

# Naturhouse Health, S.A.

Financial Statements for the  
year ended 31 December 2020 and  
Management Report



Naturhouse Health, S.A.

**BALANCE ON 31 DECEMBER 2020**

(Euros)

ASSET	Explanatory notes	31/12/2020	31/12/2019	EQUITY AND LIABILITIES	Explanatory notes	31/12/2020	31/12/2019
<b>NON-CURRENT ASSETS:</b>				<b>NET EQUITY:</b>			
<b>Intangible fixed assets</b>	<b>Note 6</b>	<b>914,997</b>	<b>1,213,804</b>	<b>Own funds</b>			
Industrial property		796,951	1,030,015	<b>Capital</b>		<b>3,000,000</b>	<b>3,000,000</b>
Transfer rights		-	4,265	<b>Issue premium</b>		<b>2,148,996</b>	<b>2,148,996</b>
Software		118,046	179,524	<b>Premium</b>		<b>8,633,968</b>	<b>5,833,700</b>
<b>Tangible fixed assets</b>	<b>Note 7</b>	<b>524,633</b>	<b>762,226</b>	Legal and statutory		600,000	600,000
Technical facilities and other tangible fixed assets		524,633	762,226	Other reserves		8,033,968	5,233,700
<b>Long-term investments in Group companies-</b>	<b>Note 9</b>	<b>8,335,766</b>	<b>8,378,044</b>	<b>Own Shares</b>		<b>(141,886)</b>	<b>(142,330)</b>
Equity instruments,		8,335,766	8,378,044	Treasury Shares		(141,886)	(142,330)
<b>Long-term financial investments</b>	<b>Note 10</b>	<b>242,921</b>	<b>337,011</b>	<b>Results for the financial year / Profit</b>		<b>5,724,539</b>	<b>14,200,268</b>
<b>Deferred tax assets</b>	<b>Note 15</b>	<b>97,685</b>	<b>39,630</b>	<b>Interim dividend</b>		-	<b>(11,400,000)</b>
<b>Non-current assets</b>		<b>10,116,002</b>	<b>10,730,715</b>	<b>Total net equity</b>	<b>Note 12</b>	<b>19,365,617</b>	<b>13,640,634</b>
				<b>NON-CURRENT LIABILITIES:</b>			
				<b>Deferred tax liabilities</b>		<b>237</b>	-
				<b>Non-current liabilities</b>		<b>237</b>	-
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
<b>Inventory</b>	<b>Note 11</b>	<b>1,037,263</b>	<b>1,173,621</b>	<b>Short-term debts</b>	<b>Note 14</b>	<b>15,806</b>	<b>6,309</b>
<b>Trade and other accounts receivable</b>		<b>3,072,458</b>	<b>3,833,279</b>	Other financial liabilities		15,806	6,309
Customer receivables for sales and services		142,257	256,931	<b>Short-term debts with Group companies and associates</b>	<b>Note 16</b>	<b>640,664</b>	<b>989,154</b>
Customers, group companies and associates	<b>Note 16</b>	502,108	881,552	<b>Trade creditors and other receivables</b>		<b>1,329,799</b>	<b>1,840,217</b>
Other debtors		27,200	60,662	Suppliers		196,930	306,018
Current tax assets	<b>Note 15</b>	2,400,610	2,629,870	Suppliers, group companies and associates	<b>Note 16</b>	670,999	885,489
Other credits with Public Administrations	<b>Note 15</b>	283	4,264	Various creditors		176,480	213,716
<b>Short-term accruals</b>		<b>111,501</b>	<b>98,510</b>	Staff		14,769	22,279
<b>Cash and cash equivalents</b>		<b>7,146,328</b>	<b>818,046</b>	Other debts with Public Administrations	<b>Note 15</b>	270,621	412,715
<b>Total current assets</b>		<b>11,367,550</b>	<b>5,923,456</b>	<b>Short-term accruals</b>		<b>131,429</b>	<b>177,857</b>
<b>Total assets</b>		<b>21,483,552</b>	<b>16,654,171</b>	<b>Total current liabilities</b>		<b>2,117,698</b>	<b>3,013,537</b>
				<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>21,483,552</b>	<b>16,654,171</b>

Notes 1 to 23 and Annex I in the explanatory notes attached are an integral part of the balance sheet at 31 December 2020.



Naturhouse Health, S.A.

**PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDING**  
**31 DECEMBER 2020**  
(Euros)

	Explanatory notes	Year 2020	Year 2019
<b>CONTINUING OPERATIONS</b>			
<b>Net amount of revenue</b>	<b>Note 17.1</b>	<b>12,785,613</b>	<b>19,245,694</b>
- Sales		11,388,667	17,209,451
- Provision of services		1,396,946	2,036,243
<b>Supplies</b>	<b>Note 17.2</b>	<b>(4,081,547)</b>	<b>(6,026,571)</b>
- Consumption of merchandise:		(4,081,547)	(6,026,571)
<b>Other operating income</b>		<b>2,877,004</b>	<b>3,436,432</b>
- Ancillary and other current operating income		2,733,465	3,436,432
- Operating subsidies included in the profit for the financial year	<b>Note 17.4</b>	143,539	-
<b>Personnel costs</b>		<b>(5,238,375)</b>	<b>(7,544,503)</b>
- Wages, salaries and similar expense		(4,318,939)	(6,168,378)
- Social security contributions	<b>Note 17.4</b>	(919,436)	(1,376,125)
<b>Other operating costs</b>		<b>(4,659,747)</b>	<b>(6,475,627)</b>
- External services		(3,979,412)	(5,838,251)
- Taxes		(191,252)	(189,467)
- Losses, deterioration and variation of provisions for commercial operations			
- Other current operating expenses	<b>Note 10</b>	(275,513)	(195,601)
<b>Amortisation of fixed assets</b>	<b>Notes 6 and 7</b>	<b>(440,276)</b>	<b>(495,113)</b>
<b>Impairment losses and income from disposal of fixed assets</b>	<b>Note 7</b>	<b>(171,758)</b>	<b>495,835</b>
- Impairment and other losses		(171,758)	-
- Income from disposals and other		-	495,835
<b>Other results</b>		<b>4,233</b>	<b>-</b>
- Exceptional expenses and income		4,233	-
<b>Operating Profit / (Loss)</b>		<b>1,075,147</b>	<b>2,636,147</b>
<b>Financial income</b>	<b>Notes 9 and 17.5</b>	<b>5,185,404</b>	<b>13,214,403</b>
- Income from shares in equity instruments, group companies and associates		5,185,364	13,214,342
- Other income from marketable securities and other financial instruments		40	61
<b>Financial expenses</b>	<b>Note 17.5</b>	<b>(22,006)</b>	<b>(42,851)</b>
- Due to debts with Group companies		-	(15,700)
- Debts with third parties		(22,006)	(27,151)
<b>Impairment losses and income from disposal of financial instruments</b>	<b>Note 9</b>	<b>(242,278)</b>	<b>(901,728)</b>
<b>Financial Profit / (Loss)</b>		<b>4,921,120</b>	<b>12,269,824</b>
<b>Pre-tax Profit / (Loss)</b>		<b>5,996,267</b>	<b>14,905,971</b>
- Corporate Tax	<b>Note 15</b>	(271,728)	(705,703)
<b>Results for the financial year / Profit</b>		<b>5,724,539</b>	<b>14,200,268</b>

Notes 1 to 23 and Annex I in the explanatory notes attached are an integral part of the profit and loss account for the financial year ending 31 December 2020.



Naturhouse Health, S.A.  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDING 31**  
**DECEMBER 2020**  
(Euros)

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**

	Year 2020	Year 2019
<b>PROFIT AND LOSS ACCOUNT BALANCE (I)</b>	<b>5,724,539</b>	<b>14,200,268</b>
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)</b>	-	-
<b>TRANSFERS TO THE PROFIT AND LOSS ACCOUNT (III)</b>	-	-
<b>RECOGNISED INCOME AND EXPENSE (I+II+III)</b>	<b>5,724,539</b>	<b>14,200,268</b>

Notes 1 to 23 and Annex I in the explanatory notes attached are an integral part of the statement of recognised income and expense for the financial year ending 31 December 2020.



Naturhouse Health, S.A.  
**Statement of changes in equity for the financial year ending 31 December 2020**  
(Euros)

**B) STATEMENT OF CHANGES IN TOTAL EQUITY**

	Explanatory notes	Capital	Issue Premium	Legal Reserve	Voluntary Premium	Own Shares	Results for the financial year	Interim Dividend	Total
<b>Balance at 31 December 2018</b>		<b>3,000,000</b>	<b>2,148,996</b>	<b>600,000</b>	<b>6,336,309</b>	<b>(64,186)</b>	<b>15,686,941</b>	<b>(13,200,000)</b>	<b>14,508,060</b>
Total recognised income and expense		-	-	-	-	-	14,200,268	-	14,200,268
Distribution of profit for the 2018 financial year:									
- Distribution of dividends	<b>Note 12</b>	-	-	-	-	-	(15,686,941)	13,200,000	(2,486,941)
Transactions with shareholders									
- Transactions with shares (net)		-	-	-	-	(78,144)	-	-	(78,144)
- Distribution of dividends	<b>Note 12</b>	-	-	-	(1,113,059)	-	-	(11,400,000)	(12,513,059)
Other changes in equity		-	-	-	10,450	-	-	-	10,450
<b>Balance at 31 December 2019</b>		<b>3,000,000</b>	<b>2,148,996</b>	<b>600,000</b>	<b>5,233,700</b>	<b>(142,330)</b>	<b>14,200,268</b>	<b>(11,400,000)</b>	<b>13,640,634</b>
Total recognised income and expense		-	-	-	-	-	5,724,539	-	5,724,539
Distribution of profit for the 2019 financial year:									
- Distribution to reserves		-	-	-	2,800,268	-	(2,800,268)	-	-
- Distribution of dividends		-	-	-	-	-	(11,400,000)	11,400,000	-
Transactions with shareholders									
- Transactions with shares (net)		-	-	-	-	444	-	-	444
- Distribution of dividends		-	-	-	-	-	-	-	-
Other changes in equity		-	-	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>		<b>3,000,000</b>	<b>2,148,996</b>	<b>600,000</b>	<b>8,033,968</b>	<b>(141,886)</b>	<b>5,724,539</b>	<b>-</b>	<b>19,365,617</b>

Notes 1 to 23 and Annex I in the explanatory notes attached are an integral part of the statement of changes in equity for the financial year ending 31 December 2020.



Naturhouse Health, S.A.

