financial statements, there is no indication to suggest that these assets' recoverable value is less than their recorded book value, consequently, the Group has not subjected any non-financial assets to impairment. On the other hand, the Group has no significant intangible assets or any trade fund as of 31 December 2017, excepting the brands stated in Note 7 which, in accordance with the gross margins obtained in their marketing, have not been subjected to the impairment test as of 31 December 2017 due to there not being any impairment indicators.

d) Operating and financial leases

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

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

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

Rentals do not have periods of shortages or countervailing clauses that generate a future payment commitment obligation, which could have a significant impact on these consolidated financial statements.

e) Financial instruments

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

In the 2017 financial year, the Group applied the valuation standards listed below to its financial instruments:

Financial assets

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

- Loans and accounts receivable
- Financial assets available for sale

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

1. *Loans and accounts receivable*

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

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

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

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

2. *Financial assets available for sale*

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

All the financial assets available for sale held by the Group at yearend 2017 mainly relate to shares in companies listed on the Stock Exchanges.

Initial valuation

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

Subsequent valuation

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

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

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

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

Financial liabilities

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

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

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

f) Stock

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

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

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

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

g) Cash and other equivalent liquid assets

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

h) Provisions and contingencies

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

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

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

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

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

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

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

i) Redundancies

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

j) Commitments to staff

The long term benefits liability recognised in the consolidated statement of financial position attached represents the current value of the obligations assumed at the date of closure by the Italian subsidiary Naturhouse, S.R.L. (Note 14). The Group recognises as an expense or accrued income by way of long term benefits the net cost of the services provided during the financial year, as well as that corresponding to any reimbursements and the effect of any reduction or settlement of commitments assumed. The Group has considered the effect of updating such provision and the consequent financial impact on the consolidated equity and income to be insignificant.

k) Corporate tax and deferred taxes

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

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

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

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

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

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

l) Foreign currency

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

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

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

m) Recognition of income

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

Sale of goods

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

- the Group has transferred to the buyer the main risks and rewards arising from ownership of the goods;
- the Group does not maintain any involvement in the current management of the goods sold, nor does it retain effective control over them;
- the amount of income can be reliably determined;
- it is likely that the Group will receive the economic benefits arising from the transaction;

The sale of goods is primarily carried out through the sale of products to the franchisee customer, or directly to end customers (consumers) through the shops owned by the Group.

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

Provision of services

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

Other operating income

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

Interest and dividend income

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

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

n) Recognition of expenses

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

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

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

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

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

ñ) Transactions with related parties

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

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

Transactions with related parties not conducted at market prices are accounted for at their fair value. During the 2017 and 2016 financial years, this situation has not arisen.

o) Environmental information

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

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

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

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

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

p) Segment information

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

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

q) Consolidated statement of cash flows

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

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

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

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

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

r) Earnings per share

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

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

4. Exposure to risk

Financial risks

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

1. Credit risk

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

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

The Group's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the consolidated statement of financial position net of provisions for bad debts, estimated by the Group's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the consolidated statement of financial position attached as of 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Provision for bad debts	(9)	(179)

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

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

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

The average collection period varies, depending on the country, between 30 and 60 days, although a very significant portion of sales is collected in advance or 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 Group has the liquid assets shown on its statement of financial position, as well as financing and credit lines detailed in Note 15.

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

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

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

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

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

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

The interest rate risk of the Group arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on the cash flows. As of yearend 2017 and 2016, 100% of the borrowings were at variable interest rates.

However, as of yearend 2017 and 2016, the Group has an amount available in liquid assets that is much higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

This way, the Company has not considered it necessary to cover such interest rate fluctuations, consequently, it did not take out derivative instruments during the 2017 and 2016 financial years.

With regard to exchange rate risk, the Group does not operate significantly internationally in countries with currencies other than the euro and, therefore, its exposure to exchange rate risk from foreign currency transactions is not significant, except for its exposure to the Zloty (Poland), which represents 12% and 7% of the Group's sales and assets, respectively.

Capital management

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

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

The net financial debt ratio to Operating Income before amortization, impairment and other income as of 31st December 2017 and 2016 is at -0.3 and -0.4, respectively. In calculating this ratio, the Parent Company has considered the headings of the consolidated statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt.

5. Intangible assets

The changes in this heading in the consolidated statement of financial position for the financial years 2017 and 2016 were as follows:

Cost	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2015	**88**	**2,347**	**187**	**83**	**2,705**
Additions	9	2	15	-	26
Withdrawals	(71)	-	(19)	-	(90)
Transfers	-	-	3	-	3
Balance at 31 December 2016	**26**	**2,349**	**186**	**83**	**2,644**
Additions	-	8	84	-	92
Withdrawals	(4)	(5)	(4)	-	(13)
Balance at 31 December 2017	**22**	**2,352**	**266**	**83**	**2,723**

Accumulated amortization	Thousands of Euros				
	Transfer rights	Industrial property	Software	Other intangible assets	Total
Balance at 31 December 2015	**(4)**	**(373)**	**(117)**	**(18)**	**(512)**
Allocations	(14)	(233)	(40)	(5)	(292)
Applications	39	-	21	-	60
Transfers	-	-	-	(3)	(3)
Balance at 31 December 2016	**21**	**(606)**	**(136)**	**(26)**	**(747)**
Allocations	(13)	(235)	(46)	(2)	(296)
Applications	-	5	2	-	7
Balance at 31 December 2017	**8**	**(836)**	**(180)**	**(28)**	**(1.036)**

Net book value	Thousands of Euros	
	31/12/2017	31/12/2016
Transfer rights	30	47
Industrial property	1,516	1,743
Software	86	50
Other intangible assets	55	57
Total Intangible Assets	**1,687**	**1,897**

During the 2017 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 1,496 and 1,729 thousand euros as of 31 December 2017 and 31 December 2016, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Parent Company has not subjected them to the impairment test as of 31 December 2017, due to impairment indicators not being seen in them.

As of yearend 2017, the Group had fully amortized intangible assets still in use amounting to 160 thousand euros (86 thousand euros in the 2016 financial year).

The intangible assets located outside of Spain as of 31 December 2017 and 2016 are not significant (see Note 22).

6. Fixed assets

The movement during the 2017 and 2016 financial years in the different tangible fixed asset accounts and their corresponding accumulated amortizations were as follows:

	Thousands of Euros						
Cost	Land and natural assets	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Assets in construction and advances	Total
Balance at 31 December 2015	**261**	**796**	**6,114**	**371**	**191**	**21**	**7,754**
Additions	-	-	972	101	57	-	1,130
Withdrawals	(5)	-	(1,214)	(156)	(154)	(1)	(1,530)
Transfers	-	(3)	3	-	-	(3)	(3)
Conversion differences	-	-	(12)	-	(1)	-	(13)
Balance at 31 December 2016	**256**	**793**	**5,863**	**316**	**93**	**17**	**7,338**
Additions	32	138	917	105	1	42	1,235
Withdrawals	-	(5)	(604)	(121)	(18)	-	(748)
Conversion differences	-	-	(28)	(1)	-	1	(28)
Balance at 31 December 2017	**288**	**926**	**6,148**	**299**	**76**	**60**	**7,797**

Accumulated amortization	Thousands of Euros				
	Buildings	Other facilities, tools and furnishings	Information processing equipment	Transport elements	Total
Balance at 31 December 2015	**(84)**	**(2.112)**	**(270)**	**(63)**	**(2,529)**
Allocations	(17)	(617)	(36)	(37)	(707)
Applications	-	661	152	136	949
Conversion differences	-	18	-	-	18
Balance at 31 December 2016	**(101)**	**(2,050)**	**(154)**	**36**	**(2,269)**
Allocations	(23)	(677)	(55)	(46)	(801)
Applications	3	356	130	6	495
Conversion differences	-	12	1	-	13
Balance at 31 December 2017	**(121)**	**(2,359)**	**(78)**	**(4)**	**(2,562)**

Impairment	Thousands of Euros		
	Land and natural assets	Buildings	Total
Balance at 31 December 2015	-	**(200)**	**(200)**
Balance at 31 December 2016	-	**(200)**	**(200)**
Balance at 31 December 2017	-	**(200)**	**(200)**

Net book value	Thousands of Euros	
	31/12/2017	31/12/2016
Land and natural assets	288	256
Buildings	605	492
Other facilities, tools and furnishings	3,789	3,813
Information processing equipment	221	162
Transport elements	72	129
Assets in construction and advances	60	17
Total Tangible Fixed Assets	**5,035**	**4,869**

The additions of the year 2017 correspond, fundamentally, to new installations in new own stores, as well as to improvements necessary for existing ones. On the other hand, disposals of property, plant and equipment correspond to the sale of material from own stores transferred to franchisees or other third parties. The accompanying income statement includes a profit for a total amount of 67 thousand euros recorded under the heading "Impairment and gains or losses on disposals of fixed assets" as a result of the aforementioned losses.

