Deoleo S.A., warns that english version of the Consolidated Financial Statements for 2016, had been translated under its exclusive responsibility and do not constitute an official document.

Consolidated Financial Statements for Deoleo and Subsidiaries 2016 include:

- Independent Auditor's Report.
- Consolidated financial statements position at 31 December 2016.
- Consolidated statement of profit or loss.
- Consilidated statement of comprehensive income.
- Consolidated statement of changes in equity.
- Consolidated statement of cash flows.
- Notes to the consolidated final statements for 2016.
- Consolidated Directors´ report for the year ended 31 December 2016.
- Statement of Directors' responsibilities at 31 December 2016

The Annual Corporate Governance report 2016 and Individual Annual Accounts FY 2016 (spanish version) available on CNMV website and Deoleo web site, have not been translated to English.

Link IAGC 2016 (spanish version):
http://www.cnmv.es/portal/verDoc.axd?t={1404d0bb-7a87-4fc6-bf7d-5bbb719108e8}

Link Annual Accounts FY 2016 - Individual & Consolidated (spanish version):
http://www.cnmv.es/portal/Consultas/IFA/ListadoIFA.aspx?id=0&nif=A48012009

Deoleo, S.A. and Subsidiaries

Consolidated Financial Statements for 2016 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Deoleo, S.A.,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Deoleo, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Deoleo, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.1 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Deoleo, S.A. and Subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Emphasis of Matter

We draw attention to Note 2.7 to the accompanying consolidated financial statements, which discloses that, as a result of the losses incurred in 2016 and prior years, the Parent's equity at 31 December 2016 had been reduced to less than one-half of share capital, which constitutes grounds for mandatory dissolution pursuant to Article 363 of the Consolidated Spanish Limited Liabilities Companies Law. The accompanying consolidated financial statements were prepared by the Parent's directors on the assumption that the Parent's activities will continue as normal and that, as indicated in the aforementioned Note, on 28 March 2017, the directors resolved to propose to the shareholders of Deoleo, S.A., for their approval in due time and form, a share capital reduction through the decrease of the par value of all the shares making up the Parent's share capital. Per the resolution adopted by the Parent's directors, the proposed reduction will amount to between a minimum of EUR 300 million and a maximum of EUR 323 million, which would mean that the resulting par value per share would be between EUR 0.12 and EUR 0.10, respectively. This capital reduction is expected to be approved at the next Annual General Meeting of the Parent, and will be used to offset prior years' losses and, as the case may be, to set up a reserve as provided for in Article 335.c) of the Consolidated Spanish Limited Liability Companies Law. Once this measure has been adopted, Deoleo, S.A. will have remedied the situation considered to be grounds for mandatory dissolution in Article 363 of the aforementioned Consolidated Spanish Limited Liability Companies Law. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of Deoleo, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Deoleo, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC UNDER NO. S0692

Victoria López Téllez
31 March 2017

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

Año 2017 Nº 01/17/23604
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34).
In the event of a discrepancy, the Spanish-language version prevails.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016
(Thousands of Euros)

ASSETS	Notes	31/12/2016	31/12/2015	EQUITY AND LIABILITIES	Notes	31/12/2016	31/12/2015
NON-CURRENT ASSETS:		**914.743**	**1.096.757**	**EQUITY:**	**Note 16**	**328.858**	**506.271**
Intangible assets-	**Note 6**	**715.097**	**813.159**	**Share capital**		**438.778**	**438.778**
Trademarks		661.816	757.227	**Other reserves**		**23.801**	**23.801**
Computer software		2.517	943	**Translation differences**		**(6.795)**	**(8.908)**
Other intangible assets		50.764	54.989	**Valuation adjustments**		**(294)**	**(331)**
Goodwill	**Note 6**	**64.781**	**94.058**	**Prior years' losses**		**(126.772)**	**52.495**
Property, plant and equipment-	**Note 7**	**62.758**	**121.579**	**Equity attributable to shareholders of the Parent**		**328.718**	**505.835**
Land and buildings		36.479	85.372	**Non-controlling interests**		**140**	**436**
Plant and machinery		21.873	33.076				
Other fixtures, tools and furniture		1.033	1.920				
Other items of property, plant and equipment		1.354	894				
Advances and property, plant and equipment in the course of construction		2.019	317	**NON-CURRENT LIABILITIES:**		**722.888**	**742.436**
Investment property	**Note 8**	**10.318**	**318**				
Investments in associates		**473**	**473**	**Financial liabilities arising from the issue of debt instruments and other marketable securities**	**Note 18**	**42.453**	**42.099**
Non-current financial assets-	**Note 10**	**6.145**	**5.686**	**Non-current bank borrowings**	**Note 18**	**501.019**	**497.877**
Loans to third parties		5.076	5.142	**Other financial liabilities**	**Note 18**	**2.338**	**3.414**
Other financial assets		1.069	544	**Government grants**	**Note 21**	**4.013**	**3.056**
Deferred tax assets	**Note 14**	**55.171**	**61.484**	**Deferred tax liabilities**	**Note 14**	**151.005**	**182.016**
				Provisions	**Note 20.1**	**18.448**	**10.089**
				Other non-current liabilities		**3.612**	**3.885**
CURRENT ASSETS:		**223.032**	**317.027**				
Inventories	**Note 12**	**102.794**	**140.085**				
Trade and other receivables	**Note 13**	**75.659**	**108.071**	**CURRENT LIABILITIES:**		**86.029**	**165.077**
Current tax assets	**Note 14**	**2.998**	**8.583**	**Current bank borrowings**	**Note 18**	**16.785**	**28.138**
Other current financial assets	**Note 10**	**6.205**	**5.031**	**Trade and other payables**	**Note 19**	**67.707**	**133.923**
Other current assets		**1.856**	**814**	**Current tax liabilities**	**Note 14**	**149**	**1.540**
Cash and cash equivalents-	**Note 15**	**23.406**	**42.040**	**Provisions**		**327**	**325**
Cash		23.406	42.040				
Non-current assets classified as held for sale	**Note 5**	**10.114**	**12.403**	**Liabilities associated with non-current assets classified as held for sale**	**Note 5**	**1.061**	**1.151**
TOTAL ASSETS		**1.137.775**	**1.413.784**	**TOTAL EQUITY AND LIABILITIES**		**1.137.775**	**1.413.784**

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of financial position at 31 December 2016.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 2016

(Thousands of Euros)

	Notes	2016	2015
CONTINUING OPERATIONS:			
Revenue	**Note 30**	**695.213**	**817.284**
Other operating income	**Note 23**	**8.879**	**5.503**
Changes in inventories of finished goods and work in progress	**Note 30**	**(18.398)**	**16.900**
Cost of raw materials and consumables used	**Note 30**	**(500.392)**	**(651.446)**
Staff costs	**Note 24**	**(58.196)**	**(50.699)**
Depreciation and amortisation charge	**Notes 6 and 7**	**(20.236)**	**(21.036)**
Other operating expenses	**Note 25**	**(271.665)**	**(151.355)**
PROFIT (LOSS) FROM OPERATIONS		**(164.795)**	**(34.849)**
Finance income	**Note 26**	**12.437**	**16.927**
Finance costs	**Note 26**	**(46.848)**	**(51.854)**
PROFIT (LOSS) BEFORE TAX		**(199.206)**	**(69.776)**
Income tax	**Note 14.2**	19.842	**8.455**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(179.364)**	**(61.321)**
PROFIT (LOSS) FOR THE YEAR		**(179.364)**	**(61.321)**
Attributable to:			
Shareholders of the Parent		(179.068)	(61.273)
Non-controlling interests		(296)	(48)
BASIC EARNINGS PER SHARE (in euros):			
Loss from continuing operations	**Note 17**	(0,155)	(0,053)
DILUTED EARNINGS PER SHARE (in euros):			
Loss from continuing operations	**Note 17**	(0,155)	(0,053)

The accompanying Notes 1 to 34 are an integral part of the consolidated income statement for 2016.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2016

(Thousands of Euros)

	Notes	2016	2015
PROFIT (LOSS) PER INCOME STATEMENT		**(179.364)**	**(61.321)**
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Translation differences	**Note 16.4**	**2.113**	**3.067**
Actuarial gains and losses and other adjustments		**(162)**	**(1.438)**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		**1.951**	**1.629**
TOTAL COMPREHENSIVE INCOME		**(177.413)**	**(59.692)**
Attributable to:			
Shareholders of the Parent		**(177.117)**	**(59.644)**
Non-controlling interests		**(296)**	**(48)**

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of comprehensive income for 2016.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2016

(Thousands of Euros)