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDING**  
**31 DECEMBER 2020**  
(Euros)

	Explanatory notes	Year 2020	Year 2019
<b>Pre-tax result for the financial year</b>		<b>5,996,267</b>	<b>14,905,971</b>
<b>Adjustments to the result</b>		<b>(4,037,766)</b>	<b>(12,040,420)</b>
- Amortisation of fixed assets	<b>Notes 6 and 7</b>	440,276	495,113
- Valuation restatements due to impairment	<b>Note 10</b>	275,513	195,601
- Income from derecognition or disposal of fixed assets	<b>Note 7</b>	171,758	(495,835)
- Impairment and income from derecognition or disposal of financial instruments	<b>Note 9</b>	242,278	901,728
- Financial income	<b>Note 17.5</b>	(5,185,364)	(13,214,403)
- Financial expenses	<b>Note 17.5</b>	22,006	42,851
- Other income and expenses		(4,233)	34,525
<b>Changes in working capital</b>		<b>(177,431)</b>	<b>(737,861)</b>
- Inventory	<b>Note 11</b>	136,358	(158,834)
- Debtors and other accounts receivable		256,048	(210,438)
- Other current assets		(12,991)	(9,306)
- Creditors and other receivables		(510,418)	(312,854)
- Other current liabilities		(46,428)	(46,429)
<b>Other cash flows from operating activities</b>		<b>5,065,712</b>	<b>14,904,400</b>
- Interest payments		(22,006)	(42,851)
- Receipt of dividends	<b>Note 9</b>	5,185,364	13,214,342
- Interest collected		40	61
- Sums received /(paid) for tax on profits	<b>Note 15</b>	(99,692)	1,725,988
- Other sums received (paid)		2,006	6,860
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>6,846,782</b>	<b>17,032,090</b>
<b>Payments for investments</b>		<b>(274,041)</b>	<b>(1,240,694)</b>
- Intangible and tangible fixed assets	<b>Notes 6 and 7</b>	(74,041)	(322,525)
- Investments in related companies	<b>Note 9</b>	(200,000)	(918,169)
<b>Sums received from divestments</b>		<b>94,090</b>	<b>1,689,888</b>
- Other financial assets		94,090	11,440
- Tangible fixed assets	<b>Notes 6 and 7</b>	-	1,678,448
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES (II)</b>		<b>(179,951)</b>	<b>449,194</b>
<b>Sums received and paid for equity instruments</b>		<b>444</b>	<b>(78,144)</b>
- Net acquisitions of own equity	<b>Note 12</b>	444	(78,144)
<b>Sums received and paid for financial liability instruments</b>		<b>(338,993)</b>	<b>(2,175,338)</b>
- Issuance and repayment of other debts		9,497	(41,492)
- Issuance and repayment of debts with group companies	<b>Note 16</b>	(348,490)	(2,133,846)
<b>Dividend payments and remuneration on other equity instruments</b>		-	<b>(15,000,000)</b>
- Dividend payments		-	(15,000,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>(338,549)</b>	<b>(17,253,482)</b>
<b>NET INCREASE / DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)</b>		<b>6,328,282</b>	<b>227,802</b>
Cash or cash equivalents at start of financial year		818,046	590,244
Cash or cash equivalents at end of financial year		7,146,328	818,046

Notes 1 to 23 and Annex I in the explanatory notes attached are an integral part of the cash flow statement for the financial year ending 31 December 2020.



## **INDEX**

## **Page**

**Balance on 31 December 2020**

**Profit and loss account for the financial year ending 31 December 2020**

**Statement of recognised income and expense for the financial year ending 31 December 2020**

**Statement of changes in equity for the financial year ending 31 December 2020**

**Cash flow statement for the financial year ending 31 December 2020**

**Annual Report for the financial year ending 31 December 2020**

1. **Company activities**
2. **Basis of presentation of the financial statements**
3. **Exposure to risks associated with COVID-19**
4. **Distribution of profit**
5. **Valuation and registration rules**
6. **Intangible fixed assets**
7. **Tangible fixed assets**
8. **Leases**
9. **Investments in Group companies (long and short term)**
10. **Financial investments**
11. **Inventory**
12. **Equity and Own Funds**
13. **Provisions and contingencies**
14. **Amounts owed to credit institutions and other financial liabilities**
15. **Public Administrations and Tax Situation**
16. **Balances with related parties**
17. **Income and expenses**
18. **Transactions with related companies**
19. **Remuneration and other benefits for the Board of Directors and Senior Management**
20. **Information relating to conflicts of interest by the Directors**
21. **Environmental information**
22. **Other information**
23. **Subsequent events**

## **ANNEX I**

**Management Report**



# Naturhouse Health, S.A.

Annual Report  
for the financial year ending  
31 DECEMBER 2020

## **1. Company activities**

Naturhouse Health, S.A., (hereinafter, the "Company"), was founded for an indefinite period in Barcelona on 29th July 1991 with VAT number A-01115286. Its registered offices are at Calle Claudio Coello, 91 (Madrid).

The Company's corporate purpose, in accordance with its activity and articles of association, is the export and wholesale and retail sales of all kinds of products related to dietetics, medicinal herbs and natural cosmetics, as well as the preparation, promotion, creation, edition, dissemination, sale and distribution of all kinds of magazines, books and brochures and the marketing of dietary products, medicinal herbs and natural cosmetics. This activity is mainly carried out through its own shops and through franchisees. In addition to the operations carried out directly, the Company is the parent of a group of subsidiaries that engage in the same activity and which, together with it, make up Grupo Naturhouse Health (hereinafter, the "Group" or "Naturhouse Group").

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

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

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

## **2. Basis of presentation of the financial statements**

### 2.1 Regulatory financial reporting framework applicable to the Company

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

- a. the Spanish Corporate Law, Commercial Code and other commercial legislation.
- b. Spanish Generally Accepted Accounting Principles approved by Royal Decree 1514/2007 with the modifications introduced under Royal Decrees 1159/2010 and 602/2016, as well as the circulars issued by Comisión Nacional del Mercado de Valores and its sectorial adaptations.
- c. The mandatory rules approved by the Spanish Accounting and Auditing Institute (ICAC) developing the Spanish Generally Accepted Accounting Principles and the supplementary rules.
- d. Any other applicable Spanish accounting legislation.



## *2.2. True and fair view*

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

The financial statements for the 2019 financial year were approved by the Annual General Meeting held 22 June 2020 and filed with the Companies Registry of Madrid.

## *2.3 Comparative effect with consolidated financial statements*

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

The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS), which differ from the regulatory framework described in Note 2.1 under which these financial statements have been drawn up. In accordance with the consolidated financial statements drawn up under International Financial Reporting Standards (IFRS), the consolidated equity attributable to the Parent Company as of 31 December 2020 amounts to 25,963 thousand euros (16,452 thousand euros in 2019), consolidated profit amounts to 9,379 thousand euros (13,257 thousand euros in 2019) and the figure for assets and net turnover amounts to 42,577 and 55,081 thousand euros, respectively (37,561 and 81,667 thousand euros in 2019).

The Naturhouse Group's consolidated financial statements for the 2020 financial year have been drawn up by the Company's Directors at the meeting of its Board of Directors held on 26 February 2021.

## *2.4 Non-mandatory accounting principles applied*

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

## *2.5 Critical aspects in assessing and estimating uncertainty*

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

- Useful lives of intangible and tangible fixed assets (see Notes 5.1 and 5.2).
- Impairment losses of non-financial assets (Note 5.1).
- Estimate of impairments for defaults in accounts receivable and inventory obsolescence (see Notes 5.4 and 5.5).
- Estimate of Tax on Profits expense (Note 5.8).



- Evaluation of occurrence and quantification of litigation, commitments, contingent assets and liabilities at close (Note 5.9).

Although these estimates have been made on the basis of the best information available as of yearend 2020, it is possible that events that could take place in the future require them to be adjusted (upwards or downwards) in coming financial years, which would be done, where appropriate, prospectively, recognising the effects of the change in estimate in the profit and loss account for the financial year affected.

## *2.6 Grouping items*

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

## *2.7 Correction of errors*

In drawing up the attached financial statements, no significant errors have been detected that have led to the restatement of the amounts included in the financial statements for the 2019 financial year.

## *2.8 Changes in accounting standards*

When drawing up the attached financial statements, the same accounting standards have been applied as when drawing up the financial statements for the 2019 financial year.

## *2.9 Information comparison*

The information contained in this annual report referring to the 2019 financial year is presented, for comparison purposes, with information from the 2020 financial year.

## **3. Exposure to risks associated with COVID-19**

On 11 March 2020, the World Health Organization raised the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The evolution of events, both nationally and internationally, has led to an unprecedented health crisis, which has had an impact on the macroeconomic environment and on the evolution of businesses. During the 2020 financial year, a series of measures have been adopted to address the economic and social impact that this situation has created, which among other aspects have led to restrictions on people's mobility. In particular, the Government of Spain declared a state of emergency through Royal Decree 463/2020 of 14 March, which was lifted on 1 July 2020, and approved a series of extraordinary urgent measures to address the economic and social impact of COVID-19 through Royal Decree-Act 8/2020 of 17 March, and other legislation. As of the date these financial statements were prepared, the state of emergency declared by the Government of Spain is in force through Royal Decree 926/2020 of 25 October. Initially approved until 9 November 2020, it has been extended until 9 May 2021 through Royal Decree 956/2020 of 3 November.

COVID-19 has had an adverse effect on the Company's business, mainly during the second quarter of the year, due to the lockdown measures imposed and the subsequent restriction of the normal course of business at both the Company's own and franchisee points of sale. Similarly, as a result of the high level of uncertainty inherent in the economic crisis caused by the pandemic, the results of the Company's operations may continue to suffer in the financial years to come; it is not possible to estimate with certainty the moment in time and the degree to which the future economic recovery will drive demand for the Company's products and services to pre-COVID-19 levels.

Taking the above into account, the Company has identified the following risks, for which it has implemented the actions that are likewise listed below:



### **a) Liquidity risk**

In order to ensure liquidity and meet all payment obligations arising from its activities, the Company has the liquid assets shown on its balance sheet as of 31 December 2020, as well as the lines of financing available in Note 14.

The Company manages its liquidity risk based on holding sufficient cash and marketable securities, as well as additional financing under various modalities with credit institutions in order to have sufficient capacity so as to settle market positions and manage the corresponding debt commitments and payment obligations in advance.

Irrespective of the foregoing, the Company has done:

- Partial cancellation of the expected distribution of dividends on the profits of the previous financial year amounting to 2,800 thousand euros and the total cancellation of the distribution of dividends on the profits of the 2020 financial year.
- Presentation of Temporary Layoffs (ERTEs) due to force majeure affecting approximately 80% of the workforce.
- Renegotiation of lease contracts and review of the network of own stores with a view to maximizing the efficacy of the omnichannel interaction of the physical points of sale with the new e-commerce platform.

### **b) Credit risk**

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

In general the Company maintains its cash and equivalent liquid assets at banks with high credit ratings.

Management has intensified the individualised monitoring of accounts receivable as a result of the situation created by COVID-19, without a significant increase in customer defaults becoming apparent, mainly due to the cash sales prioritisation policy followed by the Company.

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

Regardless of the fact that COVID-19 is an incremental credit risk factor, the Company's Financial Management has continued to give the highest priority to the proper control and supervision of the evolution of accounts receivable and the management of potential defaults. In this regard, the Company's policies, which include the prior requirement of bank guarantees or deposits from customers to guarantee their commitments are met, have enabled very effective management and control of the credit risk in the current environment.