As of 31 December 2017 and 2016 under "Other facilities, tools and furnishings", photovoltaic panels and other fixed assets are included with a net book value amounting to 1,248 and 1,312 thousand euros respectively. These fixed assets are amortized by the straight-line method as with any of the Group's fixed assets, but they do not directly affect the Group's activities. As of 31 December 2017, such fixed assets did not meet the criteria set out by IFRS 5 for classification as "Non-current assets held for sale".

As of 31 December 2017 and 2016, there are elements in the tangible fixed assets with an original cost (gross book value) amounting to and 507 thousand euros, which are held under financial lease contracts and which guarantee the bank debt assumed by those contracts (see Note 9).

The Group's policy is to take out insurance policies to cover the potential risks to which the tangible fixed asset elements are subject. As of yearend 2017, the Parent Company's Directors deem that there was no deficit in insuring against these risks.

The tangible fixed assets located outside the Spanish territory as of 31 December 2017 and 2016 are broken down below:

	Thousands of Euros	
	31/12/2017	31/12/2016
Net book value		
Land and natural assets	288	256
Buildings	605	492
Other facilities, tools and furnishings	1,578	1,621
Information processing equipment	105	85
Transport elements	31	62
Assets in construction	60	17
Total Net book value	**2,667**	**2,533**

The fully amortized tangible fixed assets still in use at yearend 2017 amount to 2,111 thousand euros (1,920 thousand euros at yearend 2016).

As of yearend 2017 and 2016, the Group had no significant firm commitments to purchase tangible assets.

7. Leases

Financial leases

At yearend 2017 and 2016 the Group, in its capacity as financial lessee, has recognised assets that are leased according to that broken down below>

Year 2017

Concept	Contract length in months	Thousands of Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	339	27	7	-
Transport elements	36-48	134	59	22	24	5
Total		**507**	**398**	**49**	**31**	**5**

Year 2016

Concept	Contract length in months	Thousands of Euros				
		Original cost	Fees paid (*)		Fees outstanding (*)	
			From previous years	From the present year	Current outstanding contributions	Non-current outstanding contributions
Land and structures	144	373	293	46	27	7
Transport elements	36-48	134	29	30	22	53
Total		**507**	**322**	**76**	**49**	**60**

The net book value of assets associated with leasing contracts at yearend 2017 and 2016 is as broken down below:

	Thousands of Euros	
	31/12/2017	31/12/2016
Land and structures	304	307
Transport elements	79	95
Total	**383**	**402**

At yearend 2017 and 2016 the Group has contracted with lessors the following minimum lease payments (including, where appropriate, purchase options), according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments:

Financial leases Minimum payments	Thousands of Euros	
	31/12/2016	31/12/2016
Less than one year	31	49
Between one and six years	5	60
Total	**36**	**109**

At the end of 2017 and 2016, financial leases correspond, mainly, to a store located in Lisbon (Portugal) and to commercial vehicles.

Operating leases

At yearend 2017 and 2016 the Group has contracted with lessors the following minimum lease payments, according to current contracts in force, without taking into account the charging of common expenses, future increases in the CPI or updated future contractual lease payments (in thousands of Euros):

Minimum payments	Thousands of Euros	
	31/12/2017	31/12/2016
Less than one year	3,734	3,089
Between one and six years	10,121	8.937
More than five years	3,871	3,158
Total	**17,726**	**15,184**

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

The cost of these leases are recorded under "Other operating expenses" in the accompanying consolidated income statement and amount to 4,271 and 3,736 thousand Euros in 2017 and 2016, respectively.

8. Financial assets

10.1 Non-current financial assets

At 31 December 2017 and 2016, the breakdown under this heading is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Equity instruments		
- Assets available for sale	42	42
- Other equity instruments	76	76
Other financial assets		
- Long term deposits and guarantees	920	874
Total	**1,038**	**992**

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

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

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

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

Assets available for sale

This section shows no transactions for the years 2017 and 2016.

Deterioration of portfolio

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

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

10.2 Investments in associates and affiliates

Investment accounted by equity method

The participation in equity-accounted companies corresponds to the investee company Ośrodek Badawczo-Produkcyjny Politechniki Łódzkiej ICHEM Sp. z o.o. (hereinafter, “Ichem, Sp. zo.o”).

As established by IFRS 10, the Group do not have control over this company as it lacks the majority of the voting rights in its Governing Body. However, as established by IFRS 11, it is considered that there is joint control over such company (joint venture) as the Group, with the voting rights it holds, can veto any significant decision, consequently, decisions on relevant activities require the unanimous consent of the parties sharing control. The remaining Ichem shareholders are the related company Zamodiet, S.A., with 24.9%, and Polish individuals or entities without any connection to Naturhouse, with 50.2%. All its product purchase transactions are made at market prices (supported by a study conducted by tax advisers, Note 19).

During the 2017 financial year, the Group continued to exercise joint control over Ichem, Sp. zo.o given that there have been no changes in the company's governance structure.

The breakdown on investment in equity accounted companies at yearend 2017 and 2016, as well as the movement occurring during both periods, is as follows:

Year 2017

	Thousands of Euros					
	Balance on 1 January 2017	Participation in results from equity-accounted companies	Dividends	Other movements	Conversion differences	Balance on 31 December 2017
Ichem Sp. Zo.o	3,208	434	(643)	(40)	177	3,136

Year 2016

	Thousands of Euros					
	Balance on 1 January 2016	Participation in results from equity-accounted companies	Dividends	Other movements	Conversion differences	Balance on 31 December 2016
Ichem Sp. Zo.o	3,140	820	(545)	(81)	(126)	3,208

Other information related to this investee is as follows (figures as of 31 December 2017 and in thousands of Euros):

Name and Registered Office	Activity	Total Assets	Equity	Sales (*)	Result after tax (*)
Ichem Sp. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	16,078	12,596	16,264	1,745

(*) Sales and result from Ichem, Sp. Zo.o included that corresponding to the year ended 31 December 2017. The total assets and equity is presented at the closing rate as of 31 December 2017, while sales and the post-tax profit or loss is presented at the average exchange rate for the 2017 financial year.

9. Stock

The breakdown of "stock" in the consolidated statement of financial position attached, to 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Goods	4,449	4,231

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

10. Cash and other equivalent liquid assets

Nearly all of the balances of this item of the consolidated statement of the financial position as of December 31, 2017 and 2016 correspond to the amount deposited in current accounts and financial deposits of less than 3 months that the Group held at such dates with financial entities, freely available and remunerated at market rates, the amount of cash and due from banks is not significant.

11. Net equity

a) Share Capital

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

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

As of 31st December 2017, the Parent Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Parent Company's share capital, both directly as well as indirectly, higher than 3% of the share capital as of 31 December 2017 are as follows:

Shareholder	**%**
Kiluva, SA	72.60
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 Parent Company have no knowledge of other shares equal to or higher than 3% of the Parent Company's share capital or voting rights, or that are lower than the percentage established, allowing significant influence to be exercised over the Parent Company.

b) Distribution of profit and dividends

On 27 April 2017, the Annual General Meeting approved the allocation of the Parent Company's profits for the 2016 financial year, which amounted to 22,843 thousand euros, to dividends amounting to 22,800 thousand euros, of which 12,000 thousand euros had been distributed as interim dividends for the 2016 financial year.