	Share Capital	Other Reserves	Retained Earnings/ Losses	Translation Differences	Valuation Adjustments	Total	Non-Controlling	Total Equity
Balances at 31 December 2014	**438.778**	**23.801**	**115.365**	**(11.975)**	**(490)**	**565.479**	**484**	**565.963**
Consolidated comprehensive income for 2015	-	-	(61.273)	3.067	-	(58.206)	(48)	(58.254)
Other changes in equity:								
Other changes	-	-	(1.597)	-	159	(1.438)	-	(1.438)
Balances at 31 December 2015	**438.778**	**23.801**	**52.495**	**(8.908)**	**(331)**	**505.835**	**436**	**506.271**
Consolidated comprehensive income for 2016	-	-	(179.068)	2.113	-	(176.955)	(296)	(177.251)
Other changes in equity:								
Other changes	-	-	(199)	-	37	(162)	-	(162)
Balances at 31 December 2016	**438.778**	**23.801**	**(126.772)**	**(6.795)**	**(294)**	**328.718**	**140**	**328.858**

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of changes in equity for 2016.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016

(Thousands of Euros)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		**(10.339)**	**(30.316)**
Profit/(Loss) for the year before tax		**(199.206)**	**(69.776)**
Adjustments for-		**222.518**	**93.111**
Depreciation and amortisation charge	**Notes 6 and 7**	20.236	21.036
Impairment losses	**Notes 5, 6, 7 and 8**	154.869	34.858
Changes in operating provisions and allowances	**Notes 12 and 13**	867	908
Changes in provisions for contingencies and charges	**Note 20**	8.129	1.696
Gains/Losses on derecognition and disposal of non-current assets	**Note 25**	3.736	(293)
Gains/Losses on derecognition and disposal of financial instruments	**Note 23**	(1.018)	-
Finance income	**Note 26**	644	(544)
Finance costs	**Note 26**	39.029	37.485
Changes in fair value of financial instruments	**Note 26**	(5.199)	(5.560)
Exchange differences	**Note 26**	1.225	3.533
Deferred government grants	**Note 21**	-	(8)
Changes in working capital-		**2.236**	**(8.090)**
Inventories		36.816	(18.742)
Trade and other receivables		32.702	29.788
Other current assets		(1.042)	254
Non-current assets classified as held for sale		217	3.187
Trade and other payables		(64.468)	(22.149)
Other assets and liabilities		(1.899)	(390)
Liabilities associated with non-current assets classified as held for sale		(90)	(38)
Other cash flows from operating activities-		**(35.887)**	**(45.561)**
Interest paid		(34.581)	(34.297)
Interest received		(644)	544
Income tax paid		(662)	(11.808)
CASH FLOWS FROM INVESTING ACTIVITIES:		**(1.617)**	**(6.915)**
Payments due to investment-		**(11.367)**	**(7.266)**
Intangible assets	**Note 6**	(2.121)	(548)
Property, plant and equipment	**Note 7**	(7.073)	(4.878)
Financial assets		(2.173)	(1.840)
Proceeds from disposal-		**9.750**	**351**
Related companies	**Note 7**	7.000	-
Property, plant and equipment	**Note 5**	2.750	351
CASH FLOWS FROM FINANCING ACTIVITIES:		**(6.678)**	**(582)**
Proceeds and payments relating to financial liability instruments-		**(6.678)**	**(582)**
Proceeds from issue of bank borrowings		4.873	919
Finance lease obligations received (paid)		(11.484)	(4)
Repayment of other borrowings		(67)	(1.497)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(18.634)**	**(37.813)**
Cash and cash equivalents at beginning of year	**Note 15**	42.040	79.853
Cash and cash equivalents at end of year	**Note 15**	23.406	42.040

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of cash flows for 2016.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

Deoleo, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

1. Group description and activities

Deoleo, S.A. ("the Company" or "the Parent") was incorporated for an indefinite period of time in Bilbao on 1 February 1955 under the name of Arana Maderas, S.A. Subsequently, the Company changed its name several times and adopted its current name in 2011. In 1994, 2001, 2003 and 2011 the Parent carried out various merger processes, detailed information on which is disclosed in the financial statements for those years. The Parent's registered office is located at Carretera N-IV – KM 388 Alcolea (Córdoba).

The main activities carried on by the Group in 2016 consist of the preparation, processing and marketing of oils and other food and agricultural products.

The Parent's shares are admitted to trading on the Bilbao, Madrid, Valencia and Barcelona Stock Exchanges and on the Spanish Stock Market Interconnection System. None of the subsidiaries' shares are traded on the securities markets.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Applicable regulatory financial reporting framework

The regulatory financial reporting framework applicable to the Group consists of:

- The Spanish Commercial Code and all other Spanish corporate law.

- International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on tax, administrative, labour and social security measures, as well as the applicable rules and circulars of the Spanish National Securities Market Commission.

- All other applicable Spanish accounting legislation.

2.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements for 2016, which were obtained from the accounting records and financial statements of the Parent and of the consolidated companies, were prepared in accordance with the regulatory financial reporting framework detailed in Note 2.1 above and, accordingly, present fairly the Group's consolidated equity and consolidated financial position at 31 December 2016, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The 2016 consolidated financial statements of the Group and the 2016 separate financial statements of the Group companies, which were formally prepared by their respective directors, have not yet been approved by their shareholders at the respective Annual General Meetings.

However, the Parent's directors consider that the aforementioned financial statements will be approved without any material changes. The Group's consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting of Deoleo, S.A. on June, 28th 2016 and were filed at the Madrid Mercantile Registry.

Since the accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2016 may differ from those applied by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union.

2.2.1 Standards and interpretations effective in 2016

In 2016 the following new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements:

New standards, amendments and interpretations		
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions (issued in November 2013)	The amendments were issued to allow employee contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met.	1 February 2015 (1)
Improvements to IFRSs, 2010-2012 cycle (issued in December 2013)	Minor amendments to a series of standards.	
Amendments to IAS 16 and IAS 38: Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	Clarify the acceptable methods of depreciation and amortisation of property, plant and equipment and intangible assets, which do not include methods that are based on revenue.	
Amendments to IFRS 11: Acquisitions of Interests in Joint Operations (issued in May 2014)	Provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	
Amendments to IASs 16 and 41: Bearer Plants (issued in June 2014)	Bearer plants shall be measured at cost rather than at fair value.	1 January 2016
Improvements to IFRSs, 2012-2014 cycle (issued in September 2014)	Minor amendments to a series of standards.	
Amendments to IAS 27: Equity Method in Separate Financial Statements (issued in August 2014)	The amendments permit the use of the equity method in the separate financial statements of an investor.	
Amendments to IAS 1: Disclosure Initiative (issued in December 2014)	Various clarifications in relation to disclosures (materiality, aggregation, order of specific items within the notes to the financial statements, etc.).	
Not yet approved for use in the European Union at the date of publication of this document		
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (issued in December 2014)	Clarifications on the consolidation exception for investment entities.	1 January 2016

(1) The commencement date of the entry into force of this standard was from 1 July 2014.

These standards and interpretations were applied in these consolidated financial statements. No significant impact worthy of note was identified in relation to their application.

2.2.2 Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning:
Approved for use in the European Union		
IFRS 15, Revenue from Contracts with Customers (issued in May 2014)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9, Financial Instruments (issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	
Not yet approved for use in the European Union at the date of publication of this document (1)		
New standards		
Clarifications to IFRS 15 (issued in April 2016)	Focus on identifying performance obligations, principal versus agent considerations, licensing and determining whether a license is satisfied at a specific point in time or over time, as well as certain clarifications to the transition requirements.	1 January 2018
IFRS 16, Leases (issued in January 2016)	Supersedes IAS 17 and the related interpretations. The main development of the new standard is that it introduces a single lessee accounting model in which all leases (with certain limited exceptions) will be recognised in the statement of financial position with an impact similar to that of the existing finance leases (depreciation of the right-of-use asset and a finance cost for the amortised cost of the liability will be recognised).	1 January 2019
Amendments and/or interpretations		
Amendments to IAS 27, Disclosure Initiative (issued in January 2016)	Introduce additional disclosure requirements in order to improve the information provided to users.	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)	Clarification of the principles established for recognition of deferred tax assets for unrealised losses.	
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (issued in June 2016)	These are limited amendments that clarify specific issues such as the effects of vesting conditions on cash-settled share-based payments, the classification of share-based payment transactions with a net settlement feature and certain issues relating to modifications of the type of share-based payment arrangement.	1 January 2018
Amendments to IFRS 4, Insurance Contracts (issued in September 2016)	Provide entities within the scope of IFRS 4 with the option of applying IFRS 9 (overlay approach) or the temporary exemption therefrom.	
Amendments to IAS 40, Transfers of Investment Property (issued in December 2016)	The amendments clarify that transfers to, or from, investment property will only be possible when there is evidence of a change in use.	
Improvements to IFRSs, 2014-2016 cycle (issued in December 2016)	Minor amendments to a series of standards (various effective dates).	
IFRIC 22, Foreign Currency Transactions and Advance Consideration (issued in December 2016)	This interpretation establishes "the date of the transaction" for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency.	
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	Clarification in relation to the gain or loss resulting from such transactions involving a business or assets.	No defined date

(1) The status of approval of the standards by the European Union may be consulted on the EFRAG website.