Additionally, the Company has established a policy of accepting customers based on periodic liquidity and solvency risk assessments and the establishment of credit limits for debtors. Moreover, the Company conducts periodic analysis of the age of the debt with commercial customers in order to cover potential risks of default. In this regard, the Company has reassessed the valuation restatement due to impairment, which has resulted in an increase in the provision for bad debts of 276 thousand euros, thus standing at 482 thousand euros as of 31 December 2020 (206 thousand euros as of 31 December 2019).

The average collection period continues to be between 30 and 60 days, although, as has been explained, a very significant portion of sales is collected in advance or at the time it is performed.

#### **c) Capital management**

The Company's Management regularly reviews the capital structure. In this regard, the ratio of net financial debt to Operating Income before amortisation, impairment and other income as of 31 December 2020 and 31 December 2019 stands at -3.86 and 0.07, respectively. In calculating this ratio, the Company has considered the headings of the statement of financial position of net non-current and current debts in cash and cash equivalents as net financial debt. The variation in the same between both financial years is due to the increase in cash and cash equivalents as a consequence of the liquidity protection measures adopted by the Company during the financial year.

#### **d) Interest rate and exchange rate market risk:**

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

The interest rate risk of the Company arises from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on the cash flows. As of the close of the 2020 financial year and yearend 2019, 100% of the borrowings were at variable interest rates.

Finally, at the close of the 2020 financial year, the Company has cash resources of an amount that covers practically all current and non-current financial debt, consequently, the Directors believe that the exposure to interest rate risk is in no way significant.

#### **e) Support and relief measures**

The Company has implemented efficiency measures to reduce costs and non-strategic investments. In connection with other operating expenses, the Company has obtained savings, mainly focused on the cost of supplies and rentals. In the latter case, the Company has achieved waivers of lease payments in the financial year amounting to 52 thousand euros. Likewise, the Company has accelerated the rollout of its online sales channel, which has accelerated its process to rationalise non-strategic points of sale. In this way, Management trusts that its commitment to the omnichannel sale can benefit its network of own stores and Naturhouse franchisees by enabling greater efficacy and agility in the capacity to supply the end customer. Finally, in line with the Company's commitment to its Franchisee Network, the terms for supplying goods have been revised in order to increase the levels of sales on credit to customers with an adequate level of coverage through guarantees or deposits.

#### **f) Non-current Asset valuation**

In the first half of the financial year, COVID-19 has had an adverse impact on the Company due to the fact that the lockdown and control measures imposed in Spain have impeded the normal course of the sales business at own and franchisee points of sales until the lockdown and control measures are lifted.



In accordance with the applicable regulatory framework the Company Board has considered that the impact of COVID-19 is an objective indicator of signs of impairment on the following assets:

*Investments in the assets of group, multi-group and associated companies.*

As of 31 December 2020, the Company has carried out an analysis of the existence of objective evidence that reveals that there have been impairment losses in the equity investments in group, multi-group and associated companies as a result of COVID-19.

In accordance with the applicable regulatory framework (see Note 5.4), the amount of the valuation restatement will be the difference between the book value of said investments and the recoverable amount, understanding the latter to be the higher of the fair value less selling costs and the present value of the future cash flows arising from the investment, obtained from any of the following procedures:

- By estimating what is expected to be received as a result of the distribution of dividends made by the invested company and the disposal or derecognition of the investment in it, or;
- By estimating its participation in the cash flows that are expected to be generated by the invested company from both its ordinary activities and its disposal or derecognition.

However, in cases where better evidence has not been available due to the level of uncertainty and difficulty inherent in the current economic context, the equity of the invested companies has been taken into consideration, corrected for any unrealised capital gains that could be considered as of 31 December 2020.

Taking the foregoing into account, the Company has applied the indirect estimation method based on equity, considering that it provides sufficient evidence about the minimum recoverable value of investments in Group companies, with the exception of investments in the subsidiary Naturhouse Inc. and the holding in the associated company Ichem Sp. Z.o.o., investments for which the recoverable amount has been determined by estimating the Company's participation in the cash flows of their ordinary activities.

As a result of said analysis, the Company has fully impaired the investment in Naturhouse Inc.

In connection with the investment in Ichem Sp. Z.o.o., it should be noted that, as of 31 December 2020, the invested company has a net worth of approximately 13 million euros.

**g) Going concern**

Taking into consideration all the measures and impacts, as well as the fact that the Company has an equity balance and positive working capital amounting to 9,250 thousand euros and profits of the financial year and operating profit of 5,724 thousand euros and 1,075 thousand euros respectively, the Directors consider that there are no factors arising from the current uncertainty due to COVID-19 that could cast significant doubts on the Company's ability to continue its business under the going concern principle.



#### **4. Distribution of profit**

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

	Euros	
	2020	2019
<b>Distribution basis:</b>		
Profit for the financial year	5,724,539	14,200,268
	<b>5,724,539</b>	<b>14,200,268</b>
<b>Distribution:</b>		
To dividends	-	14,200,268
Other reserves	5,724,539	-
	<b>5,724,539</b>	<b>14,200,268</b>

As part of the measures described in Note 3 a), the Company's Directors modified the proposed distribution of financial year 2019 profit, with the final amount distributed as dividends totalling 11,400 thousand euros.

#### **5. Valuation and registration rules**

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

##### **5.1 Intangible fixed assets**

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

##### **Research and Development Expenses**

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

The expenses recorded in the profit and loss account for the 2020 financial year amounted to 32 thousand euros (12 thousand euros in the 2019 financial year).

##### **Transfer rights**

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

##### **Industrial property**

The amounts paid for acquiring property or right of use for the different manifestations of the same, or for expenses incurred in registering the brand developed by the Company are recorded in this



account. During the 2014 financial year, brands were acquired as stated in Note 6. The industrial property is amortized by the straight-line method over its useful life, which has been estimated at 10 years.

#### Software

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

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

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

#### Impairment of intangible and tangible assets

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

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

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

### 5.2 Tangible fixed assets

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

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

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

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

The Company amortises its tangible fixed assets using the straight-line method, distributing the cost of the assets over the years of estimated useful life. The following table shows the estimated useful life for the 2020 and 2019 financial years for each fixed asset item:

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



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

For fixed assets that require a period of more than one year to be serviceable, the capitalised costs include the financial expenses accrued prior to the asset being put into operating condition and which have been charged by the supplier or correspond to loans or other external financing, specific or generic, directly attributable to the acquisition or manufacture of the same. During the 2020 and 2019 financial years, there were no financial expenses capitalized as a higher value of an asset.

### 5.3. Leases

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

#### Financial leases

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

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

#### Operating leases

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

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

### 5.4 Financial Instruments

#### Financial assets

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

- a. Loans and accounts receivable: financial assets arising from the sale of goods or the provision of services from the company's ordinary course of business, or those which, not having commercial substance, are not equity instruments or derivatives and the collections for which are fixed or determinable amounts and not traded on an active market.
- b. Equity investments in Group companies and associates: Group companies are considered to be those related to the Company through a relationship of control, and associates are companies over which the Company exercises significant influence.



#### Initial valuation

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

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

#### Subsequent valuation

These liabilities are subsequently valued at amortised cost.

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

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

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

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

#### Financial liabilities

Financial liabilities are the debits and payables that the Company has and that have arisen from the purchase of goods and services in the ordinary course of 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 amortised cost.

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

#### Equity instruments

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

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

The treasury shares acquired by the Company are recorded at the value of the consideration paid in exchange, directly as a reduction of Equity. The income arising from the purchase, sale, issue or



amortisation of own equity instruments are directly recognised Equity, in no case is any income recorded on the Profit and Loss Account.

#### 5.5. Inventory

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

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

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

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

#### 5.6 Cash and other equivalent liquid assets

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

#### 5.7 Current and non/current assets

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

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

#### 5.8 Corporate Tax

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

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

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

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



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

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

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

## 5.9 Provisions and contingencies

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

- a. Provisions: credit balances covering current obligations arising from past events, whose cancellation is likely, causing an outflow of resources, but the amount and/or timing of the cancellation is uncertain.
- b. Contingent liabilities: possible obligations arising as a result of past events, whose future existence is conditional on the occurrence, or otherwise, of one or more future events beyond the Company's control.

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

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

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

## 5.10 Redundancies

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

## 5.11 Income and expenses

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

Income is recognised to the extent that it is likely that the Company will obtain economic benefits and if the income can be reliably measured, regardless of when the payment is received. Income is



measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before recognising an income.

#### *Sale of goods*

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

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

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

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

#### *Provision of services*

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

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

#### *Other operating income*

Under this heading, the Company mainly recognises rebilling of expenses (management fees) to Group companies.

#### *Interest and dividend income*

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

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

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



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

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

#### 5.12 Foreign currency transactions

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

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

#### 5.13 Transactions with related parties

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

#### 5.14 Statement of Cash Flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, including current investments with high liquidity and low risk of variations in value.
- Operating activities: the activities typically carried out, as well as other activities that cannot be classified as investment or financing activities.
- Investment activities: those regarding the acquisition, disposal or sale by other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not part of the operating activities.

#### 5.15 Environmental assets

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

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



## 6. Intangible fixed assets

The changes in this heading on the balance sheet for the 2020 and 2019 financial years have been as follows:

### Year 2020

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

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

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

### Year 2019

Cost	Euros			
	31-12-2018	Additions	Disposals	31-12-2019
Industrial property	2,330,638	-	-	2,330,638
Transfer rights	50,000	-	-	50,000
Software	262,217	177,841	(106,656)	333,402
<b>Total cost</b>	<b>2,642,855</b>	<b>177,841</b>	<b>(106,656)</b>	<b>2,714,040</b>

Amortisations	Euros			
	31-12-2018	Allocations	Disposals	31-12-2019
Industrial property	(1,067,561)	(233,062)	-	(1,300,623)
Transfer rights	(36,568)	(9,167)	-	(45,735)
Software	(195,324)	(55,217)	96,663	(153,878)
<b>Total amortisation</b>	<b>(1,299,453)</b>	<b>(297,446)</b>	<b>96,663</b>	<b>(1,500,236)</b>

Total intangible assets	Euros	
	31-12-2019	31-12-2018
Cost	2,714,040	2,642,855
Amortisations	(1,500,236)	(1,299,453)
<b>Net total</b>	<b>1,213,804</b>	<b>1,343,402</b>



Additions during the 2020 and 2019 financial years have mainly corresponded to software for the Company's new e-commerce department.

The main asset under intangible assets corresponds to a set of brands acquired in the 2014 financial year amounting to 2,331 thousand euros, the net book value of which amounts to 797 and 1,030 thousand euros as of 31 December 2020 and 31 December 2019, respectively. These brands are amortized by the straight-line method over a useful life of 10 years.

In accordance with the margins obtained in marketing these brands' products, the Company Board has considered that said brands do not present impairment indicators as of 31 December 2020.