Additionally, on 20 July 2017, the Parent Company distributed interim dividends amounting to 12,000 thousand euros for the profit for the 2017 financial year.

c) Legal reserve

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

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

As of 31 December 2017, this reserve of the Parent Company has been completely established.

d) Net equity attributable to minority interests

The breakdown of this heading in the consolidated statement of financial position attached, to 31 December 2017 and 2017 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Zamodiet México, S.A de C.V.	28	38
Total	**28**	**38**

The variations in the years 2017 and 2016 in this section of the consolidated statement of financial position is attached below:

	Thousands of Euros
Balance on 31 December 2015	**161**
Profit attributable to minority interests	(22)
Conversion differences	(9)
Other movements	(92)
Balance on 31 December 2016	**38**
Profit attributable to minority interests	(7)
Conversion differences	(3)
Balance on 31 December 2017	**28**

e) Conversion differences

The breakdown of the heading "conversion differences" in the consolidated statement of financial position, 31 December 2017 and 2016 corresponds to the exchange differences that occur as a result of the conversion into Euros of financial statements of subsidiaries whose local currency is not the Euro: Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse Sp. zo.o. (Poland), Ichem Sp. zo.o (Poland), Zamodiet México, S.A. (Mexico), Naturhouse Inc. (US) and Naturhouse d.o.o. (Croatia), according to the following breakdown:

	Thousands of Euros	
	31/12/2017	31/12/2016
Naturhouse Inc.	(121)	(5)
Naturhouse Sp. zo.o.	(151)	(262)
Ichem Sp. Zo.o	(33)	(192)
Other	(104)	(94)
Total	**(409)**	**(548)**

f) Treasury Shares

As of yearend 2017 and 2016, the Parent Company held company shares in accordance with the following breakdown:

Year	Number of shares	Euros		
		Nominal value	Average acquisition price	Total acquisition cost
2017	14,000	700	4,58	64,186
2016	49.500	2.475	4,58	226,942

As of 31 December 2017, the Parent Company's shares held by it represent 0.02% of the Parent Company's share capital, totalling 14,000 shares with a cost of 64 thousand euros and an average purchase price of 4.58 euros per share.

The movement in company shares during the 2017 2016 financial years has been as follows:

Number of shares	2017	2016
Start of the financial year	49.500	52.816
Purchases	-	214.325
Sales	(35.500)	(217,641)
Year end	**14,000**	**49,500**

Additionally, profits from the sale of company shares have been registered in equity for a total amount of 10 thousand euros (52 thousand euros in 2016).

g) Profit / (loss) per share

The profit or loss per share is calculated based on the profit or loss attributable to shareholders of the parent company by the average number of ordinary shares outstanding during the period. At yearend 2017 and 2016, the profit or loss per share is as follows:

	31.12.2017	31.12.2016
Weighted average number of shares in circulation	60,000,000	60,000,000
Average number of own shares	31,750	51,158
Average number of actions to determine basic benefit per share	59,968,250	59,948,842
Consolidated Net Income of the Parent Company (Thousands of Euros)	19,855	22,504
Number of own shares	14,000	49,500
Profit /(loss) per share (in Euros per share)(*)		
- Basic	0.33	0.38
- Diluted	0.33	0.38

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

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

12. Provisions and contingencies

a) Non-current provisions

The balance of other non-current provisions mainly refers to a commitment that the Group has with certain employees of the Italian company Naturhouse S.R.L. amounting to 730 thousand euros at yearend 2017 (711 thousand euros in 2016). This TFR commitment (end-of-contract severance pay), payable at the time of termination of the employment relationship, regardless of whether the termination is voluntary or not. As of 1 January 2007, with the regulatory change in Italy, the reserve constituted for TFR up until 31 December 2006 remains in the company, and is revalued within the parameters of Law 297/82, and the withholding of wages paid to each employee is paid by the company to INPS (Italian state entity equivalent to Social Security). This commitment is not outsourced and the expense thereof is recorded under "Personnel expenses" in the consolidated income statement, which amounted to 19 and 25 thousand Euros for the years 2017 and 2016, respectively.

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

b) Contingencies

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

13. Financial debt

The breakdown of current and non-current financial debt of the Group at 31 December 2017 and 2016 is as follows:

Year 2017

	Thousands of Euros			
	Amount	Maturity		
	Initial or Limit	Non-	Current current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	31	5	36
Subtotal of debts to credit institutions:	**-**	**31**	**5**	**36**
Other financial liabilities	-	24	3,075	3,099
Total	**-**	**55**	**3,080**	**3,135**

Year 2016

	Thousands of Euros			
	Amount	Maturity		
	Initial or Limit	Non-	Current current	Total
Amounts owed to credit institutions:				
Financial leases (Note 9)	-	49	60	109
Subtotal of debts to credit institutions:	**-**	**49**	**60**	**109**
Other financial liabilities	-	41	3.117	3.158
Total	**-**	**90**	**3.177**	**3.267**

Loans and credit facilities

The Group does not hold open balances at the close of the 2017 and 2016 periods for loans and/or credit policies.

Other financial liabilities

Included under the heading "Other non-current financial liabilities" are the amounts given as surety by franchisees of S.A.S Naturhouse (France) to guarantee compliance with its contractual obligations. Naturhouse in guarantee of compliance with its contractual obligations. In the rest of the Group companies, these guarantees are obtained through bank guarantees. At 31 December 2017, these deposits are valued at amortized cost.

14. Commercial debtors and other accounts payable

The balances of this heading in the current liabilities of the consolidated statement of financial position at 31 December 2017 and 2016 have the following composition:

	Thousands of Euros	
	31/12/2017	31/12/2016
Suppliers	2,061	2,477
Various creditors	542	792
Staff (remuneration pending payment)	1,574	1,522
Short-term accruals	612	490
Total	**4,790**	**5,281**

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

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

Information on the average payment period to suppliers

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

	31.12.2017	31.12.2016
	Days	Days
Average payment period to suppliers	42,74	44,57
Ratio of paid operations	44,84	44,99
Ratio of operations pending payment	28,62	42,28
	Amount (Thousands of Euros)	Amount (Thousands of Euros)
Total payments made	11,191	10,212
Total outstanding payments	1,454	1,853

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

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

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

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

15. Tax situation

17.1 Current balances with Public Administrations

The composition of current balances with Public Administrations at 31 December 2017 and 2016 is as follows:

Debit balances

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT (refund) receivable	167	320
Other concepts (refund) receivable	-	354
Corporation tax (refund) receivable	9,206	5.247
All other credit with Public Administration bodies	**9,373**	**5.921**

Credit balances

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT (refund) payable	219	109
VAT (refund) withholdings payable	630	581
Creditor Social Security Organisms	465	640
Corporation tax (refund) payable	28	374
Other concepts (refund) payable	2	1
All other debts with Public Administration bodies	**1,344**	**1.705**

17.2 The reconcilement between income and expenses for Corporation Tax

At 31 December 2017 and 2016, the Group is not established in the consolidated statement regime, therefore the heading "Income Tax Payments" in the consolidated income statement reflects the sum of the amounts reported in the individual statements of each of the Group companies from the time of inclusion in the scope of each one of them.

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

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

	Thousands of Euros	
	2017	2016
Consolidated profit before tax	28,656	32,104
Permanent differences and consolidation adjustments	331	500
Adjusted profit	**28,987**	**32,604**
Tax rate	*25%*	*25%*
Profit adjusted according to tax rate	**7,247**	**8,151**
Negative tax bases not activated	-	(501)
Differences according to tax rate	1,273	1,289
Other adjustments	288	683
Total tax expense	**8,808**	**9,622**

In the 2016 financial year, the Parent Company offset negative tax bases amounting to 2,006 thousand euros (a quote of 501 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 Parent Company's net turnover was less than 60 million euros, the applicable offset limit on negative tax bases was 50%, which has not been exceeded with the offset of the tax bases.

In 2016, the "Other adjustments" included the penalty received by the Italian subsidiary from the tax authorities of that country for an amount of 320 thousand euros once a tax inspection of said subsidiary was completed (Note 17.6).

Different companies calculate corporate income tax expense based on their respective legislation. The main tax rates applicable to the Group at yearend 2017 are as follows:

Country	Tax rate
Spain	25%
France	33.33%
Italy	24%
Poland	19%
Portugal	21%
Mexico	30%
United Kingdom	20%
Belgium	33.99%
Germany	30%
Croatia	20%
Lithuania	15%
United States	35% (*)

(*) 21% in 2018 and following

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

	Thousands of Euros	
	2017	2016
Expense/(income) deferred tax	87	174
Expense/(income) current tax	8,721	9.448
Total expense (income) due to tax	**8,808**	**9.622**

As a result of the payments on account for Corporate Tax made in the 2017 financial year essentially originating in the Parent Company following the publication of Royal Decree-Law 2/2016, of 30 September, introducing taxation measures aimed at reducing the public deficit, at yearend the Group holds a balance to be recovered from the Tax Administration for this item amounting to 8,281 thousand euros, which has been registered as a current tax asset.