At the date of preparation of these consolidated financial statements, the Parent's directors were assessing the impact that the application of these standards, amendments and interpretations might have on the Group's consolidated financial statements. In principle, it is considered that the only standards that might have an impact are:

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers is the new comprehensive standard on the recognition of revenue from contracts with customers and supersedes the following standards and interpretations currently in force: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue - Barter Transactions Involving Advertising Service.

An entity shall apply this standard to all contracts with customers other than to those that are within the scope of other IFRSs, such as lease, insurance contracts and financial instruments.

An entity recognises revenue in accordance within five steps: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations identified in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

The Parent’s directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the consolidated financial statements, with the exception of those that will apply after 2016, the impact of which is currently being assessed.

2.3 Information relating to 2015

As required by IAS 1, the information relating to 2015 contained in these notes to the consolidated financial statements is presented for comparison purposes with the information relating to 2016 and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2016.

2.4 Presentation currency

The consolidated financial statements are presented in thousands of euros, and are rounded to the nearest thousand. The Group's functional and presentation currency is the euro.

2.5 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In the Group's consolidated financial statements estimates were made by the directors of the Parent in order to quantify or measure and, where appropriate, recognise certain of the assets, liabilities, income, expenses or obligations. These estimates relate basically to the following:

- The assessment of possible impairment losses on property, plant and equipment, intangible assets, goodwill and inventories.
- The useful life of the property, plant and equipment and intangible assets.
- The recoverability of the deferred tax assets.
- The fair value of certain financial instruments.
- The assessment of provisions and contingencies.

These estimates were made on the basis of the best information available at 31 December 2016 on the events analysed. In any case, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates would be applied in accordance with the requirements of IAS 8.

2.6 Basis of consolidation applied

The preparation of the consolidated annual accounts has been based on the following methods:

2.6.1 Subsidiaries

Subsidiaries are considered to be entities over which Deoleo, S.A., or its subsidiaries, have the capacity to exercise effective control.

Control is held when the Parent has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor’s returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control described above, the Parent shall reassess whether it controls an investee.

If the Parent has the practical ability to direct the relevant activities unilaterally, even though it holds less than a majority of the voting rights, it has sufficient rights to give it power. The Parent assesses whether the voting rights are sufficient to give it power by considering all facts and circumstances, including:

- the size of the Parent’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate the Parent has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary shall begin from the date the Parent obtains control thereof and cease when the investor loses control of the subsidiary.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

The share of third parties of the equity and profit or loss of the Group is presented under "Non-Controlling Interests" in the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate.

The detail of these subsidiaries at 31 December 2016 and 2015 is presented in Appendix I, which is an integral part of these notes to the consolidated financial statements.

The identified assets acquired and the liabilities or contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition on which control is obtained, as indicated in IFRS 3, Business Combinations. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill in the consolidated statement of financial position. Any negative difference between the cost of acquisition in relation to the fair values of the identifiable net assets acquired is recognised at the acquisition date in the consolidated statement of profit or loss.

2.6.2 Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control. Significant influence normally exists when the Parent holds -directly or indirectly- 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. The Group's share of the results obtained by the investee in the year is presented under "Share of Results for the Year of Associates" in the consolidated income statement.

In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

2.6.3 Translation of foreign currency

Foreign operations are translated to euros as follows:

1. Assets and liabilities, including goodwill and adjustments to the net assets arising in the acquisition of the businesses, including comparative balances, are translated to euros at the exchange rates prevailing at the end of the reporting period;

2. Income and expenses, including comparative balances, are translated to euros at the exchange rates prevailing at the date of each transaction; and

3. The resulting exchange differences are recognised as translation differences in equity.

In presenting the consolidated statement of cash flows, the cash flows, including comparative balances, of the subsidiaries are translated to euros at the exchange rates prevailing at the date on which the cash flows took place.

The translation differences relating to foreign operations recognised in equity are transferred to the consolidated income statement when the operations are sold or the Group no longer has control over them.

The local currency of all the Group companies is the euro, except for the subsidiaries located in the US, Mexico, Canada, Australia, the UK, India, Malaysia, China, Colombia, Brazil, French Guiana and Dubai (see Appendix I to the notes to the consolidated financial statements).

2.6.4 Changes in the scope of consolidation

The most significant variations in the scope of consolidation in 2016 and 2015 with an effect on the interyear comparison were as follows:

Changes in the scope of consolidation (2016)

- Liquidation of Rústicas Montebranco, S.A.

Changes in the scope of consolidation (2015)

- Capital increase of EUR 200 thousand at the Chinese company Shanghai Deoleo Trading Co. Ltd.

- Incorporation of Deoleo Middle East DMCC, with share capital of EUR 214 thousand fully paid by the Parent. This company engages in the marketing of oil in Dubai. At the reporting date this company was dormant.

- Capital increase of EUR 5 thousand at the Colombian company Deoleo Colombia, SAS.

2.7 Going concern principle

The Group incurred significant losses in 2016 amounting to EUR 179,364 thousand at year-end, which arose from, inter alia, the impairment losses recognised in the year totalling EUR 154,529 thousand in relation to certain intangible assets, goodwill, property, plant and equipment and investment property to adjust the carrying amounts thereof to their recoverable amounts (see Notes 6, 7 and 8). As a result of these losses, together with the accumulated prior years' losses, the Group's equity at 31 December 2016 amounted to EUR 328,858 thousand.

Also, as a result of the losses incurred and impairment losses recognised by the Parent in 2016, its equity amounted to EUR 173,451 thousand at 31 December 2016, and its share capital totalled EUR 438,778 thousand. Consequently, Deoleo, S.A. falls within the scope of Article 363 of the Spanish Limited Liability Companies Law, which establishes as one of the grounds for dissolution a scenario in which losses reduce equity to less than one-half of share capital (half the share capital: EUR 219,389 thousand), unless capital is sufficiently increased or reduced (see Note 16). The main causes giving rise to the aforementioned losses at the Parent and the Group were as follows:

- Recognition of an additional amortisation charge of EUR 20,813 thousand at the Parent in relation to certain assets that were previously considered to have an indefinite useful life, as a result of the regulatory changes that entered into force in 2016 following the publication of Royal Decree 602/2016, of 2 December, amending the Spanish National Chart of Accounts approved by Royal Decree 1514/2007. However, in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) (see Note 2.1), assets with an indefinite useful life are not amortised but rather are tested annually for impairment to determine their recoverable amount (see Notes 4.1 and 4.2) and, therefore, the aforementioned amortisation charge was not recognised in the consolidated financial statements.

- Recognition of certain tax losses arising from the amendments introduced by Royal Decree-Law 3/2016, of 2 December (see Note 14), which affected the Spanish companies.

- Recognition of non-financial assets impairment losses (see Notes 6,7 and 8).

- Non recurring expenses related to the quality crisis in 2016 and 2015 after the quality inspections in Italy (see Note 20), which had a negative effect on sales, mainly in the Italian market and other countries where the Group operates.

Also, the Group is currently involved in a process of redefining its business, promoted by its new management, the main aspects of which are as follows:

- Definition of new cash-generating units from 2016 onwards, based on the Group's current management and classified mainly according to geographical and operating criteria, the detail being as follows (see Note 4.5):

    - Southern Europe (Spain and Italy).
    - North America (US and Canada).
    - Northern Europe (Germany, France and Benelux).
    - International markets (mainly Asia, Middle East and Latin America).
    - Operating unit (plants located in Spain and Italy that manufacture for the various Group companies).

  The cash-generating units in existence until 2015 were as follows: "Oil - Iberian Peninsula" (Spain, part of the international markets, part of the North American market and part of the Northern Europe Market), and "Oil - European Union" (Italy, part of the international markets, part of the North American market and part of the Northern Europe Market).

  The definition of these new cash-generating units was accompanied by a new long-term business plan for the Group prepared by management, on which the relevant assumptions used to test the non-financial assets for impairment were based (see Note 4.5).