At yearend 2020 and 2019, the Company had fully amortised intangible assets still in use, as detailed below:

Fully amortised intangible assets	Euros	
	Book Value (Gross)	
	31-12-2020	31-12-2019
Use rights	50,000	-
Software	130,571	68,252
	<b>180,571</b>	<b>68,252</b>

## **7. Tangible fixed assets**

The changes in this heading on the balance sheet in the 2020 and 2019 financial years, as well as the most significant information affecting this heading, have been as follows:

### **Year 2020**

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

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

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



## Year 2019

Cost	Euros			
	31-12-2018	Additions	Disposals	31-12-2019
Other facilities, tools and furnishings	4,254,252	110,965	(1,996,159)	2,369,058
Information processing equipment	733,984	33,719	(30,261)	737,442
Transportation elements	262,405	-	-	262,405
<b>Total cost</b>	<b>5,250,641</b>	<b>144,684</b>	<b>(2,026,420)</b>	<b>3,368,905</b>

Amortisations	Euros			
	31-12-2018	Allocations	Disposals	31-12-2019
Other facilities, tools and furnishings	(2,339,240)	(140,369)	803,822	(1,675,787)
Information processing equipment	(658,701)	(49,865)	19,638	(688,928)
Transportation elements	(234,531)	(7,433)	-	(241,964)
<b>Total amortisation</b>	<b>(3,232,472)</b>	<b>(197,667)</b>	<b>823,460</b>	<b>(2,606,679)</b>

Total Tangible Fixed Assets	Euros	
	31-12-2019	31-12-2018
Cost	3,368,905	5,250,641
Amortization	(2,606,679)	(3,232,472)
<b>Net total</b>	<b>762,226</b>	<b>2,018,169</b>

The additions for the years 2020 and 2019 correspond, fundamentally, to installations in new own stores, as well as to improvements needed for the existing ones.

As of 31 December 2018 and under "Other facilities, furniture and tools", photovoltaic panels were included with a net book value amounting to 1,183 thousand euros. These fixed assets were amortised by the straight-line method as with any of the Company's fixed assets, but they did not directly affect the Company's activities.

During the 2019 financial year, the Company sold the aforementioned photovoltaic panels to a related company (Tartales, S.L.), for a sale price of 1,678 thousand euros. The book value of these assets at the date of sale was 1,136 thousand euros, thus having generated a profit of 542 thousand euros in said transaction, included under the heading "Impairment and income from disposal of fixed assets".

The heading "Impairment and income from disposal of fixed assets" on the attached profit and loss account for the 2020 financial year includes losses of 172 thousand euros as a result of derecognitions of assets relating to owned stores that have been transferred to franchisees or other third parties.

The fully amortized tangible fixed assets still in use at yearend 2020 amount to 2,085 thousand euros (2,039 thousand euros at yearend 2019).

### *Firm purchase commitments*

As of yearend 2020, the Company does not have any firm commitments to purchase fixed assets.

### *Insurance policy*

The Company continues its policy to take out insurance policies to cover the potential risks to which the different elements of its tangible fixed assets are subject. It is estimated that the cover taken out as of yearend 2020 is sufficient so as to cover the risks inherent in the Company's activities.



## **8. Leases**

### *Operating leases*

As of 31 December 2020 and 2019, the Company has contracted with lessors the following non-cancellable minimum lease payments in accordance with the current contracts in force, without taking into account the impact of common expenses, future increases in the CPI or future updates to rents agreed under contract:

Minimum operating lease payments	Euros	
	Nominal value	
	31-12-2020	31-12-2019
Less than 1 year	83,817	898,469
Between one and five years	1,629,990	1,972,690
More than five years	-	321,152
	<b>1,713,807</b>	<b>3,192,311</b>

The amount of operating lease payments recognised as an expense in the 2020 and 2019 financial years is as follows:

Operating lease payments	Euros	
	2020	2019
Office and warehouse rentals	355,686	352,591
Other rentals	893,964	1,152,198
	<b>1,249,650</b>	<b>1,504,789</b>

In its capacity as lessee, the most significant operating lease contracts held by the Company as of 31 December 2020 were the following:

- Leasing of a building in which the Madrid offices are located to a related party (Note 18). The lease contract was renewed in January 2014 until December 2023.
- Leasing of an industrial unit holding inventory owned by Naturhouse Health, S.A. and Kiluva Portuguesa- Nutricao e Dietetica, Lda. to a related party. The lease contract was signed in November 2018 until December 2023.

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

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

The account balance under "Long-term Investments in Group companies" at 31 December 2020 and 2019 is as follows:

	Euros	
	31-12-2020	31-12-2019
Equity instruments,	14,450,945	14,250,945
Provision for impairment losses on equity instruments	(6,115,179)	(5,872,901)
<b>Total long-term investments in Group companies</b>	<b>8,335,766</b>	<b>8,378,044</b>

### *9.1 Group company equity instruments*

The changes under the headings "Equity instruments" and "Provision for impairment losses on equity instruments" for the 2020 and 2019 financial years are broken down in the following tables:



**Year 2020**

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



## Year 2019

	Euros		
	31-12-2018	Additions	31-12-2019
<b>Cost:</b>			
Naturhouse, GmBh	288,000	-	288,000
Naturhouse, S.R.L.	193,937	-	193,937
Naturhouse Franchising Co Ltd.	118,832	-	118,832
Zamodiet México, S.A. de C.V.	855,225	-	855,225
Housediet, S.A.R.L.	200,000	-	200,000
Kiluva Portuguesa – Nutrição e Dietetica. Lda.	2,800,000	-	2,800,000
Naturhouse, Sp zo.o.	676,427	-	676,427
S.A.S. Naturhouse	4,535,000	-	4,535,000
Ichem Sp. Zo.o	2,275,405	-	2,275,405
Naturhouse, Inc.	1,389,952	806,066	2,196,018
Name 17	-	112,102	112,102
<b>Total cost</b>	<b>13,332,778</b>	<b>918,168</b>	<b>14,250,946</b>
<b>Impairment</b>			
Naturhouse, GmBh	(288,000)	-	(288,000)
Naturhouse Franchising Co Ltd.	(82,194)	-	(82,194)
Zamodiet México, S.A. de C.V.	(855,225)	-	(855,225)
Kiluva Portuguesa – Nutrição e Dietetica. Lda.	(2,412,227)	(39,238)	(2,451,465)
Naturhouse, Inc.	(1,333,527)	(862,490)	(2,196,018)
<b>Total impairment</b>	<b>(4,971,173)</b>	<b>(901,728)</b>	<b>(5,872,902)</b>
<b>Net total</b>	<b>8,361,605</b>	<b>16,439</b>	<b>8,378,044</b>

The main changes in the 2020 financial year under the heading "Equity instruments in Group companies" have been as follows:

- **Capital increase in the United States, Naturhouse Inc.:** During the financial year 2020, the Company increased the share capital by 200 thousand euros, keeping 100% of the shares. This shareholding is completely impaired at year end 2020.

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

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

	Euros	
	2020	2019
Naturhouse, S.R.L.	1,750,000	2,426,734
Naturhouse, Sp zo.o.	943,789	278,894
S.A.S. Naturhouse	2,491,575	9,936,329
Ichem Sp. zo.o.	-	476,869
Kiluva Portuguesa – Nutrição e Dietetica, Lda.	-	95,516
	<b>5,185,364</b>	<b>13,214,342</b>

As of 31 December 2020, the Company has re-estimated the impairment of shareholdings in Group companies based on the underlying book value of the various investees, considering that this is the best evidence of the recoverable value.

As of 31 December 2020, the Company has fully impaired the accounts receivable held with Naturhouse, GmbH, Naturhouse Inc and Naturhouse Franchising Co Ltd amounting to 99 thousand euros, 117 thousand euros and 257 thousand euros, respectively (Note 10).



## **10. Financial investments**

As of 31 December 2020 and 2019, the existing balance under the heading "Long-term financial investments" is as follows:

	Euros	
	31-12-2020	31-12-2019
<b>Other financial assets</b>		
Long term deposits and guarantees	242,921	337,011
	<b>242,921</b>	<b>337,011</b>

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

### *Information concerning the nature and level of risk of financial instruments*

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

#### **1. Credit Risk**

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

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

The Company's credit risk is, therefore, mainly attributable to its trade debtors. The amounts are presented in the balance sheet net of provisions for bad debts, estimated by the Company's Directors based on experience from previous financial years and their assessment of the current economic environment. The breakdown of impairment losses recognised under "Trade Receivables for Sales and Services" on the balance sheet as of 31 December 2020 is as follows:

	Euros	
	31-12-2020	31-12-2019
Provision for bad debts	(481,906)	(206,393)

The Company does not have a significant concentration of credit risk, with exposure spread over a large number of customers (franchised) and their individual amounts being insignificant. During the 2020 financial year, the Company recognised a loss in the financial year amounting to 275,513 euros (195,601 euros in the 2019 financial year).

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

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



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

## 2. Liquidity risk

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

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

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

The Company's financial liabilities as of 31 December 2020 are not significant and have maturities in 2021 (see Note 14).

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

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

The interest rate risk of the Company arises from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on the cash flows. As of yearend 2020, the Company has no long-term borrowings.

In addition, as of yearend 2020 and 2019, the Company has an amount available in liquid assets that is much higher than its financial debt, consequently, the Directors consider that its exposure to interest rate risk is not significant in any case.

Thus, the Company has not considered it necessary to cover interest rate fluctuations, consequently, it has not maintained derivative instruments during the 2020 and 2019 financial years.

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

## **11. Inventory**

The composition of the Company's stock at 31 December 2020 and 2019 is as follows:

	Euros	
	31-12-2020	31-12-2019
Commercial stocks	1,037,263	1,173,621
	<b>1,037,263</b>	<b>1,173,621</b>

The Company has not made any adjustments for impairment since the net realizable value of the inventories is higher than its acquisition price, which is why no losses have been made under this item in the years 2020 and 2019.



## **12. Equity and Own Funds**

### Share Capital

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

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

As of 31 December 2020, the Company's share capital is represented by 60 ordinary shares of 0.05 euros nominal value each, fully subscribed and paid.

In accordance with communications on the number of corporate actions made before the Comisión Nacional del Mercado de Valores, the shareholders with significant holdings in the Company's share capital, both directly as well as indirectly, higher than 3% of the share capital, as of 31 December 2020 are as follows:

Shareholder	%
Kiluva, SA	72.60
Ferev Uno Strategic Plans	4.33

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

### Distribution of profit and dividends

On 29 April 2019, 30 July 2019 and 5 November 2019, the Board of Directors approved an interim distribution of dividends amounting to 3,600 thousand euros, 4,200 thousand euros, and 3,600 thousand euros, respectively, for the profit for the 2019 financial year.

As part of the measures described in Note 3 a), the Company's Directors modified the initial proposed distribution of profit (see Note 4), with the final amount distributed as dividends for the 2019 financial year totalling 11,400 thousand euros.

### 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 2020, this reserve has been completely established.



### Treasury Shares

As of yearend 2020 and 2019, the Company held company shares in accordance with the following breakdown:

Year	Number of shares	Euros		
		Nominal value	Average acquisition price	Total acquisition cost
2020	50,520	2,526	2.81	141,886
2019	50,520	2,526	2.82	142,330

As of 31 December 2020, the Company's shares held by it represent 0.084% of the Company's share capital, totalling 50,520 shares with a cost of 141.886 thousand euros and an average acquisition price of 2.81 euros per share.