17.3 Recorded deferred tax assets

The breakdowns regarding the balance on this account at the close of the year 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Temporary differences (prepaid taxes):		
Tax effect of the consolidation adjustments	124	160
70% depreciation limit	83	97
Others	117	15
Total deferred tax assets	**324**	**272**

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

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

17.4 Non-recorded deferred tax assets

At yearend 2017 and 2016, there are no significant deferred tax assets that are not registered on the consolidated balance sheet.

17.5 Deferred tax liabilities

The breakdowns regarding the balance on this account at the close of the year 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Temporary differences (deferred taxes):		
Financial leases	329	345
Others	33	56
Total deferred tax liabilities	**362**	**401**

17.6 Years pending approval and auditing actions

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

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

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

However, during the year 2017, the tax inspection of the corporate tax for the year 2012 of the Italian subsidiary was initiated and resolved, with a penalty of 229 thousand euros.

Additionally, during 2016, the following inspections were completed and no significant liabilities were derived from the Group:

- Tax inspection concerning corporate tax for the 2013 financial year of the Italian subsidiary, with a penalty amounting to 409 thousand euros, of which 320 thousand euros correspond to corporate tax and 89 thousand euros to interest on arrears and penalties.
- Tax inspection concerning corporate tax for the 2013 and 2014 financial years of the French subsidiary, with a total penalty of 76 thousand euros corresponding to corporate tax.

As of the date of drawing up these financial statements, there are no ongoing tax inspections. In addition, no additional significant liabilities for the Group are expected to accrue as a result of the inspection of financial years pending inspection.

16. Income and expenses

18.1 Net amount of revenue

The breakdown of net revenues for the years of 2017 and 2016 of the Group is detailed below:

	Thousands of Euros	
	2017	2016
Sales	93,590	96,760
Provision of services	1,110	1,055
Total	**94,700**	**97,815**

18.2. Supplies

The amount recorded under "Consumption of Merchandise" for the years 2017 and 2016 has the following composition:

	Thousands of Euros	
	2017	2016
Consumption of merchandise:		
Purchases	27,338	29,327
Variation in stock	(218)	(689)
Total	**27,120**	**28,638**

The breakdowns of the purchases made by the Group during 2017 and 2016, by source, is as follows:

	Thousands of Euros	
	2017	2016
Spain	5,022	5,348
Europe	22,303	23,936
Others	13	43
Total purchases	**27,338**	**29,327**

The breakdown of staff expenses accrued during 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expense	14,995	14,841
Social security contributions	4,406	4,244
Severance indemnities	989	183
Total	**20,390**	**19,268**

18.4 Financial income and expenses

The breakdowns of the financial result of the Group during the year 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Financial income	**65**	**55**
In third parties	65	55
Financial expenses	**(93)**	**(112)**
Debts with third parties	(93)	(112)
Exchange differences	**(12)**	**(34)**
Financial result	**(40)**	**(91)**

18.5 Other operating expenses

The amount recorded under "Other operating expenses" for the years 2017 and 2016 has the following composition:

	Thousands of Euros	
	2017	2016
Leases	4.271	3,736
Repairs	421	367
Transportation	2,593	2,641
Supplies	1,033	745
Advertising	5,647	5,298
Other external services	4,679	4,977
Total	**18,644**	**17,764**

17. Balances and transactions with related parties

The following are considered related parties:

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

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

19.1 Balances with affiliate companies

As of December 31 2017 and 2016, the Group had the following balances with affiliated companies:

	Thousands of Euros			
	Debit balances		Credit balances	
Company	2017	2016	2017	2016
Short-term financial balances				
Kiluva, SA	-	49	-	-
Tartales, SLU	1	-	-	-
Total short-term financial balances	**1**	**49**	**-**	**-**
Short-term commercial balances				
Gartabo, SA	-	-	42	-
Girofibra, SL	-	-	113	228
Healthouse Sun, S.L.	-	-	1	2
Ichem Sp. Zo.o	-	-	2,718	3,353
Indusen, SA	-	-	650	823
Kiluva, SA	-	-	12	-
Abbot Laboratories, SLU	-	-	9	4
U.D. Logroñés, SAD	-	-	7	-
Zamodiet, SA	-	-	8	8
Ferev Uno Strategic Plans, S.L.	-	73	-	-
Ferev S.A.R.L.	301	127	-	-
Total short-term commercial balances	**301**	**200**	**3,560**	**4,418**
Total	**302**	**249**	**3,560**	**4,418**

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

19.2 Transactions with affiliate companies

During the years 2017 and 2016, the Group performed the following transactions with related companies:

	Thousands of Euros	
Company	2017	2016
Sales		
Gartabo, SA	-	2
Healthouse Sun, S.L.	2	4
Ichem Sp. Zo.o	-	30
Laboratorios Abad, S.L.U.	-	2
Ferev S.A.R.L.	254	-
Services provided		
Kiluva, SA	-	24
Total operating revenues	**256**	**62**
Purchases		
Girofibra, SL	1,197	1,179
Ichem Sp. Zo.o	15,954	17,902
Indusen, SA	3,630	4,012
Laboratorios Abad, S.L.U.	195	158
Services received		
Ichem Sp. Zo.o	30	34
Heatlhouse Sun, S.L.	204	167
Girofibra, SL	2	2
Luair, S.L.U. (Directly and indirectly)	337	336
U.D. Logroñés, SAD	269	313
Ferev Uno Strategic Plans, S.L.	-	20
Leasing and Insurance		
Kiluva, SA	14	30
Tartales, SLU	380	340
Total operating expenses	**22,212**	**24,493**

Consideration should be given to the dividend distributions described in Note 13.

Likewise, there are transactions with a company related to a member of the Parent Company's Board of Directors amounting to 62 thousand euros in the 2017 financial year (60 thousand euros in the 2016 financial year).

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

As of the date of drawing up these financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2016 financial year together with its tax advisors, which includes the main transactions that the Parent Company performs with its related companies:

- Royalties from the sale of brands

- Support services to the management (management fees).

- Sale of products

- Purchase of products

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

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

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

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

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

This report has been issued in relation to transactions with affiliate companies in 2016. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2017 financial year, consequently, they believe that they are duly backed up.

19.3 Compensation to Directors and Senior Management of the Parent Company

During 2017 the current Directors of the Parent Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 268 (240 thousand Euros). Additionally, they have received remuneration indicated in the following paragraph for the development of their executive positions. On the other hand, no member of the Board of Directors maintains any advance with the Parent Company at the close of the 2017 and 2016 years. Finally, there are no bank guarantees granted, or other commitments made, regarding pensions or life insurance policies with the Directors.

The compensation received in the year 2017 by the senior executives of the Group amounted to 3,787 thousand Euros for salaries and wages and services and compensations (1,782 thousand Euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Group has received no remuneration for other services. The remunerations received by the Group's Senior Management in the 2016 financial year amounted to 3,015 thousand euros (1,791 thousand euros received by members of the Board of Directors in the development of their executive positions).

At yearend 2017 and 2016 the body of the Senior Management of the Group consists of the following persons:

	2017		2016	
Categories	Men	Women	Men	Women
Senior Management	8	1	7	1

As of yearend 2017 and 2016, there are no advances (except for what is stated above), loans granted, pension obligations or life insurance obligations with Senior Management.

The Board of Directors consists of six men and one woman at the end of 2017 (six men and two women at the end of 2016).

The Parent Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros to 31 December 2017 (5 thousand euros in 2016).

19.4 Information relating to conflicts of interest by the Directors

As of year-end 2017, 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.