- Optimisation of the capacity of the Group's plants, which means that, from 2017 onwards, the Group will operate with only two of the four plants it had at the beginning of 2016 (Tavernelle in Italy and Alcolea in Spain). In this connection, in 2016, Deoleo, S.A. sold its plant located in Antequera (see Note 7.1), and took the decision to close its Inveruno plant in Italy, which belongs to the Group subsidiary Carapelli Firenze S.p.A. (see Note 8). It is expected that the negotiations in progress with a third party for this plant will come to a successful conclusion, resulting in the lease of the assets for a four-year period with an option to sell the facilities.

The Parent's directors consider that a significant proportion of the negative aspects that had an impact on the statement of profit or loss for 2016 do not affect its economic resources, because in some cases, such as the recognition of impairment losses, they did not lead to outflows or reduced inflows of cash.

In the opinion of the Parent's directors, the Group's negative situation in 2016 is transitory and non-recurring, and, therefore, they consider that the restructuring plan launched together with the new business plan will allow the Parent and its Group to return to a path of sustainable growth and profits.

On 28 March 2017, in order to restore the Parent's equity position, its directors resolved to propose to the shareholders, for their approval in due time and form, a share capital reduction through the decrease of the par value of all the shares making up the Parent's share capital. Per the resolution adopted by the directors, the proposed reduction will amount to between a minimum of EUR 300 million and a maximum of EUR 323 million, which would mean that the resulting par value per share would be between EUR 0.12 and EUR 0.10, respectively. This capital reduction is expected to be approved at the Annual General Meeting to be held between 29 May and 6 June 2017, and will be used to offset prior years' losses and, as the case may be, to set up a reserve as provided for in Article 335.c) of the Consolidated Spanish Limited Liability Companies Law. Once this measure has been adopted, Deoleo, S.A. will have remedied the situation considered to be grounds for mandatory dissolution in Article 363 of the aforementioned Consolidated Spanish Limited Liability Companies Law.

Taking these facts into account, the Parent's directors prepared the consolidated financial statements for 2016 in accordance with the going concern principle of accounting and, therefore, assumed that the Parent will be able to continue with its operations normally in the future and to realise its assets and settle its liabilities for the amounts and within the time horizons reflected in the accompanying consolidated statement of financial position as at 31 December 2016.

3. Distribution of profit of the Parent

The proposed distribution of losses of Deoleo, S.A. for 2016, amounting to approximately EUR 190,244 thousand, that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is to be applied to the Prior years' losses.

4. Accounting policies

The principal accounting policies and measurement bases applied by the Group in preparing the accompanying consolidated financial statements in accordance with the IFRSs in force at the date of those consolidated financial statements were as follows:

4.1 Intangible assets

Intangible assets are specifically identifiable non-monetary assets acquired from third parties. Only assets whose cost can be estimated objectively and from which future economic benefits are expected to be obtained are recognised.

An intangible asset is regarded as having an indefinite useful life when it is considered that there is no foreseeable limit to the period over which it is expected to generate net cash inflows. In all other cases intangible assets are considered to have finite useful lives.

The Group reviews the residual value, useful life and amortisation method applied to the intangible assets at the end of each reporting period. Changes in the criteria initially established are accounted for as a change in estimate.

Intangible assets with indefinite useful lives are not amortised, but rather are tested for impairment at least once a year, using the same criteria as those applied in the case of goodwill.

Intangible assets with finite useful lives are amortised on a straight-line basis over the years of estimated useful life of the related assets.

Trademarks and licenses

Trademarks and licences are recognised at acquisition cost. Trademarks acquired in business combinations are recognised at their fair value at the date of acquisition.

The worldwide perpetual exclusive rights to use the Bertolli brand for the olive oil, seed oil and balsamic vinegar categories are recognised in the trademark category.

The Group's trademarks were classified by the Parent's directors as intangible assets with indefinite useful lives, except for certain trademarks, the cost of which amounts to approximately EUR 125,420 thousand, which are amortised on a straight-line basis over their useful lives, estimated to be 20 years. Based on an analysis of all the relevant factors, the Parent's directors consider that there is no foreseeable limit to the period over which the other trademarks will contribute to the generation of net cash inflows and, therefore, it considers that they have indefinite useful lives. Accordingly, the trademarks that have indefinite useful lives are not amortised, but rather are tested for impairment at least annually, whenever there are indications of a possible decline in value. The Group assesses and calculates the impairment losses and reversals of impairment losses on its intangible assets in accordance with the methods discussed in Note 4.5. This classification of the useful life is reviewed at the end of each year and is consistent with the corresponding business plans of the Group.

Computer software

The computer software acquired by the Company from third parties, which is presented at the cost incurred, is amortised on a straight-line basis over the five-year period it is expected to be used. Computer software maintenance costs are expensed as soon as they are incurred.

Other intangible assets

At 31 December 2016, "Other Intangible Assets" included mainly approximately EUR 50,580 thousand, net of amortisation (2015: approximately EUR 54,795 thousand) relating to the customer lists acquired in the Bertolli business combination which have an estimated finite life of 19 years for Italy and 20 years for the rest of the world.

4.2. Goodwill

Goodwill is calculated as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the fair value of any previously held equity interest in the acquiree over the net identifiable assets of the acquiree measured at fair value.

In determining the aforementioned fair value the Group:

1. Allocates cost to specific assets and liabilities of the companies acquired, increasing the carrying amount at which they were recognised in the statements of financial position of the companies acquired up to the limit of their market values.

2. If a cost is attributable to specific intangible assets, it is recognised explicitly in the consolidated statement of financial position provided that the fair value at the date of acquisition can be measured reliably.

3. If the costs thus allocated differ from the related tax bases, the corresponding deferred taxes are recognised.

Goodwill is only recognised when it has been acquired for consideration.

On the sale of a cash-generating unit, the amount relating to goodwill is included in the determination of the gain or loss on the sale.

Goodwill is not amortised. However, at the end of each reporting period, or whenever there are indications of impairment, the Group tests goodwill for impairment to determine whether the recoverable amount of the goodwill has been reduced to below its carrying amount. If there is any impairment, the goodwill is written down and the impairment loss is recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

All items of goodwill are allocated to one or more cash-generating units. The recoverable amount of each cash-generating unit is calculated as the higher of value in use and the net selling price of the assets associated with the unit. Value in use is calculated as described in Note 4.5.

4.3 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less the related accumulated depreciation and any accumulated impairment losses.

The cost of assets acquired or produced that require more than twelve months to get ready for their intended use includes such borrowing costs as might have been incurred before the non-current assets are ready for their intended use that meet the requirements for capitalisation.

The cost of property, plant and equipment includes an estimate of the costs of dismantling and removing the related items and restoring the site on which they are located, the obligation for which is incurred as a result of having used the items for purposes other than to produce inventories.

Items of property, plant and equipment are depreciated by allocating the depreciable amount thereof on a systematic basis over their useful life. For these purposes depreciable amount is understood to be acquisition cost less residual value. The Group calculates the depreciation charge separately for each part of an item whose cost is significant in relation to the total cost of the item and which has a useful life that differs from that of the rest of the item.

The cost of the property, plant and equipment, less their residual value, is depreciated on a straight-line basis over the following years of estimated useful life:

	Years of Useful Life
Buildings	25-50
Plant and machinery	7.6-16.6
Other fixtures, tools and furniture	5-16.6
Computer hardware	4-5
Transport equipment	3-10
Other items of property, plant and equipment	6-20

Long-term investments in properties leased to third parties are recognised using the same methods as those used for other items of property, plant and equipment. The investments are depreciated over the shorter of the useful life of the asset and the lease term. For these purposes, the determination of the lease term is consistent with the method established for the classification of the lease.

The Group reviews the residual value, useful life and depreciation method applied to the property, plant and equipment at the end of each reporting period. Changes in the criteria initially established are accounted for as a change in estimate.

Subsequent to initial recognition of the asset, only the costs that give rise to increased productivity or capacity or to a lengthening of the useful lives of the assets are capitalised and the carrying amount of items replaced is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The Group assesses and calculates the impairment losses and reversals of impairment losses on its property, plant and equipment in accordance with the methods discussed in Note 4.5.

4.4 Investment property

Under "Investment Property" the Group classifies the buildings or parts of buildings held by it to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for the Group's administrative purposes or sale in the ordinary course of business.

The Group recognises and measures investment property using the methods established for property, plant and equipment.