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

Number of shares	2020	2019
Start of the financial year	50,520	14,000
Sales	(14,782)	(161,313)
Purchases	14,782	197,833
<b>Yearend</b>	<b>50,520</b>	<b>50,520</b>

### **13. Provisions and contingencies**

#### Provisions

As of 31 December 2020 and 2019, the Company did not have any provisions recorded.

#### Contingencies

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

### **14. Amounts owed to credit institutions and other financial liabilities**

The account balance under "Short-term debts" and "Short-term debts" at 31 December 2020 and 2019 respectively is as follows:

#### **31 DECEMBER 2020**

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



### 31 DECEMBER 2019

	Amount Initial or Limit	Euros		
		Maturity		Total
		Current	Non Current	
<b>Amounts owed to credit institutions:</b>				
Financial leases	79,538	-	-	-
Bill discounting facilities	1,000,000	-	-	-
<b>Subtotal of debts to credit institutions:</b>	<b>1,079,538</b>	-	-	-
Other financial liabilities	-	6,309	-	6,309
	<b>1,079,538</b>	<b>6,309</b>	-	<b>6,309</b>

Outstanding instalments for financial leases at year end 2019 have been paid in full during the 2020 financial year.

Likewise, the Company has bill discounting facilities with a limit of 1,000 thousand euros, which as of 31 December 2020 and 31 December 2019 has not been drawn on.

## 15. Public Administrations and Tax Situation

The composition of balances with Public Administrations at 31 December 2020 and 2019 is as follows:

	Euros			
	Debit balances		Credit balances	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
<b>Current balances:</b>				
Company tax (refund) receivable	2,400,610	2,629,870	-	-
Tax Authorities, debtor/creditor due to IVA (VAT)	283	4,264	33,250	24,334
Social Security agencies, creditor	-	-	142,193	278,588
Tax Authorities, creditor due to income tax	-	-	95,178	109,793
<b>Total current balances</b>	<b>2,400,893</b>	<b>2,634,134</b>	<b>270,621</b>	<b>412,715</b>

### 15.1 Reconciliation of accounting profit and taxable base

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

The reconciliation of the Company's accounting profit for the financial year ending 31 December 2020 and 31 December 2019 with the Corporate Tax taxable base is as follows:

#### Year 2020

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



## Year 2019

	Euros		
	Increases	Decreases	Amount
Accounting profit for the period (before tax)	-	-	14,905,971
Permanent differences:			
Arising in the financial year	1,280,564	(13,214,342)	(11,933,778)
Arising in previous financial years	51,272	-	51,272
Temporary differences:			
Arising in the financial year	-	(945)	1,182,281
Arising in previous financial years	1,183,226	(49,918)	(49,918)
<b>Total tax base</b>	<b>2,515,062</b>	<b>(13,265,205)</b>	<b>4,155,828</b>

Permanent differences in the 2020 financial year mainly correspond to the exemption on dividends received from Group companies in application of Article 21 of the Corporate Tax Act as of 31 December 2020 and 2019 (Note 10), impairments on investments in Group companies and non-deductible donations, fines and donations made by the Company.

On the other hand, temporary differences correspond to the limitation of the accounting amortization that was not tax deductible in the tax periods starting in the 2013 and 2014 financial years. In this regard, the Company had to make a positive adjustment corresponding to 30% of the amortization recognised for said fixed assets, having to charge these non-deductible amounts in the next 10 years back to the losses due to impairment of credits arising from possible bad debts.

In addition, during the 2020 financial year, the Company has paid instalment payments of the Corporate Tax corresponding to October and December of the 2020 financial year amounting to 1,703 thousand euros. On this basis, at yearend the company holds a balance to be recovered from the Tax Authorities amounting to 1,374 thousand euros, which has been registered as a current tax asset. Additionally, as of yearend 2020, an amount of 955 thousand euros corresponding to the Corporate Tax settlement for the 2019 financial year was also pending collection (Note 23).

### 15.2 The reconciliation between income and expenses for Corporation Tax

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

	Euros	
	2020	2019
Accounting profit before tax	5,996,267	14,905,971
Permanent differences	(4,743,700)	(11,882,506)
Instalment 25%	313,142	755,866
Deductions	(41,414)	(50,163)
<b>Total tax expense recognised on the profit and loss account</b>	<b>271,728</b>	<b>705,703</b>



### 15.3 Breakdown of corporate tax expense or income

The breakdown of the amount recorded for corporate tax corresponding to the 2020 and 2019 financial years is as follows:

	Euros	
	2020	2019
<b>Current tax:</b>		
Continuing operations	328,952	988,794
<b>Deferred tax:</b>		
Continuing operations	(57,224)	(283,091)
<b>Total tax expense</b>	<b>271,728</b>	<b>705,703</b>

### 15.4 Deferred tax assets

Deferred tax assets, registered -

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

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

Deferred tax assets, not registered -

At yearend 2020 and 2019, there are no deferred tax assets that are not registered on the attached balance sheet.

### 15.5 Years pending approval and auditing actions

In accordance with the currently applicable legislation, settlement of taxes cannot be considered final until the tax authorities have inspected the accounts or the statutory period of limitation expires (currently four years). The Company has the last four financial years open for inspection for all applicable taxes.

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

## **16. Balances with related parties**

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



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

#### Year 2020

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

#### Year 2019

Company	Euros		
	Current		
	Debtor balance	Creditor balance	
	Commercial debts	Other financial liabilities	Commercial transactions
Other Group Companies			
S.A.S. Naturhouse	201,676	-	6,596
Kiluva Portuguesa Lda	61,146	904,484	-
Naturhouse Franchising Ltd. Co.	256,878	-	-
Naturhouse Sp Zoo	263,551	-	-
Naturhouse, S.R.L.	98,271	-	-
Associates			
Zamodiet, S.L.	-	-	8,272
Indusen, SA	-	-	273,841
Giro Fibra S,A,	-	-	56,436
Ichem, Sp. Zo.,o.	-	-	511,558
Laboratorios Abad, S.L.U.	-	-	241
Tartales, SLU	-	84,670	28,545
Parent Company			
Kiluva, SA	-	-	-
	<b>881,552</b>	<b>989,154</b>	<b>885,489</b>

The other current financial liabilities as of 31 December 2020 held with Kiluva Portuguesa Lda correspond to the balance drawn down with said company through cashpooling accounts that accrue interest at market rates.



## **17. Income and expenses**

### 17.1 Net amount of revenue

The breakdown of net revenues for the years of 2020 and 2019 of the Company is detailed below:

	Euros	
	2020	2019
Sales	11,388,667	17,209,451
Provision of services	1,396,946	2,036,243
	<b>12,785,613</b>	<b>19,245,694</b>

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

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

The distribution of net turnover corresponding to the 2020 and 2019 financial years, distributed by geographical market, is as follows:

	Euros	
	2020	2019
Domestic Market	11,006,184	17,479,380
Export Market	1,779,429	1,766,314
<b>Total sales</b>	<b>12,785,613</b>	<b>19,245,694</b>

### 17.2 Supplies

The amount recorded under "Consumption of Merchandise" for the years 2020 and 2019 has the following composition:

	Euros	
	2020	2019
Purchases	(3,945,189)	(6,185,405)
Changes in stocks (Note 11)	(136,358)	158,834
<b>Total supplies</b>	<b>(4,081,547)</b>	<b>(6,026,571)</b>

### 17.3 Breakdown of purchases by origin

The details of the purchases made by the Company during 2020 and 2019, by source, is as follows:

	Euros			
	2020		2019	
	Domestic	Intracommunity	Domestic	Intracommunity
Purchases	1,881,540	2,063,649	3,077,699	3,107,706



#### 17.4 Social security contributions

The account balance for "Social costs" for the 2020 and 2019 financial years has the following composition:

	Euros	
	2020	2019
Social Security paid by the company	862,083	1,206,431
Other social expenses	57,353	169,694
	<b>919,436</b>	<b>1,376,125</b>

As part of the measures described in Note 3 a), the Company has presented in the 2020 financial year Temporary Layoffs (ERTEs) due to force majeure affecting approximately 80% of the workforce, for which it has obtained subsidies for Social Security contributions amounting to 143,539 euros, which have been recognised in the profit and loss account as "Operating subsidies included in the profit for the financial year".

#### 17.5 Financial income and expenses

The financial income and expenses for the 2020 and 2019 financial years have been as follows:

	Euros			
	2020		2019	
	Financial Incomes	Financial Expenses	Financial Incomes	Financial Expenses
Due to debts with Group companies	-	-	-	(15,700)
Debts with third parties	-	(22,006)	-	(27,151)
Shares in equity instruments, Group companies and associates/Dividends	5,185,364	-	13,214,342	-
Marketable securities and other financial instruments with third parties	40	-	61	-
	<b>5,185,404</b>	<b>(22,006)</b>	<b>13,214,403</b>	<b>(42,851)</b>



## **18. Transactions with related companies**

The transactions carried out by the Group with related companies during the 2020 and 2019 financial years are as follows:

Company	Euros	
	2020	2019
<b>Sales, provision of services and other revenues&gt;</b>		
Group companies		
Naturhouse Franchising Ltd	49,580	71,432
Naturhouse S.R.L.	1,256,884	1,904,820
Naturhouse, Sp zo.o.	706,030	882,088
Kiluva Portuguesa – Nutricao e Dietetica Lda.	375,543	406,232
Naturhouse GmbH	24,084	25,212
S.A.S. Naturhouse	1,789,682	2,517,861
Naturhouse Inc.	(2,955)	5,379
<b>Total revenues</b>	<b>4,198,848</b>	<b>5,813,024</b>
<b>Sales of fixed assets</b>		
Parent Company		
Kiluva, SA	-	-
Related Companies		
Tartales, SLU (Note 7)	-	1,678,488
<b>Total sales of fixed assets</b>	<b>-</b>	<b>1,678,488</b>
<b>Purchases:</b>		
Group companies		
S.A.S. Naturhouse	3,206	5,655
Naturhouse S.R.L.	9,299	135
Naturhouse Sp. Zo.o	-	5,192
Kiluva Portuguesa – Nutricao e Dietetica Lda.	-	168,386
Related Companies		
Laboratorios Abad, S.L.U.	22,936	59,107
Indusen, SA	876,235	1,210,690
Ichem Sp. Zo.o	1,910,881	2,737,599
Girofibra, SL	154,517	304,687
<b>Total purchases</b>	<b>2,977,074</b>	<b>4,491,451</b>
<b>Services received:</b>		
Parent Company		
Kiluva, SA	20,000	-
Group companies		
Naturhouse Franchising Ltd	-	183,836
Naturhouse, GmbH	120,000	120,000
Related Companies		
U.D. Logroñés, SAD	187,500	265,700
Healthhouse Sun, S.L.	9,734	8,718
Luair, S.L.U. (directly or indirectly)		411,470
Leasing and Insurance		
Tartales, SLU	596,530	536,732
Casewa, S.A.U.	108,080	103,020
<b>Total services received</b>	<b>1,041,844</b>	<b>1,629,476</b>
Financial expenses		
S.A.S. Naturhouse	3,462	9,799
Naturhouse, S.R.L.	-	5,901
<b>Total financial expenses</b>	<b>3,462</b>	<b>15,700</b>

Likewise, the Company received from its subsidiaries and associates a total dividend amounting to 5,185 thousand euros during the 2020 financial year (13,214 thousand euros during the 2019 financial year) (note 9).