18. Information on the environment

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

19. Other information

21.1 Personnel

The average number of employees during the years 2017 and 2016, broken down by category, is as follows:

Categories	Number of employees 2017	2016
Senior Management	8	8
Rest of Senior Staff	25	22
Administrative and technical staff	42	62
Commercial, sales' staff and operators	468	398
Total	**544**	**490**

Likewise, the gender distribution of the Group at the end of the years 2017 and 2016, broken down by category, is as follows:

	2017		2016	
Categories	Men	Women	Men	Women
Senior Management	8	1	7	1
Rest of Senior Staff	18	8	7	11
Administrative and technical staff	6	39	11	47
Commercial, sales' staff and operators	16	477	40	362
Total	**48**	**525**	**65**	**421**

21.2 Audit fees

During 2017 and 2016, the fees for audit services and other services provided by the auditor of the consolidated annual accounts of the Group, Deloitte, S.L. and companies belonging to the Deloitte network, as well as fees for services billed by the auditors of individual annual accounts of the companies included in the consolidation and by entities linked to same by control, common ownership or management, were as follows (in thousands of Euros):

Description	Audit Services from the main auditor	
	Year 2017	Year 2016
Audit Services	134	137
Other verification services (*)	30	26
Total auditing and related services	**164**	**163**
Tax Advice Services	-	-
Other services	-	-
Total Professional Services	**164**	**163**

(*) 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 2017 and a report on agreed procedures (same concepts referred in 2016).

20. Information by segments

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

Segmentation criteria

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

- Spain
- France
- Italy
- Poland
- Other countries

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

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

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

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

- It has different financial information.

Basis and methodology of the information by business segment

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

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

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

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

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

Information regarding the consolidated income statements for 2017 and 2016, broken down by Segment, is as follows:

	Thousands of Euros													
	Sectors												Total	
	Spain		France		Italy		Poland		Other countries		Others and elimina.			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External Sales	19,343	19,181	40,875	41,074	20,764	22.473	11,208	12,501	2,510	2,586	-	-	94,700	97.815
Sales between sectors	5,638	5,681	314	334	14	14	106	29	250	202	(6,322)	(6,260)	-	-
Other operating income	376	120	142	46	141	143	87	153	-	15	-	-	746	477
Total revenues	**25,357**	**24,982**	**41,331**	**41,454**	**20,919**	**22,630**	**11,401**	**12,683**	**2,760**	**2,803**	**(6,322)**	**(6,260)**	**95,446**	**98.292**
Supplies	(6.468)	(6,561)	(11.924)	(12,158)	(5.842)	(6,563)	(4.719)	(5,153)	(915)	(929)	2,748	2,726	(27,120)	(28,638)
Personnel	(7.189)	(6,633)	(5.510)	(4,807)	(5.445)	(5,606)	(927)	(1,202)	(1.318)	(1,020)	(1)	-	(20,390)	(19,268)
Amortization	(559)	(542)	(174)	(158)	(279)	(251)	(155)	(95)	(67)	(105)	137	152	(1,097)	(999)
Other operating costs	(6.226)	(5,942)	(7.652)	(7,446)	(5.074)	(4,892)	(2.009)	(1,910)	(1.326)	(1,107)	3,643	3.533	(18,644)	(17,764)
Impairment losses and income from disposal of fixed assets	40	(174)	15	(10)	-	(51)	22	-	(10)	(13)	-	-	67	(248)
Operating results	**4,955**	**5,130**	**16,086**	**16,875**	**4,279**	**5,267**	**3,613**	**4,323**	**(876)**	**(371)**	**205**	**151**	**28,262**	**31,375**
Financial income	-	-	-	-	-	-	-	-	-	-	65	55	65	55
Financial expenses	-	-	-	-	-	-	-	-	-	-	(105)	(146)	(105)	(146)
Financial result	-	-	-	-	-	-	-	-	-	-	**(40)**	**(91)**	**(40)**	**(91)**
Results of equity method associated companies	-	-	-	-	-	-	-	-	-	-	**434**	**820**	**434**	**820**
Profit / (loss) before tax	**4,955**	**5,130**	**16,086**	**16,875**	**4,279**	**5,267**	**3,613**	**4,323**	**(876)**	**(371)**	**599**	**880**	**28,656**	**32,104**

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

The breakdown per segment of certain items of the consolidated statement of financial position, to 31 December 2017 and 2016 is as follows:

	Thousands of Euros													
	Sectors													
	Spain		France		Italy		Poland		Other countries		Others and elimina.		**Total**	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	**31/12/2016**
ASSETS														
Other intangible assets	1,591	1,793	14	14	72	79	-	1	10	10	-	-	1,687	**1,897**
Tangible fixed assets	2,367	2,336	733	804	861	701	141	96	933	932	-	-	5,035	**4,869**
Total Assets	**14,688**	**12,183**	**10,013**	**14,384**	**4,814**	**5,956**	**2,871**	**4,635**	**3,545**	**2,914**	**2,906**	**3,176**	**38,837**	**43,248**
Total Liabilities	**2,619**	**2,750**	**3,598**	**4,592**	**3,354**	**3,700**	**1,077**	**1,136**	**582**	**396**	**3,104**	**3,528**	**14,334**	**16,102**

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

Other segment information

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

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

	In Thousands of Euros					
	Spain	France	Italy	Poland	Other	**Total**
Additions 2016	251	359	364	119	63	**1,156**
Additions 2017	421	140	502	165	99	**1,327**

21. Subsequent events

On January 22, 2018, the Parent Company collected an amount of 4,061 thousand euros corresponding to the Corporation Tax for the year 2016 pending repayment by the Spanish Tax Agency.

With the exception of the aforementioned event, there have been no significant subsequent events after the closing of December 31, 2017 and the formulation of the consolidated financial statements.

Madrid, 23 February 2018.

Board of Directors

Consolidated Management Report

REPORT CORRESPONDING TO THE YEAR ENDING 31 DECEMBER 2017

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1. Situation and Business Development

Naturhouse Group is a business group dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. At yearend 2017 it had an active presence in 32 countries through a network of 2,360 centres, with France, Italy, Spain and Poland being its most important markets.

The companies included in full consolidation in the year 2017 are: Naturhouse Health S.A. (Spain), S.A.S. Naturhouse (France), Housediet S.A.R.L. (France), Naturhouse S.R.L. (Italy), Naturhouse Sp Zo.o (Poland), Kiluva Portuguesa - Nutriçao e Dietética, Lda (Portugal), Naturhouse Belgium S.P.R.L. (Belgium), Naturhouse Franchising Co, Ltd (United Kingdom), Naturhouse, Gmbh (Germany) and Zamodiet México S.A. of C.V. (Mexico), Nutrition Naturhouse Inc. (Canada), Naturhouse d.o.o. (Croatia), UAB Naturhouse (Lithuania) and Naturhouse Inc. (USA).

The year 2017 is marked by the commercial effort aimed at the consolidation of existing markets, especially in Europe, and the opening of new international geographic markets, specifically the United States and the United Kingdom. Likewise, the strategy of the company has been marked by increasing the profitability of the Naturhouse stores and the type of customers.

The Annual General Meeting was held on 27 April 2017, 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 2.016.
- The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2.016 financial year.
- Approval of the management of the Board of Directors for the year 2016.
- Ratification and appointment as Independent Director of Mr Ignacio Bayón Marine.
- Re-election and appointment of Deloitte, S.L. as auditors of the Company for a maximum term of three years for the audit of the Group's individual and consolidated annual accounts, corresponding to the years 2017-2018 and 2019, maximum.
- 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 2016 financial year.
    - Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2.017 financial year.
    - Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2.017 financial year.
- Authorization to the Board of Directors for the direct or indirect derivative acquisition of treasury shares, within the limits and legal requirements, directly or through group companies, in accordance with the provisions of article 146 of the Capital Companies Law.

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

On 5th May 2017, an advance dividend distribution for the 2016 financial year was made, amounting to 10,800 thousand euros.

On May 30, 2017, the departure of Mr Olivier Roques as General Director of the subsidiary of Naturhouse Health, S.A in France is made effective. Furthermore, Mr Didier Ricaud, following the favourable report of the members of the Appointments and Remuneration Committee and the conformity of the Board of Directors, has been appointed Director General of France. Mr Ricaud has extensive experience in the retail and franchise sector, having worked for more than 21 years at Ives Rocher, where he held the position of Managing Director of Italy. Later and until his incorporation in Naturhouse he has held the position of Director of Expansion of the Duty Free franchise in Europe. Mr Didier Ricaud graduated from the INSEEC business school in Paris and holds a Master's degree from IPADE Business School.

On June 15, 2017 it is reported that Mrs Isabel Tocino Biscarolasaga has informed the Company of her resignation from her position as Independent Director of the Board of Directors of Naturhouse Health S.A.
Even though this does not imply any legal impediment to her remaining on the Naturhouse Board, the resignation occurred once Mrs Isabel Tocino, as she informs us, learned, through the press, that the President of Naturhouse, in his own right, is a shareholder of Banco Popular, with the current owner being Grupo Santander, of which Mrs Isabel Tocino is an Independent Director.