4.5 Impairment of property, plant and equipment, intangible assets and goodwill

At the end of each reporting period or whenever there are indications of impairment, the Group tests its property, plant and equipment, intangible assets and goodwill for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Group management performs impairment tests as follows:

- The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.
- Recoverable amount is the higher of fair value less costs to sell and value in use. The directors consider that the aforementioned fair value less costs to sell does not differ from value in use, which was calculated by discounting projected cash flows for a five-year period, calculating a residual value based on the cash flow for the last year projected, provided that this flow represents a normalised flow, and applying a growth rate that in no case exceeds the long-term growth rate estimated for the market in which the Group to which the asset belongs operates.

As a result, the Group used the fair value less costs to sell of the assets to calculate the impairment losses of the cash-generating units ("CGUs"). This calculation implicitly included the value of the deferred tax liabilities associated with those assets. Consequently, the discount rate detailed in the notes was calculated after tax and, therefore, the analysis performed by the Group is a post-tax analysis.

The projections are prepared for each cash-generating unit on the basis of past experience and of the best estimates available, which are consistent with the projections prepared by Group management. The main components are:

- Earnings projections.
- Investment and working capital projections.

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the risks specific to the assets.
- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income.

As indicated in Note 2.7, in 2016 the Group's directors established a different Cash-Generating Unit structure to the one used in 2015 (the former CGUs were “Oil - Iberian Peninsula” and “Oil - European Union”) in order to reflect the new management structure introduced by the new management for the purpose of restructuring the business. On the basis of the aforementioned restructuring, the CGUs were divided into retailing and operating CGUs. The retailing units engage in the marketing of own-brand bottled oil and the operating unit engages in raw material purchasing, processing and bottling activities.

Cash-Generating Units 2016

Cash-Generating Units	Type	Markets
Southern Europe	Retailing	Spain and Italy
Northern Europe	Retailing	Germany, Belgium, Netherlands, France and rest of Europe
North America	Retailing	US and Canada
International markets	Retailing	Latin America, Australia, China, India and rest of Asia
Operating	Manufacturing	Plants in Spain and Italy

In 2016 the impairment tests on the cash-generating units were conducted taking into account the business assumptions, together with other assumptions based on the current macroeconomic and financial climate.

The projections are prepared for each cash-generating unit on the basis of past experience and of the best estimates available, which are consistent with the business plans prepared by management, and taking into account projected earnings, projected investments and projected working capital. Other variables considered are the discount rate, which is the weighted average cost of capital, and the cash flow growth rates used to extrapolate projected cash flows into the future.

Also, the main assumptions used were as follows:

2016						
Cash-Generating Units	Discount Rate (WACC post-tax)	Discount Rate (WACC pre-tax)	Future Average Growth Rate	Average gross margin growth	Compound Annual Growth Rate	Residual Value Percentage
Southern Europe	6.62%	8.33%	1.50%	10.90%	6.60%	73.60%
Nothern Europe	5.55%	7.79%	1.50%	16.20%	0.60%	86.40%
North America	6.22%	10.08%	1.50%	30.90%	2.50%	81.40%
International Markets	8.02%	10.68%	1.50%	23.20%	3.60%	74.10%
Operating	6.62%	9.49%	1.50%	1.70%	0.03%	104.00%

- The average discount rate (or WACC) for the former CGUs used in 2015 ranged from 8.07% to 7.79%.
- The average growth rate (g) for the former CGUs used in 2015 ranged from 1% to 1.2%.

Set forth below is a sensitivity analysis performed by the Group on the effect that a change in the most significant assumptions used would have on the recoverable amount of the assets of the cash-generating units:

Southern Europe CGU (Thousands of Euros)

Future Average Growth Rate	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital (0.5%)	Rate Used	0.5%
0.2%	(43,889)	(61,311)	(75,771)
Rate used	(37,455)	(56,161)	(71,572)
(0.2%)	(30,439)	(50,593)	(67,063)

Change in Margin	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume (0.5%)	Rate Used	0.5%
0.5%	(39,804)	(37,334)	(34,862)
Rate used	(58,445)	(56,161)	(53,878)
(0.5%)	(77,085)	(74,989)	(72,895)

Northern Europe CGU (Thousands of Euros)

Future Average Growth Rate	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	(28,480)	(38,273)	(46,003)
Rate used	(24,496)	(35,226)	(43,652)
0.2%	(20,035)	(31,927)	(41,083)

Change in Margin	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	(28,432)	(27,007)	(25,582)
Rate used	(36,600)	(35,226)	(33,914)
(0.5%)	(44,767)	(43,506)	(42,246)

North America CGU (Thousands of Euros)

Future Average Growth Rate	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	20,966	(16,159)	(46,429)
Rate used	35,269	(4,913)	(37,390)
0.2%	50,995	7,329	(27,632)

Change in Margin	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	723	3,460	6,196
Rate used	(7,566)	(4,913)	(2,260)
(0.5%)	(15,855)	(13,285)	(10,716)

International Markets CGU (Thousands of Euros)

Future Average Growth Rate	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	34,652	23,720	14,301
Rate used	37,419	25,983	16,174
0.2%	40,376	28,389	18,156

Change in Margin	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	29,646	30,821	31,997
Rate used	24,856	25,983	27,110
(0.5%)	20,066	21,145	22,223

Operating CGU (Thousands of Euros)

Future Average Growth Rate	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	8,805	(443)	(8,075)
Rate used	12,328	2,377	(5,776)
0.2%	16,169	5,425	(3,307)

Change in Margin	Thousands of Euros Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
Rate used	1,820	2,377	2,933

The detail, by cash-generating unit, of the carrying amount of the assets (before recognising impairment losses) and their recoverable amount at 31 December 2016 is as follows:

Thousands of euros	**Southern Europe**	**North America**	**Northern Europe**	**International Markets**	**Operating**	**Total**
Non-current assets, net	208,198	266,442	87,306	82,593	48,069	692,608
Goodwill	12,551	47,977	11,813	14,805	6,912	94,058
Current assets	21,602	30,459	10,316	17,118	14,756	94,251
Total assets, net	**242,351**	**344,878**	**109,435**	**114,516**	**69,737**	**880,917**
Recoverable amount	188,071	343,399	74,959	141,918	72,842	821,189
Costs to sell	(1,881)	(3,434)	(750)	(1,419)	(728)	(8,212)
Excess/(Impairment) net of deferred taxes	**(56,161)**	**(4,913)**	**(35,226)**	**25,983**	**2,377**	

The detail of the gross impairment losses and the associated deferred tax liabilities recognised in the statement of profit or loss for 2016 is as follows:

Thousands of euros	Impairment Losses	Derecognition of Deferred Tax Liabilities (Note 14)	Impairment, Net of the Tax Effect
Goodwill (Note 6)	29,277	-	29,277
Trademarks (Note 6)	89,140	(22,913)	66,227
Property, plant and equipment (Note 7)	796	-	796
Impairment	**119,213**	**(22,913)**	**96,300**

The impairment losses amounting to EUR 119,213 thousand were recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2016 (see Note 25) and the tax effect was recognised under "Income Tax" (see Note 14).

Also, as indicated in Note 2.7, the Group is currently implementing a restructuring plan that included, inter alia, the decision to close its Inveruno plant (Italy). In this connection, the Group has agreed to sell this plant to a third party, in a transaction that will involve the lease of the plant for four years with an option to sell it. All the assets associated with Inveruno formerly recognised under "Property, Plant and Equipment" were therefore transferred to "Investment Property" (see Note 8) and were recognised at the lower of their carrying amount and their fair value less costs to sell under these assumptions. In this connection, an impairment loss amounting to EUR 35,316 thousand was recognised on the Inveruno facilities under "Other Operating Expenses" (see Note 25) in the consolidated statement of profit or loss for 2016.

The non-financial assets subject to impairment indicated in this Note are classified as Level 3 in the fair value hierarchy detailed in Note 4.10.

In this connection, the Parent's directors consider that no significant events have occurred that require the estimates made at 2016 year-end for impairment testing purposes to be changed, and that any possible reasonable change in the key assumptions on which the calculation of the recoverable amount is based would not cause the carrying amount of the assets of the Group's cash-generating units to exceed or be less than recoverable amount.

4.6 Non-current assets classified as held for sale and discontinued operations

The non-current assets or disposal groups whose carrying amount will be recovered mainly through a sale transaction that will foreseeably take place within the coming twelve months rather than through their continuing use are classified as non-current assets held for sale. In order to be classified as held for sale, a non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

Non-current assets (and disposal groups) classified as held for sale are not depreciated, but rather are measured at the lower of carrying amount and fair value less costs to sell.

The Group recognises initial and subsequent impairment losses on the assets classified in this category with a charge to profit or loss from continuing operations in the consolidated income statement, except in the case of a discontinued operation.

The gains arising from increases in fair value less costs to sell are recognised in profit or loss up to the limit of the cumulative impairment losses recognised previously due either to measurement at fair value less costs to sell or to the impairment losses recognised prior to classification in this category.