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



As of the date of drawing up these financial statements, the Parent Company has updated the transfer pricing report corresponding to the 2019 financial year together with its tax advisors, which includes the main transactions that the Company performs with its related companies:

- Royalties from the sale of brands
- Support services to the management (management fees).
- Sale of products
- Purchase of products
- Financial operation: Liquid asset management

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

- Obtaining comparable examples, i.e. comparing the circumstances of transactions related to the circumstances of transactions between independent persons or entities that may be comparable (comparable uncontrolled price method "CUP").
- On the other hand, the transactional net margin method ("TNMM") has also been applied. Under this method, the objective profitability indicators obtained by independent entities performing the same activity under similar circumstances has been analysed.
- Finally, the resale price method ("RPM") has also been used, where a margin is subtracted from the selling price of a good or service applied by the reseller itself, in identical or similar operations with independent persons or entities, or, in the absence thereof, the margin that independent persons or entities apply to comparable transactions, performing, where applicable, the necessary corrections for equivalence and taking into account the particularities of the transaction.

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

This report has been issued in relation to transactions with affiliate companies in 2019. The Directors believe that there have been no relevant or significant changes in transfer pricing during the 2020 financial year, consequently, they believe that they are duly backed up.

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

During 2020 the current Directors of the Company accrued compensation in fixed allowance and fees for attending meetings of the Board of Directors amounting to 316 thousand Euros (316 thousand Euros). Likewise, a member of the Board of Directors has provided services to the Company amounting to 63 thousand euros during the 2020 financial year (61 thousand euros during the 2019 financial year). In addition, the members of the Board of Directors with executive positions have received the remuneration stated in the following paragraph. On the other hand, in the current financial year and in the financial year of 2019, no member of the Board of Directors has any advances, guarantees or other commitments in the area of pensions or life insurance contracted with the Directors. The current Directors of the Company were appointed during the year 2014, except for one of them who was appointed during the year 2017 to replace another member who stood down from their position.



The compensation received in the year 2020 by the senior executives of the Company amounted to 2,040 thousand euros for salaries and wages and services (1,447 thousand euros were received by members of the Board of Directors in the development of their executive positions). The Senior Management of the Company has received no remuneration for other services. In the 2019 financial year, the remuneration received by the Company's Senior Management amounted to 2,218 thousand euros (1,488 thousand euros received by members of the Board of Directors in the development of their executive positions).

At the close of the 2020 and 2019 financial years, the Company's Senior Management body is composed of the following persons:

Categories	2020		2019	
	Men	Women	Men	Women
Senior Management	6	1	6	1

As of yearend 2020 and 2019, there were no advances, loans granted, life insurance or pension obligations.

The Board of Directors consists of six men and one woman at the end of 2020 (six men and one woman at the end of 2019).

The Company has signed a civil liability policy for directors and executives to cover the members of the Board of Directors, the CEO and all directors of the Naturhouse Group with a cost amounting to 5 thousand euros in 2020 (5 thousand euros in 2019).

## 20. Information relating to conflicts of interest by the Directors

As of year-end 2020, neither the members of the Board of Naturhouse Health, S.A. nor any persons related to them as defined by the refunded Spanish Corporate Law, have communicated to the other members of the Board of Directors any situation involving direct or indirect conflict that they or persons related to them, as defined by Spanish Corporate Law, may have with the Company's interests.

## 21. Environmental information

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



## 22. Other information

### 22.1 Personnel

The average number of employees during the years 2020 and 2019, broken down by category, is as follows:

Categories	Number of employees	
	2020	2019
Senior Management	7	8
Rest of Senior Staff	7	5
Administrative and technical staff	13	14
Commercial, sales' staff and operators	123	180
	<b>150</b>	<b>207</b>

Likewise, the gender distribution of the Company at the end of the years 2020 and 2019, broken down by category, is as follows:

Categories	2020		2019	
	Men	Women	Men	Women
Senior Management	6	1	7	1
Rest of Senior Staff	5	-	6	-
Administrative and technical staff	8	8	7	7
Commercial, sales' staff and operators	6	78	16	157
	<b>25</b>	<b>87</b>	<b>36</b>	<b>165</b>

As of 31 December 2020 and 2019, there were no people employed with disabilities equal to or above 33%.

### 22.2 Audit fees

During the 2020 and 2019 financial years, the fees for audit services and other services provided by the auditor of the Company's financial statements, have been as follows:

	Services Provided by the Lead Auditor	
	EY	Deloitte
	Year 2020	Year 2019
The Company's audit services (individual and consolidated)	100,400	117,000
Other verification services (*)	1,500	1,500
<b>Total auditing and related services</b>	<b>101,900</b>	<b>118,500</b>
Tax services	-	-
Other services	3,600	-
<b>Total Professional Services</b>	<b>105,500</b>	<b>118,500</b>

(\*) The Other verification services section includes a report on agreed procedures (same item as in the 2019 financial year).



### 22.3 Information on the average payment period to suppliers

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

	Days	
	31-12-2020	31-12-2019
Average payment period to suppliers	46.26	39.13
Ratio of paid operations	45.20	37.64
Ratio of operations pending payment	56.95	53.91

	Euros	
	31-12-2020	31-12-2019
Total payments made	9,405,914	14,529,376
Total outstanding payments	928,418	1,471,344

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

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

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

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

### 22.4 Modification or termination of contracts

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

### 22.5 Guarantees

As of 31 December 2020, the Company had commercial bank guarantees granted amounting to 512,367 euros, of which 488,958 euros are guarantees granted to the subsidiary Naturhouse, Inc., which allow it to operate in large shopping centres in the United States.



### **23. Subsequent events**

On 20 January 2021, the Company recovered 955 thousand euros corresponding to Corporate Tax for the 2019 financial year, which was pending return by the Tax Authorities.

With the exception of the above, there have been no significant subsequent events between the close of 31 December 2020 and the date these financial statements were drawn up.

Madrid, 26 February 2021



<b>ANNEX I TO THE NATURHOUSE HEALTH, S.A. 31 DECEMBER 2020</b>						
<b>Group company equity instruments in the 2020 financial year</b>						
Company	Euros					
	Capital	Premium and other Net equity	Net profit for the period	Holding %		Shareholder
				Direct	Indirect	
<b>Housediet S.A.R.L.</b> <sup>(1)</sup> 75 rue Beaubourg 75003 Paris (France)	200,000	117,654	(2,104)	100 %	-	Naturhouse Health S.A.
<b>Kiluva Portuguesa –Nutrição e Dietética, Lda</b> <sup>(1)</sup> Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrate Fração "M" Abruhneira 2710 Sintra (Portugal)	49,880	1,179,158	115,750	28%	-	Naturhouse Health S.A.
<b>Ichem Sp.</b> <sup>(2)</sup> ul. Dostawcza 12 93-231 Lodz (Poland)	174,244	11,821,563	1,161,044	25%	-	Naturhouse Health S.A.
<b>Naturhouse Belgium S.P.R.L.</b> <sup>(1)</sup> Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(808,483)	(254,904)	-	100%	S.A.S. Naturhouse
<b>Naturhouse Franchising Co, Ltd</b> <sup>(1)</sup> 33 church road, Ashford Middlesex (Great Britain)	333,990	(180,850)	(51,709)	33%	-	Naturhouse Health S.A.
<b>Naturhouse, GmbH</b> <sup>(1)</sup> Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(633,148)	9,989	56%	-	Naturhouse Health S.A.
<b>Naturhouse, Sp. zo.o.</b> <sup>(2)</sup> Ul/Dostawcza , 12 93-231 Lodz (Poland)	82,088	1,471,633	1,412,162	100 %	-	Naturhouse Health S.A.
<b>Naturhouse S.R.L.</b> <sup>(2)</sup> Viale Panzacchi, n° 19 Bologna (Italy)	100,000	929,496	2,325,873	100 %	-	Naturhouse Health S.A.
<b>Naturhouse Inc.</b> <sup>(1)</sup>	2,037,953	(1,832,056)	(352,245)	100 %	-	Naturhouse Health S.A.



1395 Brickellave 800 STE Miami FL (USA) <b>Nutrition Naturhouse Inc. (3)</b>	-	-	-	-	100%	S.A.S. Naturhouse
Rue de la Gauchetière Ouest Montreal Quebec (Canada) <b>Naturhouse d.o.o. (1)</b>	100,366	(235,862)	(38,527)	-	100%	Naturhouse Sp. zo.o.
Ilica 126, City of Zagreb (Croatia) <b>S.A.S. Naturhouse (2)</b>	100,000	2,612,809	5,861,531	100 %	-	Naturhouse Health S.A.
12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France <b>Zamodiet México S.A. de C.V. (4)</b>	985,793	(957,176)	-	79%	-	Naturhouse Health S.A.
Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico) <b>Name 17 S.A. de C.V.</b>	192,698	(88,851)	(16,301)	51%	-	Naturhouse Health S.A.
Doctor Balmis, 222 Mexico City (Mexico)						

(1) Financial statements not required to undergo external audit or not available as of 31 December 2019.

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

(3) Company being formed, pending formalisation.