On June 19, 2017, Mr Andrzej Gladysz, General Director of the Polish subsidiary of Naturhouse Health S.A., stated his decision to leave the company due to health reasons with effect from July 31, 2017. From now on, the Polish subsidiary becomes organically dependent on Mr Kilian Revuelta, the Company's executive vice president, until in November 2017 Mr Piotr Rafat Podlaszewski joins as the country's new general director.

On July 20, 2017, the Board of Directors, with the favourable report of the Appointments and Remuneration Committee, has agreed to appoint as member of the Appointments, Remuneration and Audit Committee, the independent director, Mr Ignacio Bayón Mariné, thus covering the vacancy caused by the resignation of Mrs Isabel Tocino Biscarolasaga. Likewise, it has been agreed to appoint the Independent Director Mr Pedro Nueno Iniesta, President of the Appointments and Remuneration Committee.

On August 1, 2017, the Board of Directors of Naturhouse Health agreed to transfer the registered office from Barcelona on Calle Pasaje Pedro Rodríguez No. 6 to Madrid at Calle Claudio Coello No. 91, with the consequent amendment to the first section of article 3 of the Articles of Association. The reason for this transfer is for operational reasons, because since the company went public, in April 2015, it has consolidated the company and group management in its offices in Madrid. In these offices, in addition to the presidency and vice-presidency, the operating directions of the company are located, and the Board of Directors and its Delegate Committees meet regularly.

On 15 September 2017, the payment of interim dividends was made for the 2017 financial year, amounting to 12,000 thousand euros.

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

Consolidated Profit and Loss Account

(Thousands of Euros)	Year 2017	Year 2016
Net amount of revenue	94,700	97,815
Supplies	(27,120)	(28,638)
Gross Margin	**67,580**	**69,177**
Other operating income	746	477
Personnel costs	(20.390)	(19,268)
Other operating costs	(18.644)	(17,764)
Operating income before depreciation and amortization, impairment and other results	**29,292**	**32,622**
Depreciation and amortization	(1,097)	(999)
Impairment losses and income from disposal of fixed assets	67	(248)
OPERATING INCOME	**28,262**	**31,375**
FINANCIAL RESULT	**(40)**	**(91)**
Results of equity method associated companies	434	820
CONSOLIDATED PROFIT BEFORE TAX	**28,656**	**32,104**
Corporation Tax	**(8,808)**	**(9,622)**
NET INCOME FROM CONTINUING OPERATIONS	**19,848**	**22,482**
CONSOLIDATED NET INCOME	**19,848**	**22,482**

	31.12.2017	31.12.2016
Average number of employees	546	490
Gross Margin without Sales	71%	71%
Operating Income without Sales	30%	32%
Net Income without Sales	21%	23%

- 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 98,74% in 2017.

  2. Provision of services
     a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.21% of net turnover for the 2017 financial year.
     b. Master franchise fee: corresponds to the entry fee that the Group bills to the masters franchisees for the operation of the business in an exclusively new country. This fee is charged in advance in the first year of operation of the business and entitles the exploitation of the Naturhouse channel for 7 years. The amount of the fee varies according to the estimated potential number of Naturhouse centres in that country. During 2017, a new franchise master contract was signed in Ireland. This represents 0.05% of net turnover for the 2017 financial year.

- Net turnover in the 2017 financial year amounted to 94,700 thousand euros, representing an decrease of -3.18% over the previous year. This variation mainly includes the following effects:

  - In France sales are 40,875 thousand Euros. In the 2016, they were 41,074 thousand euros, a decrease of 0.5%, as a consequence of a poor result in the fourth quarter of 2017 due to the increase in the number of transfers between franchisees, causing a period of low activity.
  - In Spain, sales are 19,343 thousand euros. In the 2016, they were 19,181 thousand euros, an increase of 0.8%, as a consequence of the net opening of 6 centres during the year 2017. We confirm the consolidation of the growth in the Spanish market as we advanced in the previous quarters.
  - In Italy, sales are 20,764 thousand euros. In the 2016, they were 22,473 thousand euros, a reduction of -7.6%, due to the weakness that retail sales continue to show, not only at a general level but also as far as pharmaceutical products are concerned. The restructuring of the commercial area has also contributed to the specific decrease in productivity in the subsidiary.
  - In Poland, sales are 11,208 thousand euros. In 2016 they were 12,501 thousand euros, a reduction of -10.3%, as a result of the transition in the direction of the country, which has concluded with the incorporation of two commercial directors under the direct supervision of a new general director incorporated in November 2017.

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

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

- In 2017 there is an average workforce of 546 employees in the Group, of which 87% 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 13% of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff.
  Personnel Expenses represents 21,53% of net revenues.

- Other Operating Expenses has increased by 4.95% over the 2016 financial year basically due to the following reasons:
  - Increased Lease costs: Derived from the strategy of the group of opening its own centres for its later transfer to a franchised centre, and going into shopping centres.
  - Expenses derived from the outsourcing of the logistics service in Spain (start of service in June 2016), France, Italy and Poland.

- The operating result on the amount of the turnover decreased one percentage point, from 32% to 30%, as a result of the increase in personnel expenses and other operating expenses on which we have previously commented.

- As a result of the 24.9% stake of the company Ichem Sp zo.o, in the 2017 financial year, 434 euros is registered in the "Results from equity accounted companies" in the attached abridged profit and loss account.

- The net result on the amount of turnover decreased by two percentage points, from 23% to 21%, with respect to the year 2016, as a result of the increase in costs mentioned above.

3. **Consolidated Statement of Financial Position**

ASSET (Thousands of Euros)	31.12.2017	31.12.2016
NON-CURRENT ASSETS:		
Intangible fixed assets	**1,687**	**1,897**
Tangible fixed assets	**5,035**	**4,869**
Non-current financial assets	**1,038**	**992**
Investments in associates	**3,136**	**3,208**
Deferred tax assets	**324**	**272**
Non-current assets	**11,220**	**11,238**
CURRENT ASSETS:		
Inventory	**4,449**	**4,231**
Customer receivables for sales and services	**4,072**	**4,606**
Customers, related companies	**301**	**200**
Current tax assets and other receivables with public administrations	**9,373**	**5,921**
Other current assets	**1,095**	**922**
Investments in affiliate companies	**1**	**49**
Current financial assets		
Cash and cash equivalents	**8,326**	**16,081**
Total current assets	**27,617**	**32,010**
Total assets	**38,837**	**43.248**
LIABILITIES (Thousands of Euros)	**31.12.2017**	**31.12.2016**
NET EQUITY:		
Capital and reserves-		
Subscribed capital	3,000	3,000
Issue premium	2,149	2,149
Premium	11,944	12,230
Own shares and company shares	(64)	(227)
Conversion differences	(409)	(548)
Results of the year	19,855	22,504
Interim dividend	(12,000)	(12,000)
NET EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**24,475**	**27,108**
NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	**28**	**38**
Total net equity	**24,503**	**27,146**
NON-CURRENT LIABILITIES:		
Non-current provisions	**1,143**	**1,030**
Non-current liabilities	**3,080**	**3,177**
Deferred tax liabilities	**362**	**401**
Non-current liabilities	**4,585**	**4,608**
CURRENT LIABILITIES:		
Current liabilities	**55**	**90**
Trade creditors and other receivables	**4,790**	**5,281**
Suppliers, related companies	**3,560**	**4,418**
Current tax liabilities and other payables with public administrations	**1,344**	**1,705**
Total current liabilities	**9,749**	**11,494**
TOTAL NET EQUITY AND LIABILITIES	**38,837**	**43,248**

- The reduction of 72 thousand euros of the "Investments in associated companies" is as a consequence of the share in results of the company Ichem Sp. Zo.o, is the balance resulting from the distribution of dividends for the year of 2016 and the contribution of the result for the year 2017.

- The increase of 3,452 thousand euros in "Assets for current tax and other credits with public administrations" is due to the payment on account of the corporation tax of the Spanish company, Naturhouse Health, S.A., to the Spanish tax authority. At the close of 2017, the advance payment of the company tax of the Spanish company for 2016 and 2017 is pending. It is worth mentioning that the amount advanced by the company tax for the year 2016 was returned in the month of January 2018, with only the advance amount for the year 2017 remaining to be returned by the Spanish tax authority.