The Group measures the non-current assets that cease to be classified as held for sale or which cease to be included in a disposal group at the lower of their fair value prior to classification as held for sale -less any amortisation or depreciation that would have been recognised had they not been classified as such- and recoverable amount at the date of reclassification. The valuation adjustments arising from this reclassification are recognised in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and:

1. Represents a separate major line of business or geographical area of operations;

2. Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

3. Is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The post-tax profit or loss of discontinued operations and the post-tax gain or loss on disposal of assets or disposal groups constituting the discontinued operation are presented under "Profit / Loss for the Year from Discontinued Operations" in the consolidated income statement.

If the Group ceases to classify a component as a discontinued operation, the results previously presented in discontinued operations are reclassified and included in the profit or loss from continuing operations for all periods presented.

4.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group, which usually has the option to purchase the assets at the end of the lease under the terms agreed upon when the lease was arranged. All other leases are classified as operating leases.

Finance leases

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used.

The cost of assets held under finance leases is presented in the consolidated statement of financial position on the basis of the nature of the leased asset. Leased assets are depreciated using criteria similar to those applied to property, plant and equipment that are owned.

Finance charges are recognised over the lease term on a time proportion basis.

At 31 December 2016 the Group holds two finance for an outstanding amount of EUR 1,479 thousand (2015: EUR 2,195 thousand).

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

Lease income and expenses arising from operating leases are credited or charged to income on an accrual basis depending on whether the Group acts as the lessor or lessee.

4.8 Financial instruments

Financial assets

Financial assets are recognised in the consolidated statement of financial position when they are acquired and are initially recognised at fair value. The financial assets held by the Group companies are classified as:

1. Originated loans and receivables: financial assets originated by the Group companies in exchange for supplying cash, goods or services that have fixed or determinable payments and are not traded in an active market.

2. Held-for-trading financial assets: assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. This heading also includes financial derivatives not considered to qualify for hedge accounting.

3. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.

4. Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories. At 31 December 2016, they included mainly equity instruments that do not have a market price quoted on an active market and whose fair value cannot be estimated reliably. They are recognised at acquisition cost plus the directly attributable acquisition costs.

Loans and receivables are initially recognised at the fair value of the consideration paid, plus any directly attributable transaction costs, and are subsequently measured at amortised cost. The Group has recognised allowances to cater for the risk of uncollectibility. These allowances are calculated on the basis of the probability of recovery of the debt based on the age thereof and the debtor's solvency. At 31 December 2016, the fair value of these assets did not differ significantly from their carrying amount in the consolidated statement of financial position.

Held-for-trading financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in the net consolidated profit or loss for the year. The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently.

At least at each reporting date the Group tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the consolidated income statement.

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

Financial liabilities

The main financial liabilities held by the Group companies are held-to-maturity financial liabilities which are measured at amortised cost. The financial liabilities held by the Group companies are classified as:

1. Bank and other loans: these are recognised at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost. Borrowing costs are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

2. Trade and other payables: trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.9 Hedge accounting

The Group uses derivative financial instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, these risks relate to changes in exchange rates and interest rates. The Group arranges hedging financial instruments in this connection.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. In this regard, at 31 December 2016 the Group had no financial instruments that qualified for hedge accounting.

The Group had entered into certain derivative transactions that, although they are basically hedges in nature, are not recognised as hedges since they do not meet the requirements established in the standards for hedge accounting. The effect of recognising these transactions at fair value at 31 December 2016 and 2015 was taken directly to the consolidated statement of profit or loss for each year (see Notes 11 and 26).

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated statement of comprehensive income.

Also, in 2016 and 2015 no purchase positions were closed in the olive oil futures market. At 31 December 2016 and 2015, the Group did not have any open positions in this market.

The fair value of the various derivative financial instruments is calculated using the valuation techniques described in Note 4.10 below.

4.10 Fair value measurement techniques and applicable assumptions

The fair value of financial assets and liabilities is calculated as follows:

- The fair values of financial assets and liabilities to which standard terms and conditions apply and which are traded on active liquid markets are calculated by reference to published price quotations in the market.

- The fair value of other financial assets and financial liabilities (except derivative instruments) is calculated in accordance with generally accepted valuation models on the basis of discounted cash flows using the prices of observable market transactions and the contributor prices for similar instruments.

- The fair value of interest rate derivatives is calculated by discounting the cash flows on the basis of the implicit rates determined by the yield curve based on market conditions. To determine the fair value of options, the Group uses the Black-Scholes pricing model and its variants, applying for this purpose the market volatilities for the strike prices of these options and their time to expiry.

The financial instruments measured after initial recognition at fair value are classified in Levels 1 to 3 based on the degree to which their fair value is observable.

- Level 1: financial instruments measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: financial instruments measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: financial instruments measured using valuation techniques, which include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group applies the definition of the fair value of a financial instrument as the price that would be paid to or received from a third party to purchase or sell the instrument, adjusted for the Group's own credit risk.

The adjustment for credit risk was calculated by applying a technique based on simulations of expected total exposure (including both current and potential exposure) adjusted by the probability of default over time and by the loss severity (or potential loss) assigned to the Group and to each of the counterparties. The expected total exposure of the derivatives is obtained by using observable market inputs, such as interest rate yield, exchange rate and volatility curves based on market conditions at the measurement date.

The inputs applied to obtain own and counterparty credit risk (determination of probability of default) are based mainly on own credit spreads or those of instruments of comparable entities currently traded in the market (CDS curves, IRR on debt issues).

The Group's only financial assets and liabilities measured at fair value at 31 December 2016 and 2015 were its derivative financial instruments (see Note 11).

4.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Parent during the year are recognised at the value of the consideration paid and are deducted from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised in equity.

4.12 Cash and cash equivalents

The Group includes under "Cash and Cash Equivalents" cash and short-term highly liquid investments maturing in less than three months that are readily convertible to cash and which are subject to an insignificant risk of changes in value. The interest income associated with these transactions is recognised as income on an accrual basis and any unmatured interest at year-end is included in the consolidated statement of financial position as an addition to the balance of this heading.

4.13 Inventories

Inventories are initially recognised at acquisition or production cost. Acquisition cost includes the amount billed by the seller after deducting any discounts, rebates or other similar items and interest included in the face value of the related payables, plus any additional expenses incurred in bringing the goods to their present location ready for sale, and other costs directly attributable to their acquisition.

The production cost of inventories includes the acquisition price of the raw materials and other consumables and the costs directly related to the units produced, as well as a systematically allocated portion of the fixed and variable indirect costs incurred during the conversion of the inventories. The fixed indirect costs are allocated on the basis of normal production capacity or actual production, whichever is higher.

Purchase returns are recognised as a reduction in the value of the inventories returned and sales returns are included in the price of acquisition or production cost that corresponded to them based on the goods-in/goods-out method used

Advances on "Inventories" are measured at cost.

The cost of raw materials and other supplies, the cost of goods held for resale and the cost of conversion are allocated to the various inventory units using the weighted average cost formula. The Group uses monthly periods for measuring its inventories.

The cost of inventories is written down where cost exceeds net realisable value. For these purposes, net realisable value is taken to be:

1. For raw materials and other supplies, replacement cost. The Group does not write down raw materials and other supplies if the finished products in which they will be incorporated are expected to be disposed of at or above production cost;

2. For goods held for resale and finished goods, estimated selling price less costs to sell;

3. For work in progress, the estimated selling price of the related finished goods less the estimated costs of completion and the estimated costs to sell.

4.14 Foreign currency transactions and balances

The Group's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates prevailing on that date. Any resulting gains or losses are recognised directly in the consolidated income statement.

4.15 Grants

The Group accounts for grants, donations and legacies received as follows:

- Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and are recognised in liabilities and taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss.
- Refundable grants: while they are refundable, they are recognised as a liability.
- Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

4.16 Obligations to employees

Retirement bonuses

Pursuant to the collective agreements in force for the various work centres, the Group is obliged to pay a special bonus to employees when they take early retirement, which is set on the basis of the age of retirement when this is between 59 and 64. These obligations have been externalised through the arrangement of the corresponding group insurance policies, and the premium relating to each year is treated as an expense. The amounts paid in this connection in 2016 and 2015 were not material.

Loyalty bonus

Pursuant to the collective agreements in force for the various work centres, the Group is obliged to pay a special bonus to employees when they reach a certain length of service at the Group. It is considered that these obligations cannot be externalised, although provisions should be recognised for them and, therefore, the Group has recognised the appropriate provision.