Group company equity instruments in the 2019 financial year						
Company	Euros					
	Capital	Premium and other Net equity	Net profit for the period	Holding %		Shareholder
				Direct	Indirect	
<b>Housediet S.A.R.L.</b> <sup>(1)</sup> 75 rue Beaubourg 75003 Paris (France)	200,000	134,628	(2,593)	100 %	-	Naturhouse Health S.A.
<b>Kiluva Portuguesa –Nutrição e Dietética, Lda</b> <sup>(1)</sup> Avenida Dr. Luis SA, 9 9ª Parque Ind Montserrat Fragão "M" Abruhneira 2710 Sintra (Portugal)	49,880	993,893	222,048	28%	-	Naturhouse Health S.A.
<b>Ichem Sp.</b> <sup>(2)</sup> ul. Dostawcza 12 93-231 Lodz (Poland)	186,854	11,476,792	974,703	25%	-	Naturhouse Health S.A.
<b>Naturhouse Belgium S.P.R.L.</b> <sup>(1)</sup> Rue Du Pont-Gotissart 6 Nijvel, Waals Brabant, 1400 Belgium	100,000	(408,186)	(200,094)	-	100%	S.A.S. Naturhouse
<b>Naturhouse Franchising Co, Ltd</b> <sup>(1)</sup> 33 church road, Ashford Middlesex (Great Britain)	352,609	(124,554)	(96,341)	33%	-	Naturhouse Health S.A.
<b>Naturhouse, Gmbh</b> <sup>(1)</sup> Rathausplatz, 5 91052 Erlangen (Germany)	500,000	(587,236)	(40,140)	56%	-	Naturhouse Health S.A.
<b>Naturhouse, Sp. zo.o.</b> <sup>(2)</sup> Ul/Dostawcza, 12 93-231 Lodz (Poland)	88,094	1,621,064	1,107,401	100 %	-	Naturhouse Health S.A.
<b>Naturhouse S.R.L.</b> <sup>(2)</sup> Viale Panzacchi, n° 19 Bologna (Italy)	100,000	432,956	3,725,084	100 %	-	Naturhouse Health S.A.
<b>Naturhouse Inc.</b> <sup>(1)</sup> 1395 Brickellave 800 STE Miami FL (USA)	1,265,524	(1,219,918)	(794,236)	100 %	-	Naturhouse Health S.A.
<b>Nutrition Naturhouse Inc.</b> <sup>(3)</sup>	-	-	-	-	100%	S.A.S. Naturhouse



Rue de la Gauchetière Ouest Montreal Quebec (Canada) <b>Naturhouse d.o.o.</b> <sup>(1)</sup> Ilica 126, City of Zagreb (Croatia) <b>S.A.S. Naturhouse</b> <sup>(2)</sup>	101,754	(194,710)	(42,523)	-	100%	Naturhouse Sp. zo.o.
12, Rue Philippe Lebon Zone de Jarlard, 81000 Albi, France <b>Zamodiet México S.A. de C.V.</b> <sup>(1)</sup> Boulevard Interlomas, nº 5 L4 Lomas Anahuac (Mexico) <b>Name 17 S.A. de C.V.</b>	100,000	(3,409,597)	8,538,215	100%	-	Naturhouse Health S.A.
	930,047	(903,049)	-	79%	-	Naturhouse Health S.A.
Doctor Balmis, 222 Mexico City (Mexico)	221,204	(64,730)	(40,861)	51%	-	Naturhouse Health S.A.

(1) Financial statements not required to undergo external audit or not available as of 31 December 2019.

(2) Audited financial statements as of 31 December 2019.

(3) Company being formed, pending formalisation.



**Management Report**  
**REPORT CORRESPONDING TO THE YEAR**  
**ENDING**  
**31 DECEMBER 2020**

**INDEX**

1. Situation and Business Development
2. Evolution of the main figures of the individual profit and loss account
3. Individual Statement of Financial Position
4. Financial risk management and use of hedging instruments
5. Risk Factors
6. R + D + i activities
7. Treasury Shares
8. Subsequent events
9. Capital structure and significant shareholdings
10. Shareholder agreements and restrictions on transferability and vote
11. Administrative Body, Board
12. Significant agreements
13. Annual Corporate Governance Report
14. Corporate Social Responsibility Report



## **1. Situation and Business Development**

Naturhouse Health S.A. is a company dedicated to the dietetic and nutrition sector with its own exclusive business model based on the Naturhouse method. As of yearend 2020, it had a network of 430 centres.

The company closed the year 2020 with a positive result of 5.7 million net profit.

2020 has been a year marked by the pandemic caused by the CoVid-19 virus having an impact on the world economy and leaving no sector unaffected.

Due to this pandemic, the company has faced a difficult challenge to continue operating and maintaining positive results, making cost control decisions in the most significant items, particularly including starting a temporary layoff (ERTE) process, and managing to minimise the impact as far as possible on the business, advertising and leases.

Likewise, in its decision to digitalise the business, the company has continued to develop the online sales business that was started in 2020 in the company's main markets, continuing with the decision to capture younger market value, as well as providing a service in areas where there is no physical presence through a store.

The Annual General Meeting was held on 22 June 2020, 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 2019.
  - The proposed distribution of profit and management of the Naturhouse Health, S.A. Board of Directors for the 2019 financial year. Authorisation for the distribution of unrestricted voluntary reserves.
  - Approval of the Non-Financial Information Statement of the Consolidated Group of Naturhouse Health, S.A. and subsidiaries for the 2019 financial year
  - Approval of the management of the Board of Directors corresponding to the year 2019.
  - Approval of the appointment of Ernst & Young as the company's auditors for at least the 2020, 2021 and 2022 financial years.
  - Remuneration of the company's Board of Directors.
- 7.1      Advisory vote on the Annual Report on Remuneration of Naturhouse Health, S.A. Board Directors for the 2019 financial year.
- 7.2      Approval of the remuneration policy for Naturhouse Health, S.A. Board Directors for the 2020 financial year.



7.3 Approval of the remuneration for the Naturhouse Health, S.A. Board of Directors for the 2020 financial year.

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

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

### Individual Profit and Loss Account

	Explanatory notes	Year 2020	Year 2019
<b>CONTINUING OPERATIONS</b>			
<b>Net amount of revenue</b>	<b>Note 17.1</b>	<b>12,785,613</b>	<b>19,245,694</b>
- Sales		11,388,667	17,209,451
- Provision of services		1,396,946	2,036,243
<b>Supplies</b>	<b>Note 17.2</b>	<b>(4,081,547)</b>	<b>(6,026,571)</b>
- Consumption of merchandise:		(4,081,547)	(6,026,571)
<b>Other operating income</b>		<b>2,877,004</b>	<b>3,436,432</b>
- Ancillary and other current operating income		2,733,465	3,436,432
- Operating subsidies included in the profit for the financial year	<b>Note 17.4</b>	143,539	-
<b>Personnel costs</b>		<b>(5,238,375)</b>	<b>(7,544,503)</b>
- Wages, salaries and similar expense		(4,318,939)	(6,168,378)
- Social security contributions	<b>Note 17.4</b>	(919,436)	(1,376,125)
<b>Other operating costs</b>		<b>(4,659,747)</b>	<b>(6,475,627)</b>
- External services		(3,979,412)	(5,838,251)
- Taxes		(191,252)	(189,467)
- Losses, deterioration and variation of provisions for commercial operations	<b>Note 10</b>	(275,513)	(195,601)
- Other current operating expenses	<b>Notes 6 and 7</b>	(213,570)	(252,308)
<b>Amortisation of fixed assets</b>		<b>(440,276)</b>	<b>(495,113)</b>
<b>Impairment losses and income from disposal of fixed assets</b>	<b>Note 7</b>	<b>(171,758)</b>	<b>495,835</b>
- Impairment and other losses		(171,758)	-
- Income from disposals and other		-	495,835
<b>Other results</b>		<b>4,233</b>	<b>-</b>
- Exceptional expenses and income		4,233	-
<b>Operating Profit / (Loss)</b>		<b>1,075,147</b>	<b>2,636,147</b>
<b>Financial income</b>	<b>Notes 9 and 17.5</b>	<b>5,185,404</b>	<b>13,214,403</b>
- Income from shares in equity instruments, group companies and associates		5,185,364	13,214,342
- Other income from marketable securities and other financial instruments		40	61
<b>Financial expenses</b>	<b>Note 17.5</b>	<b>(22,006)</b>	<b>(42,851)</b>
- Debts with group companies		-	(15,700)
- Debts with third parties		(22,006)	(27,151)
<b>Impairment losses and income from disposal of financial instruments</b>	<b>Note 9</b>	<b>(242,278)</b>	<b>(901,728)</b>
<b>Financial result - Benefits</b>		<b>4,921,120</b>	<b>12,269,824</b>
<b>Pre-tax Profit / (Loss)</b>		<b>5,996,267</b>	<b>14,905,971</b>
- Corporate Tax	<b>Note 15</b>	(271,728)	(705,703)
<b>Profit / (Loss) for the financial year</b>		<b>5,724,539</b>	<b>14,200,268</b>

- The net turnover is composed of two main aspects:

1. Sale of goods Corresponds to the sale of products through the Naturhouse channel (either through franchising, online, master franchising or centres of our property). Represents the bulk of revenues with 89% in 2020.
2. Prevision of service;
  - a. €600 annual fee paid by each franchise to subsidiaries of the Group. This represents 1.92% of net turnover for the 2020 financial year.



- b. In the 2020 financial year, 0.47% of total turnover has been recognised as income from the Master Franchise upfront fee. These are master franchise contracts that have been signed since 2016; the income is accrued over the 7 year term of the master contract.
  - c. Fee for direct supply to suppliers by the master franchisee; corresponds to the fee of 10% of purchases made directly by the master franchises from suppliers approved by Naturhouse Health, S.A. This represents 6,58% of net turnover in the 2020 financial year.
- Net turnover in the 2020 financial year amounted to 12,785,613 euros, which represents a 33.57% decrease in sales compared to the 2019 financial year, arising mainly from the impact of the pandemic globally.
- The gross margin on net turnover remains stable with respect to the figures for 2019.
- "Other operating income" corresponds to income from activities that fall outside the Naturhouse business, which in 2020 mainly includes management fees to the Group's subsidiaries amounting to 2.562.801 euros.
  - In 2020 there is an average workforce of 150 employees in the Company, of which 123 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 27 of staff corresponds to general management, administration and accounting, logistics, marketing and technical staff. Personnel Expenses represents 40% of net revenues. In March 2020, the company initiated the procedures to start Temporary Layoffs.
  - "Other operating expenses" has been reduced by 28% with respect to 2018, mainly due to:
    - *External services* Discounts on rents have been obtained from the landlords of our stores, decrease in advertising, total cancellation of business trips.
- "Impairment and other losses" includes the result of the disposal of fixed assets due to the closure of some of our centres.

The 60% decrease in net profit over the 2020 financial year is due to the decrease in turnover in the 2020 financial year, as well as fewer dividends received from Naturhouse Group companies.