- Even though the company terminated the liquidity contract with Banco Alcalá on 15 December 2016, at 31 December 2017 there is a balance in own shares and company shares of €64,186, represented by a total of 14,000 shares at an average acquisition price of €4.58/share.

- On 15 September 2017, 12,000 thousand euros were distributed as an interim dividend for the 2017 financial year.

- The average payment period of the Spanish company included in the Naturhouse Group was 43 days, within the maximum period established in the delinquency regulations.

4. Financial risk management and use of hedging instruments

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

Market risk in the interest rate and the exchange rate:

The Group's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2017, 100% of borrowings were at variable interest rates. However, the Group has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

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

Credit risk:

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

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

Liquidity risk:

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

5. **Risk Factors**

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

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

6. **R + D + i activities**

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

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

The main supplier of the Group is the Polish company Ichem Sp. Zo.o, since it represents 59% of total consolidated purchases as of December 31, 2017. The Group 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 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, has stakes (Indusen, Girofibra SL and Laboratorios Abad SLU), which represent approximately 19% of total purchases in 2017, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 23% of total purchases in 2017.

7. **Treasury Shares**

As of 31 December 2017, the Parent Company holds a total of 14,000 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

8. **Subsequent events**

On January 22, 2018, the Parent Company collected an amount of 4,061 thousand euros corresponding to the Corporation Tax for the year 2016 pending repayment by the Tax Agency.

With the exception of the aforementioned event, there have been no significant subsequent events after the closing of December 31, 2017 and the formulation of the consolidated financial statements.

9. **Capital structure and significant shareholdings**

As of 31 December 2017, the Naturhouse Group has no restriction on the use of capital resources that, directly or indirectly, have affected or may significantly affect the operations, except those that are legally established.

As of 31st December 2017, the share capital is represented by 60,000,000 shares. The main shareholders of the Group are, Kiluva, S.A. with a participation of 72.60%, and Schroder PLC. with 4.56%

10. **Shareholder agreements and restrictions on transferability and vote**

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

11. **Administrative Body, Board**

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

12. **Significant agreements**

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

13. **Annual Corporate Governance Report**

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

14. **Corporate Social Responsibility Report**

The Corporate Social Responsibility report that is part of the management report can be consulted on the website of the National Securities Market Commission (CNMV) and on the website of the Naturhouse Group.

www.cnmv.es
www.naturhouse.com

Madrid, 23 February 2018

Board of Directors

ANNEX I
Companies included in the consolidation

At 31 December 2017 and 2016 the affiliate companies in full consolidation and the information relating to same is as follows:

<u>Year 2017</u>

Company	Activity	Holding %
Naturhouse Health S.A. Pasaje Pedro Rodríguez 4-6 Barcelona (Spain)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Processing and marketing dietetic products	100%
Ichem Sp. Zo.o (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24.9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (US)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc.** Rue de la Guachetière Ouest Montréal Québec (Canada)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Marketing of dietary products medicinal herbs and natural cosmetics	100%

Company	Activity	Holding %
SAS Naturhouse 12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France	Marketing of products dietary	100%
UAB Naturhouse Konstitucijos pr. 7 09308 Vilnius (Lithuania)	Marketing of products dietary	100%
Zamodiet México S.A. de C.V. Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico)	Marketing of dietary products	79%

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

(**) Company not consolidated due to its inactivity

Year 2016

Company	Activity	Holding %
Naturhouse Health S.A. Pasaje Pedro Rodríguez 4-6 Barcelona (Spain)	Marketing of dietary products medicinal herbs and natural cosmetics	
Housediet S.A.R.L. 75 rue Beaubourg 75003 Paris (France)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Kiluva Portuguesa –Nutriçao e Dietetica, Lda Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fraçao "M" Abruhneira 2710 Sintra (Portugal)	Processing and marketing dietetic products	100%
Ichem Sp. Zo.o (*) ul. Dostawcza 12 93-231 Lodz (Poland)	Production and marketing of dietetic products	24.9%
Naturhouse Belgium S.P.R.L. Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 (Belgium)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Franchising Co, Ltd 33 church road, Ashford Middlesex (Great Britain)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse, Gmbh Rathausplatz, 5 91052 Erlangen (Germany)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Inc. 1395 Brickellave 800 STE Miami FL (US)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse Sp. zo.o. Ul/Dostawcza, 12 93-231 Lodz (Poland)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse S.R.L. Viale Panzacchi, nº 19 Bologna (Italy)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Nutririon Naturhouse Inc.** Rue de la Guachetière Ouest Montréal Québec (Canada)	Marketing of dietary products medicinal herbs and natural cosmetics	100%
Naturhouse d.o.o. Ilica 126, City of Zagreb (Croatia)	Marketing of dietary products medicinal herbs and natural cosmetics	100%

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

(**) Company not consolidated due to its inactivity

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 23 February 2018, we have drawn up the consolidated financial statements for Naturhouse Health, S.A. and subsidiaries for the financial year ending 31 December 2017.

In this regard, we declare that, to the best of our knowledge, the aforementioned consolidated 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. and subsidiaries for the financial year ending 31 December 2017, 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. and subsidiaries as of 31 December 2017, taken as a whole, together with the description of the principal risks and uncertainties they face.

That the consolidated Financial Statements for the financial year ending 31 December 2017 - comprising the Balance Sheet, Profit and Loss Accounts, Cash Flow Statement and Statement of Changes in Equity and the Explanatory Notes - and the Management Report, cover 70 sheets of plain paper, on one side only, numbered consecutively from 1 to 70, with pages 1 to 70 being signed by the Secretary of the Board of Directors and page 70 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. The RSC Report covers 55 sheets of plain paper, on one side only, numbered consecutively from 1 to 55, 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

Pedro Nueno Iniesta

Ignacio Bayon Mariné

NATURHOUSE HEALTH, S.A.

BALANCE OF THE SITUATION AS OF DECEMBER 31, 2017

(Euros)

ASSET	Notes to the Statement	31/12/2017	31/12/2016
NON-CURRENT ASSETS:			
Intangible fixed assets	Note 5	**1.590.528**	**1.792.889**
Concessions and patents		1.496.141	1.729.306
Transfer rights		24.265	34.265
Software (apps)		70.122	29.318
Tangible fixed assets	Note 6	**2.367.298**	**2.336.150**
Technical facilities and other fixed assets		2.367.298	2.336.150
Long-term investments in group companies-	Note 8	**9.206.569**	**8.996.165**
Equity instruments		9.206.569	8.996.165
Long-term financial investments	Note 9	**428.005**	**425.268**
Deferred tax assets	Note 14	**83.370**	**97.059**
Non-current assets		13.675.770	13.647.531
CURRENT ASSETS:			
Inventory	Note 10	**1.228.908**	**1.285.114**
Trade and other receivables		**9.182.579**	**6.445.684**
Customer receivables for sales and services		267.317	230.814
Clients, companies of the Group and associates	Note 15	617.054	1.259.217
Other debtors		14.193	29.235
Current tax assets	Note 14	8.281.311	4.601.312
Other credit with Public Administration bodies	Note 14	2.704	325.106
Short-term investments of the group and associated companies	Note 15	**1.157**	**80.045**
Short-term accruals		**158.634**	**50.696**
Cash and cash equivalents		**306.955**	**1.027.260**
Total current assets		10.878.233	8.888.799
Total assets		24.554.003	22.536.330

NET EQUITY AND LIABILITIES	Notes to the Statement	31/12/2017	31/12/2016
NET EQUITY:			
Own funds-			
Capital		**3.000.000**	**3.000.000**
Issue premium		**2.148.996**	**2.148.996**
Reserves-		**4.043.913**	**3.987.813**
Legal and statutory obligations		600.000	600.000
Other reserves		3.443.913	3.387.813
Treasury Shares		**(64.186)**	**(226.942)**
Treasury Own Shares		(64.186)	(226.942)
Results of the year		**22.087.920**	**22.843.479**
Interim dividend		**(12.000.000)**	**(12.000.000)**
Total net equity	Note 11	19.216.643	19.753.346
NON-CURRENT LIABILITIES:			
Long-term debts-	Note 13	**5.437**	**18.048**
Financial lease creditors		5.437	18.048
Deferred tax liabilities	Note 14	**329.216**	**345.361**
Non-Current liabilities		334.653	363.409
CURRENT LIABILITIES:			
Short-term debts-	Note 13	**25.514**	**17.151**
Financial lease creditors		12.611	12.057
Other financial liabilities		12.903	5.094
Short-term amounts owed to the Group and associated companies	Note 15	**2.700.000**	**-**
Trade creditors and other receivables		**2.023.622**	**2.252.424**
Suppliers		218.884	257.206
Suppliers, companies of the Group and associates	Note 15	829.283	1.177.865
Various creditors		413.305	383.954
Personnel		279.119	186.186
Other debts with Public Administration bodies	Note 14	283.031	247.213
Short-term accruals		**253.571**	**150.000**
Total current liabilities		5.002.707	2.419.575
TOTAL NET EQUITY AND LIABILITIES		24.554.003	22.536.330

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the balance sheet on 31 December 2017.