The main assumptions used to calculate the provision in 2016 were as follows:

- Effective date: 31 December 2016.
- Mortality tables: PERM/F-2000.
- Disability rates: not considered.
- Turnover rate: not considered.
- Salary increases: 1%.
- CPI growth: 1%.
- Discount rate: 1.2%, based on market returns corresponding to high-quality corporate bond and debenture issues and length of the obligations assumed.

Other obligations

Pursuant to Italian legislation, the subsidiary Carapelli Firenze, S.p.A. has recognised a provision equal to one month's remuneration per year worked for all its employees. This obligation becomes payable when the employee leaves the entity either voluntarily or involuntarily. The application of the new IAS 19 had an impact of approximately EUR 37 thousand (2015: approximately EUR 159 thousand) under "Valuation Adjustments" in equity.

At 31 December 2016, in order to meet the cost of these and other obligations to employees described above, including those arising from collective redundancy procedures, the Group had recognised a provision amounting to approximately EUR 3,106 thousand (2015: approximately EUR 3,480 thousand) under "Other Non-Current Liabilities" in the consolidated statement of financial position. The main provision recognised in the year for collective redundancies is related to the closure of the Inveruno plant (see Notes 2.7 and 20).

Termination benefits

The termination benefits payable as a result of the Group's decision to terminate employment contracts early are recognised when the Group is demonstrably committed to terminating the employment relationship in accordance with a detailed formal plan and there is no realistic possibility of withdrawal or of modifying the decisions adopted.

At 31 December 2016, the Group had recognized a provision for charges approximately EUR 1,072 thousand (2015: approximately EUR 87 thousand), notes 20 and 24.

4.17 Provisions and contingencies

When preparing the consolidated financial statements the Parent's directors made a distinction between:

- Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

4.18 Revenue recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the consolidated income statement.

4.19 Income tax

The Parent has filed tax returns under the special consolidated tax regime regulated by Chapter VII of Title VII of the Consolidated Spanish Income Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, since the year beginning 1 January 2011 and has duly informed the Spanish tax authorities.

The subsidiaries that file tax returns as part of the consolidated tax group are as follows:

- Aceites Ibéricos Acisa, S.A.

- Aceites Elosúa, S.A.

- Sevilla Rice Company, S.A.

- Cambium Rice Investments, S.L.
- Deoleo Preferentes, S.A.
- Aceica Refinería, S.L.
- Cogeneración de Andújar, S.A.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill for which amortisation is not deductible for tax purposes or the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (tax loss and tax credit carryforwards and temporary differences) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

4.20 Current/Non-current classification

In the consolidated statement of financial position, assets and liabilities that are expected to be settled or fall due within twelve months from the end of the reporting period are classified as current items and those which fall due or will be settled within more than twelve months are classified as non-current items.

4.21 Environmental matters

The Group carries out actions the main objective of which is to prevent, reduce or repair the damage that might be caused to the environment as a result of its business activities.

The expenses arising from environmental activities are recognised under "Other Operating Expenses" in the year in which they are incurred.

The items of property, plant and equipment acquired to be used on a lasting basis in its operations and whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution from the Group's operations, are recognised as assets using measurement, presentation and disclosure criteria consistent with those discussed in Note 4.3.

4.22 Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies.

4.23 Consolidated statements of cash flows

The following terms, with the meanings specified, are used in the consolidated statements of cash flows, which were prepared using the indirect method:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of equity and borrowings of the Group companies that are not operating activities.

5. Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale

The detail of "Non-Current Assets Classified as Held for Sale" and "Liabilities Associated with Non-Current Assets Classified as Held for Sale" and of the changes therein in the years ended 31 December 2016 and 2015 is as follows:

2016

	Thousands of Euros			
	Beginning Balance	Additions and Charge for the Year	Disposals and Reversals	Ending Balance
Property, plant and equipment	12,742	-	(3,258)	9,484
Investment property	2,253	-	-	2,253
Deferred tax assets	476	-	(318)	158
Other Assets	321	101	-	422
Impairment of assets	(3,389)	(340)	1,526	(2,203)
Total assets	12,403	(239)	(2,050)	10,114
Deferred tax liabilities	(628)	-	-	(628)
Government grants	(336)	-	336	-
Trade and other payables	(187)	(246)	-	(433)
Total liabilities	(1,151)	(246)	336	(1,061)
Total, net	**11,252**	**(485)**	**(1,714)**	**9,053**

2015

	Thousands of Euros				
	Beginning Balance	Transfers (Notes 7 and 8)	Additions and Charge for the Year	Disposals and Reversals	Ending Balance
Property, plant and equipment	13,466	2,593	78	(3,395)	12,742
Investment property	1,329	1,398	-	(474)	2,253
Deferred tax assets	472	-	4	-	476
Other Assets	405	-	5	(89)	321
Impairment of assets	(2,356)	(1,068)	(674)	709	(3,389)
Total assets	13,316	2,923	(587)	(3,249)	12,403
Deferred tax liabilities	(629)	-	-	1	(628)
Government grants	(377)	-	-	41	(336)
Trade and other payables	(183)	-	(6)	2	(187)
Total liabilities	(1,189)	-	(6)	44	(1,151)
Total, net	**12,127**	**2,923**	**(593)**	**(3,205)**	**11,252**

The main changes in non-current assets classified as held for sale recognised in 2016 were as follows:

- On 15 February 2016, the Parent sold the real estate assets located in El Campello (Alicante), with a carrying amount of EUR 220 thousand, for EUR 850 thousand and, therefore, recognised a gain of EUR 630 thousand under "Other Operating Income" in the consolidated statement of profit or loss for 2016 (see Note 23).

- On 23 December 2016, the plant and facilities of the subsidiary Sevilla Rice Company, S.A. were sold for EUR 1,900 thousand; the carrying amount of these items was EUR 1,512 thousand, and, therefore, a gain of EUR 388 thousand was recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2016 (see Note 23). Also, the deferred tax asset and grants held by Sevilla Rice Company, S.A. amounting to EUR 318 thousand and EUR 336 thousand, respectively, were derecognised, which did not have a material effect on the consolidated statement of profit or loss for the year ended 31 December 2016.

At 31 December 2016, the breakdown of "Non-Current Assets Classified as Held for Sale" includes the net assets of Sevilla Rice Company, S.A., the production centre in Voguera (Italy), various buildings held in Villarejo de Salvanés, the items of property, plant and equipment and production plants located in Mexico.

The Group is actively involved in a process to sell these assets and the directors consider that these sales will be completed within twelve months. These assets meet the requirements established in accounting legislation for their classification as non-current assets held for sale.

6. Intangible assets and goodwill

The detail of "Intangible Assets" and "Goodwill" in the consolidated statement of financial position and of the changes in the main classes of intangible assets and goodwill in 2016 and 2015 is as follows:

2016

	Thousands of Euros			
	Beginning Balance	Additions	Translation Differences	Ending Balance
Intangible assets:				
Cost-				
Trademarks and licences	903,771	-	-	903,771
Computer software	19,297	1,953	4	21,254
Other intangible assets	85,699	168	-	85,867
	1,008,767	2,121	4	1,010,892
Accumulated amortisation-				
Trademarks and licences	(19,030)	(6,271)	-	(25,301)
Computer software	(18,354)	(383)	-	(18,737)
Other intangible assets	(30,710)	(4,393)	-	(35,103)
	(68,094)	(11,047)	-	(79,141)
Impairment losses recognised-				
Trademarks	(127,514)	(89,140)	-	(216,654)
	(127,514)	(89,140)	-	(216,654)
Total intangible assets, net	**813,159**	**(98,066)**	**4**	**715,097**
Goodwill:				
Cost	220,218	-	-	220,218
Impairment losses	(126,160)	(29,277)	-	(155,437)
Net goodwill	**94,058**	**(29,277)**	-	**64,781**

2015

	Thousands of Euros			
	Beginning Balance	Additions	Translation Differences	Ending Balance
Intangible assets:				
Cost-				
Trademarks and licences	903,771	-	-	903,771
Computer software	18,976	270	51	19,297
Other intangible assets	85,421	278	-	85,699
	1,008,168	548	51	1,008,767
Accumulated amortisation-				
Trademarks and licences	(12,759)	(6,271)	-	(19,030)
Computer software	(18,101)	(216)	(37)	(18,354)
Other intangible assets	(26,276)	(4,434)	-	(30,710)
	(57,136)	(10,921)	(37)	(68,094)
Impairment losses recognised-				
Trademarks	(98,759)	(28,755)	-	(127,514)
	(98,759)	(28,755)	-	(127,514)
Total intangible assets, net	**852,273**	**(39,128)**	**14**	**813,159**
Goodwill:				
Cost	220,218	-	-	220,218
Impairment losses	(121,035)	(5,125)	-	(126,160)
Net goodwill	**99,183**	**(5,125)**	**-**	**94,058**

6.1 Computer software

"Computer Software" includes mainly computer software and programs.