### 3. Individual Statement

ASSET	31/12/2020	31/12/2019
<b>NON-CURRENT ASSETS:</b>		
<b>Intangible fixed assets</b>	<b>914,997</b>	<b>1,213,804</b>
Industrial property	796,951	1,030,015
Transfer rights	-	4,265
Software	118,046	179,524
<b>Tangible fixed assets</b>	<b>524,633</b>	<b>762,226</b>
Technical facilities and other tangible fixed assets	524,633	762,226
<b>Long-term investments in Group companies</b>	<b>8,335,766</b>	<b>8,378,044</b>
Equity instruments	8,335,766	8,378,044
<b>Long-term financial investments</b>	<b>242,921</b>	<b>337,011</b>
<b>Deferred tax assets</b>	<b>97,685</b>	<b>39,630</b>
<b>Non-current assets</b>	<b>10,116,002</b>	<b>10,730,715</b>
<b>CURRENT ASSETS:</b>		
<b>Inventory</b>	<b>1,037,263</b>	<b>1,173,621</b>
<b>Trade and other accounts receivable</b>	<b>3,072,458</b>	<b>3,833,279</b>
Customer receivables for sales and services	142,257	256,931
Customers, group companies and associates	502,108	881,552
Other debtors	27,200	60,662
Current tax assets	2,400,610	2,629,870
Other credits with Public Administrations	283	4,264
<b>Short-term accruals</b>	<b>111,501</b>	<b>98,510</b>
<b>Cash and cash equivalents</b>	<b>7,146,328</b>	<b>818,046</b>
<b>Total current assets</b>	<b>11,367,550</b>	<b>5,923,456</b>
<b>Total assets</b>	<b>21,483,552</b>	<b>16,654,171</b>

EQUITY AND LIABILITIES	31/12/2020	31/12/2019
<b>NET EQUITY:</b>		
<b>Own funds</b>		
<b>Capital</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Issue premium</b>	<b>2,148,996</b>	<b>2,148,996</b>
<b>Premium</b>	<b>8,633,968</b>	<b>5,833,700</b>
Legal and statutory	600,000	600,000
Other reserves	8,033,968	5,233,700
<b>Treasury Shares</b>	<b>(141,886)</b>	<b>(142,330)</b>
Treasury Shares	(141,886)	(142,330)
<b>Profit / (Loss) for the financial year</b>	<b>5,724,539</b>	<b>14,200,268</b>
<b>Interim dividend</b>	<b>-</b>	<b>(11,400,000)</b>
<b>Total net equity</b>	<b>19,365,617</b>	<b>13,640,634</b>
<b>NON-CURRENT LIABILITIES:</b>		
<b>Deferred tax liabilities</b>	<b>237</b>	<b>-</b>
<b>Non-current liabilities</b>	<b>237</b>	<b>-</b>
<b>CURRENT LIABILITIES:</b>		
<b>Short-term debts</b>	<b>15,806</b>	<b>6,309</b>
Other financial liabilities	15,806	6,309
<b>Short-term debts with Group companies and associates</b>	<b>640,664</b>	<b>989,154</b>
<b>Trade creditors and other receivables</b>	<b>1,329,799</b>	<b>1,840,217</b>
Suppliers	196,930	306,018
Suppliers, group companies and associates	670,999	885,489
Various creditors	176,480	213,716
Staff	14,769	22,279
Other debts with Public Administrations	270,621	412,715
<b>Short-term accruals</b>	<b>131,429</b>	<b>177,857</b>
<b>Total current liabilities</b>	<b>2,117,698</b>	<b>3,013,537</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>21,483,552</b>	<b>16,654,171</b>



- In 2020, there is a decrease of approximately 0.24 million euros in "Tangible assets" as a result of the divestment and reorganisation of our own centres.
- The reduction of 0.094 million euros in "Long-term financial investments" is due to the reduction in deposits for the leases of own stores within the reorganization of the same.
- Under "Customers, group companies and associates", this is the debt balance resulting from the supply of products and bills for services from the company to Naturhouse Group subsidiaries.
- "Current tax assets" includes the amount paid to the Tax Authorities as an advance corporate tax payment for the 2019 and 2020 financial years. The amount advanced for corporate tax for the 2019 financial year has been partially returned in February 2021, with the return of the amount for the 2020 financial year outstanding.
- As of year end 2020, the company held a balance in own shares and company shares of €141,886, represented by a total of 50,520 shares at an average acquisition price of €2.81/share, as a result of the development of the liquidity contract signed with Renta 4 in January 2019.
- The heading "Short-term debts with Group and associated companies" includes loans of Naturhouse Health, S.A. subsidiaries to centralise the liquid assets of some subsidiaries with the parent company.
- "Short-term accruals" in liabilities includes income for master franchises collected during the 2016, 2017 and 2018 financial years (Malta, Hungary, India, Ireland and Austria), which are accrued for the duration of the master franchise agreement, i.e. seven years.
- The average payment period of the Spanish companies included under the Naturhouse Group has been 46.26 days, within the maximum period set out under the regulations on late payments.

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

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

Market risk in the interest rate and the exchange rate:

The Company's operating activities are largely independent with respect to changes in market interest rates. The interest rate risk of the Group arises from long-term borrowings. As of 31 December 2020, 100% of borrowings were at variable interest rates. However, the Company has not considered it necessary to cover such interest rate fluctuations because the external financing of the Group is unimportant, so it has not contracted hedging instruments during the years in question

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

##### *Credit Risk*

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

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



### *Liquidity risk*

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

Likewise, in order to protect liquidity, the company has partially cancelled the 2019 dividend and the total distribution of the dividend against profits for 2020, presented Temporary Layoffs (ERTEs) and renegotiated leases, maximising the profitability of the centres together with online sales.

## **5. Risk Factors**

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

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

## **6. R + D + i activities**

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

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

The company's main supplier is the Polish company Ichem Sp. zo.o, as it accounts for 50% of total consolidated purchases to 31 December 2020. Naturhouse Health, S.A. holds 24.9% of its capital. The benefits sought with this holding are:

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

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

Besides Ichem, the Group is affiliated with two other large groups of suppliers, those suppliers in which Kiluva S.A., majority shareholder of Naturhouse Health S.A>, has stakes (Indusen, Girofibra, Laboratorios Abad and Zamodiet), which represent approximately 25% of total purchases in 2020, and those suppliers that are not affiliated, Naturhouse Health and Kiluva S.A., representing 25% of total purchases in 2020.



## **7. Treasury Shares**

As of 31 December 2020, the Parent Company holds a total of 50,520 treasury shares. No affiliate company owns any shares or holdings of the Parent Company.

## **8. Subsequent events**

On 20 January 2021, the Tax Agency formalised the refund of 955 thousand euros pending on the advance corporate tax payment for the 2019 financial year.

## **9. Capital structure and significant shareholdings**

As of 31 December 2020, 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 2020, the share capital is represented by 60,000,000 shares. The Group's main shareholders are Kiluva, S.A. with a 72.60% stake and Ferev Uno Strategic Plans, S.L. with 4.33%.

## **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 Nuevo 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, including the Non Financial Information 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.

[www.cnmv.es](http://www.cnmv.es)

[www.naturhouse.com](http://www.naturhouse.com)

Madrid, 26 February 202



**DILIGENCIA DE FIRMA DE LAS CUENTAS ANUALES E INFORME DE GESTIÓN DE NATURHOUSE HEALTH, S.A. CORRESPONDIENTES AL EJERCICIO CERRADO EL 31 DE DICIEMBRE DE 2020**

Diligencia que levanta el Secretario No-Consejero del Consejo de Administración de Naturhouse Health, S.A. ("Naturhouse Health" o la "Sociedad"), Alfonso Barón Bastarreche y con el Visto Bueno del Sr. Presidente Don Félix Revuelta Fernández, para hacer constar que:

1. Las cuentas anuales (balance, cuenta de pérdidas y ganancias, estados de cambios en el patrimonio neto, estado de flujos de efectivo y memoria), el estado de información no financiera, el informe de gestión del Naturhouse Health, S.A. y el informe anual de gobierno corporativo, correspondientes al ejercicio cerrado el 31 de diciembre de 2020, adjuntos a la presente como Anexo, (en adelante, las Cuentas Anuales, el Estado de Información No Financiera, el Informe de Gestión y el Informe Anual de Gobierno Corporativo) se corresponden íntegramente con los formulados por el Consejo de Administración de la Sociedad en su reunión celebrada en el día de hoy, 26 de febrero de 2021, habiendo sido aprobados por unanimidad de todos los miembros del Consejo, y sin que ninguno de ellos haya manifestado expresa reserva o disconformidad respecto de ningún aspecto de tales documentos, y con los entregados a los auditores de cuentas de cara a la emisión de su informe de auditoría.

2. A pesar de la unanimidad habida en la formulación, en las Cuentas Anuales y el Informe de Gestión solo figuran las firmas del Presidente Don Félix Revuelta Fernández y del Consejero Don Ignacio Bayón Marine, únicos que han asistido presencialmente a la reunión, no figurando por tanto las firmas de los siguientes miembros del Consejo de Administración:

- Dña. Vanessa Revuelta Rodríguez
- D. Kilian Revuelta Rodríguez
- D. Rafael Moreno Barquero
- D. José María Castellanos Ríos
- D. Pedro Nueno Iniesta

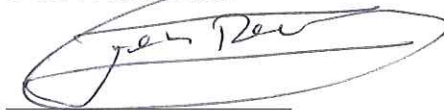
en todos los casos, por imposibilidad manifiesta, dado que la reunión del Consejo en que se han formulado las Cuentas Anuales y el Informe de Gestión y el Informe Anual de Gobierno Corporativo se ha realizado por videoconferencia, con motivo del Estado de Alarma decretado por el Gobierno de España, el pasado 25 de octubre de 2020 (RD 926/2020) y aprobado inicialmente hasta 9 de noviembre de 2020, y que mediante el Real Decreto 956/2020, de 3 de noviembre, ha sido prorrogado hasta el 9 de mayo de 2021, para la gestión de la situación de crisis sanitaria ocasionada por el COVID-19. La presente diligencia se extiende, expresamente, y con el visto bueno del Sr. Presidente Don Félix Revuelta Fernández a los efectos previstos en el artículo 253.2 de la Ley de Sociedades de Capital. En Madrid, a 26 de febrero de 2021.

SECRETARIO NO-CONSEJERO



D. Alfonso Barón Bastarreche

Vº. Bº. PRESIDENTE



D. Félix Revuelta Fernández

Vº. Bº. CONSEJERO INDEPENDIENTE



D. Ignacio Bayón Marine



**Declaración de responsabilidad del Consejo de Administración de Naturhouse Health, S.A. conforme al artículo 8 apartado b) del capítulo I del Real Decreto 1362/2007, de 19 de octubre por el que se desarrolla la Ley 24/1988, de 28 de julio, del Mercado de Valores, en relación con los requisitos de transparencia relativos a la información sobre los emisores cuyos valores estén admitidos a negociación en un mercado secundario oficial o en otro mercado regulado de la Unión Europea.**

Con fecha 26 de febrero de 2021 se han formulado las Cuentas Anuales de Naturhouse Health, S.A. correspondientes al ejercicio anual terminado el 31 de diciembre de 2020 -comprensivas del Balance, Cuenta de Pérdidas y ganancias, estado de flujos de efectivo y estado de cambios en el patrimonio neto y la Memoria- y el Informe de Gestión, constan en 55 hojas de papel común, por una sola cara, numeradas correlativamente de la 1 a la 55, siendo firmadas de la 1 a la 54 por el Secretario del Consejo de Administración y la hoja número 55 por la totalidad de los consejeros asistentes a la reunión. El Informe de Anual de Gobierno Corporativo está contenido en 64 hojas de papel común, por una sola cara, numeradas correlativamente del 1 a la 64.

Las Cuentas Anuales y el Informe Anual de Gobierno Corporativo son firmados por el Secretario del Consejo de Administración y por los consejeros asistentes presencialmente, que fueron el Presidente, Don Félix Revuelta Fernández y Don Ignacio Bayón Marine, haciéndose constar que el resto de consejeros, que asistieron telemáticamente a la reunión, formularon las cuentas anuales y el informe de gestión, pero que no han podido firmarlas debido a la situación sanitaria provocada por el estado de alarma.

**VºBº**

**Presidente  
del Consejo de Administración**



**Félix Revuelta Fernández**

**El Secretario  
del Consejo de Administración**



**Alfonso Barón Bastarreche**