NATURHOUSE HEALTH, S.A.

LOSS AND PROFIT ACCOUNT AT YEAREND 31 DECEMBER 2017

(Euros)

	Report notes	Year 2017	Year 2016
CONTINUED OPERATIONS:			
Net amount of revenue	**Note 16.1**	**21.656.570**	**21.533.689**
Sales		19.285.755	19.055.651
Provision of services		2.370.815	2.478.038
Supplies	**Note 16.2**	**(6.468.368)**	**(6.561.270)**
Consumption of merchandise:		(6.468.368)	(6.561.270)
Other operating income		**3.668.464**	**3.447.468**
Non-Core and Other Current Operating Revenues		3.668.464	3.447.468
Personnel costs		**(7.189.315)**	**(6.633.251)**
Wages, salaries and similar expense		(6.005.278)	(5.586.727)
Social security contributions	**Note 16.4**	(1.184.037)	(1.046.524)
Other operating costs		**(6.194.672)**	**(5.942.487)**
External services		(5.693.934)	(5.661.296)
Tax revenues		(204.207)	(121.314)
Losses, impairment or variation in funding for commercial operations	**Note 9**	(56.552)	70.129
Other Current Management Expenses		(239.979)	(230.006)
Amortisation of fixed assets	**Notes 5 and 6**	**(558.868)**	**(542.366)**
Impairment losses and income from disposal of fixed assets		**39.761**	**(174.458)**
Results from disposals and others	**Note 6**	39.761	(174.458)
Operating result - Profit		**4.953.572**	**5.127.325**
Financial income	**Notes 8 and 16.5**	**19.206.348**	**19.181.460**
Income from participations in equity instruments, group companies and associates		19.197.444	19.177.389
Other income from negotiable securities and other financial instruments		8.904	4.071
Financial expenses	**Note 16.5**	**(45.097)**	**(79.407)**
Due to group debts	**Note 17**	(6.693)	-
Debts with third parties		(38.404)	(79.407)
Impairment losses and income from disposal of financial instruments	**Note 8**	**(789.596)**	**(656.711)**
Financial result - Profit		**18.371.655**	**18.445.342**
Result before taxes - Profit		**23.325.227**	**23.572.667**
Tax on profits	**Note 14**	(1.237.307)	(729.188)
Result of the year - Profit		**22.087.920**	**22.843.479**

Notes 1 to 22 and Appendix I described in the attached Report form an integral part of the Profit and Loss Account corresponding to the year ended on December 31, 2017.

NATURHOUSE HEALTH, S.A.

STATEMENT OF CHANGE IN THE NET EQUITY OF THE YEAR ENDED

31 DECEMBER 2017

(Euros)

A) RECOGNISED EXPENSES AND INCOME STATEMENT

	Year 2017	Year 2016
RESULT OF THE PROFIT AND LOSS ACCOUNT	22.087.920	22.843.479
INCOME AND EXPENSES CHARGED DIRECTLY TO NET EQUITY (II)	-	-
TRANSFER TO THE PROFIT AND LOSS ACCOUNT (III)	-	-
RECOGNIZED INCOME AND EXPENSES (I+II+III)	22.087.920	22.843.479

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the of the statement of recognized income and expenses for the year ended December 31, 2017.

NATURHOUSE HEALTH, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(Euros)

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY

	Notes of the notes	Capital	Premium issue	Reserve legal	Premium voluntary	Shares own	Results of the year	Dividend to account	Total
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 profit from financial year 2015									
- Distribution of dividends		-	-	-	-	-	(17.963.534)	14.050.000	(3.913.534)
Operations with treasury shares									
Operations with shares (net)		-	-	-	52.393	(12.925)	-	-	39.468
Operations with shareholders:									
- Distribution of dividends		-	-	-	(1.036.000)	-	-	(12.000.000)	(13.036.000)
Other variations in net equity					15.870				15.870
Balance on 31 December 2016	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**3.387.813**	**(226.942)**	**22.843.479**	**(12.000.000)**	**19.753.346**
Total recognised income and expenses		-	-	-	-	-	22.087.920	-	22.087.920
Distribution of profit from financial year 2016>									
- Distribution to reserves		-	-	-	43.479	-	(12.043.479)	12.000.000	-
- Distribution of dividends		-	-	-	-	-	(10.800.000)	-	(10.800.000)
Operations with treasury shares									
Operations with shares (net)		-	-	-	9.821	162.756	-	-	172.577
Operations with shareholders:									
- Distribution of dividends		-	-	-	-	-	-	(12.000.000)	(12.000.000)
Other variations in net equity		-	-	-	2.800	-	-	-	2.800
Balance on 31 December 2017	**Note 11**	**3.000.000**	**2.148.996**	**600.000**	**3.443.913**	**(64.186)**	**22.087.920**	**(12.000.000)**	**19.216.643**

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the of changes in equity for the year ended December 31, 2017.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(Euros)

	Report notes	Year 2017	Year 2016
Pre-tax profit		**23.325.227**	**23.572.667**
Adjustments to profit		**(17.692.425)**	**(17.648.647)**
-Amortization of fixed assets	Notes 5 and 6	558.868	542.366
- Valuation corrections for impairment	Note 9	56.552	(70.129)
- Results from write-offs and disposal of property		(39.761)	174.458
- Impairment losses and income from disposal of financial instruments	Note 8	789.596	656.711
-Financial income	Note 16.5	(19.206.348)	(19.181.460)
-Financial expenses	Note 16.5	45.097	79.407
- Other income and expenses		103.571	150.000
Changes in working capital		**608.818**	**(526.927)**
- Inventory	Note 10	56.206	(397.257)
- Trade and other accounts receivables		886.552	(360.820)
- Other current assets		(107.938)	109.433
- Creditors and other receivables		(226.002)	121.717
Other cash flows from operating activities		**14.241.489**	**12.332.588**
- Interest payments		(45.097)	(79.407)
- Dividend collections	Note 8	19.197.444	19.177.389
- Interest charges		8.904	4.071
- Collections (payments) for income tax	Note 14	(4.919.762)	(6.769.465)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**20.483.109**	**17.729.681**
Investment payments		**(1.423.845)**	**(634.595)**
- Intangible and tangible fixed assets	Notes 5 and 6	(421.108)	(251.026)
- Investments in affiliate companies	Note 8	(1.000.000)	(357.411)
- Other financial assets		(2.737)	(26.158)
Divestment charges		**152.102**	**161.090**
- Receipts from related companies		78.888	-
- Intangible and tangible fixed assets	Notes 5 and 6	73.214	161.090
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(1.271.743)**	**(473.505)**
Receipts and payments from equity instruments		**172.577**	**39.468**
- Disposals (acquisitions) net of equity	Note 11	172.577	39.468
Receipts and payments from financial liability instruments		**2.695.752**	**(2.446.271)**
- Issuance and return of other debts		-	4.943
- Issuance and return of debts with group companies	Note 15	2.700.000	(546.330)
- Repayment and amortization of debts with credit institutions		-	(1.883.962)
- Return and amortization of other debts		(4.248)	(20.922)
Payments from dividends and remuneration from other equity instruments		**(22.800.000)**	**(16.949.534)**
- Dividend payments		(22.800.000)	(16.949.534)
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(19.931.671)**	**(19.356.337)**
NET INCREASE/DECREASE OF CASH OR EQUIVALENTS (I+II+III)		**(720.305)**	**(2.100.161)**
Cash or equivalent at the start of the financial year		1.027.260	3.127.421
Cash or equivalent at the end of the financial year		306.955	1.027.260

Notes 1 to 22 described in the Report and Appendix I attached are an integral part of the cash flows for the year ended December 31, 2017