The main additions for the year relate to the acquisition and development of computer software for the purpose of improving the efficiency of certain processes.

The detail of the cost of the fully amortized intangible asset items still in use at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Computer software	16,237	16,016
Other intangible assets	408	408
	16,645	**16,424**

6.2 Trademarks and licences

“Intangible Assets - Trademarks” and “Intangible Assets - Other Intangible Assets” in the consolidated statement of financial position include mainly the fair value of various trademarks measured on the basis of the allocations made during the various business combinations that have taken place within the Group, as well as certain direct acquisitions. Specifically, “Intangible Assets” includes mainly the value of the Group's trademarks, the most significant being the olive oil trademarks (Carbonell, Koipe, Hojiblanca, Carapelli y Sasso) and the seed oil trademarks (Koipesol and Friol), as well as the rights to use the Bertolli trademark for the oil and vinegar businesses.

The detail of the trademarks and other intangible assets (principally, the rights of use for the Bertolli trademark), by each of the Group's cash-generating units defined in 2016 (see Note 2.7), is as follows:

	31.12.2016 (Thousands of Euros)
Cash Generating Units:	
Southern Europe	203,692
Northern Europe	81,026
North America	324,740
International Markets	102,938
Others	184
	712,580

The Parent's directors classify the trademarks as of indefinite useful life, except for four of them, including two in 2015, which had a cost of approximately EUR 125,420 thousand, and are amortised on a straight line basis over their useful life, which was estimated to be 20 years; an amortisation charge of EUR 6,271 thousand was recognised in this connection in the consolidated statement of profit or loss for 2016 and 2015.

The Parent's directors have re-calculated the recoverable amount of the assets of its cash-generating units “Southern Europe”, “Northern Europe”, “North America”, “International Markets” and “Operating”. In this regard, on the basis of the business assumptions detailed in Note 4.5., which are based on the Group's current structure, as well as the macroeconomic and financial environment, the Group estimated that certain trademarks with indefinite useful lives and goodwill associated with the "Southern Europe" and “Northern Europe” cash-generating units had been impaired by EUR 89,140 thousand and EUR 29,277 thousands respectively. This impairment loss was recognised under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss for 2016 (see Note 25).

In this connection, the Parent's directors do not consider that it will be necessary to make any additional adjustment for impairment to the value of the intangible assets of the aforementioned cash-generating units. The Parent's directors consider that, on the basis of their estimates and projections, the projected income attributable to Group from the various cash-generating units supports the recoverability of the carrying amount of the trademarks and the goodwill recognised. Furthermore, at the date of formal preparation of these consolidated financial statements, the Parent's directors consider that no events have occurred that require changes to the estimates made at 2016 year-end for the impairment test.

In addition, certain trademarks corresponding to the “Southern Europe” cash-generating unit, which had a carrying amount of EUR 143,452 thousand (31 December 2015: EUR 173,943 thousand), have been pledged as part of the guarantees granted by the Parent in the loan agreement entered into on 13 June 2014 between Deoleo, S.A. and Deoleo USA, Inc., as the borrowers, and various lenders (see Note 18).

6.3. Goodwill

The detail of goodwill, broken down by the subsidiaries or businesses giving rise to it, is as follows:

	31.12.2016 (Thousands of Euros)
Cash generating units:	
North America	43,064
International Markets	14,805
Operating	6,912
	64,781

Goodwill is tested for possible impairment at least once a year using the methodology described in Note 4.5.

7. Property, plant and equipment

The detail of "Property, Plant and Equipment" in the consolidated statement of financial position and of the changes therein in 2016 and 2015 is as follows:

2016

	Thousands of Euros						
	Beginning Balance	Additions	Disposals	Transfers (Note 8)	Transfers	Translation Differences	Ending Balance
Cost:							
Land and buildings	127,976	1,157	(7,889)	(47,500)	14	-	73,758
Plant and machinery	120,217	1,121	(2,941)	(46,878)	760	-	72,279
Other fixtures, tools and furniture	11,585	1,593	(1,779)	(3,575)	-	9	7,833
Computer hardware	3,424	276	(26)	(1,589)	-	-	2,085
Transport equipment	187	421	(41)	-	-	1	568
Other items of property, plant and equipment	520	-	(6)	(315)	-	-	199
Advances and property, plant and equipment in the course of construction	317	2,505	-	29	(774)	-	2,019
	264,226	7,073	(12,682)	(99,886)	-	10	158,741
Accumulated depreciation:							
Buildings	(32,158)	(2,003)	279	6,596	-	-	(27,286)
Plant and machinery	(88,229)	(5,807)	895	42,756	-	-	(50,385)
Other fixtures, tools and furniture	(9,553)	(1,164)	704	3,334	-	(9)	(6,688)
Computer hardware	(2,827)	(138)	26	1,883	-	2	(1,054)
Transport equipment	(256)	(76)	40	-	-	-	(292)
Other items of property, plant and equipment	(154)	(1)	2	1	-	-	(152)
	(133,177)	(9,189)	1,946	54,570	-	(7)	(85,857)
Accumulated impairment losses:							
Land and buildings	(9,197)	(796)	-	-	-	-	(9,993)
Plant and machinery	(161)	-	140	-	-	-	(21)
Other fixtures, tools and furniture	(112)	-	-	-	-	-	(112)
	(9,470)	(796)	140	-	-	-	(10,126)
Net balance	**121,579**	**(2,912)**	**(10,596)**	**(45,316)**	-	**3**	**62,758**

2015

	Thousands of Euros					
	Beginning Balance	Additions	Disposals	Other Transfers (Note 5)	Translation Differences	Ending Balance
Cost:						
Land and buildings	127,763	-	(57)	270	-	127,976
Plant and machinery	129,307	3,098	(3,403)	(9,517)	732	120,217
Other fixtures, tools and furniture	11,664	131	(93)	(151)	34	11,585
Computer hardware	3,500	221	-	(297)	-	3,424
Transport equipment	950	22	(233)	(552)	-	187
Other items of property, plant and equipment	490	31	-	-	(1)	520
Advances and property, plant and equipment in the course of construction	840	1,375	-	(1,898)	-	317
	274,514	4,878	(3,786)	(12,145)	765	264,226
Accumulated depreciation:						
Buildings	(29,565)	(2,323)	-	(270)	-	(32,158)
Plant and machinery	(93,975)	(6,515)	3,402	8,859	-	(88,229)
Other fixtures, tools and furniture	(8,778)	(968)	92	118	(17)	(9,553)
Computer hardware	(2,996)	(126)	-	295	-	(2,827)
Transport equipment	(920)	(95)	209	551	(1)	(256)
Other items of property, plant and equipment	(151)	(2)	-	(1)	-	(154)
	(136,385)	(10,029)	3,703	9,552	(18)	(133,177)
Accumulated impairment losses:						
Land and buildings	(10,265)	-	-	1,068	-	(9,197)
Plant and machinery	(161)	-	-	-	-	(161)
Other fixtures, tools and furniture	(131)	-	19	-	-	(112)
	(10,557)	-	19	1,068	-	(9,470)
Net balance	**127,572**	**(5,151)**	**(64)**	**(1,525)**	**747**	**121,579**

7.1 Additions, transfers and disposals

The investments in property, plant and equipment for the oil business amounted to approximately EUR 7.1 million in 2016 and related mainly to various IT equipment servers, the adaptation of the head offices and the modernisation and adaptation of machinery on the packaging lines in Alcolea and Tavernelle.

In 2016 the transfers related to the classification as "Investment Property" of the assets associated with the Inveruno plant (see Notes 2.7 and 8).

On 4 November 2016, the Parent sold the production facilities it owned in Antequera (Málaga). The carrying amount of the fixed assets at the Antequera plant at the time of the sale was EUR 10,736 thousand and the transaction sale price amounted to EUR 7 million, as a result of which the Group recognised a loss of EUR 3,736 thousand (see Note 25). In 2016 impairment losses amounting to EUR 140 thousand were derecognised which coincide with the net cost derecognised.

In addition, on the basis of the business assumptions detailed in Note 4.5 for the impairment test, impairment losses amounting to approximately EUR 796 thousand were recognised with a charge to "Other Operating Expenses" in the consolidated statement of profit or loss for 2016 (see Note 25).

7.2 Fully depreciated items of property, plant and equipment

The detail of the cost of the fully depreciated items of property, plant and equipment (see Note 8) still in use at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Buildings	7,853	8,274
Plant and machinery	93,319	89,358
Other fixtures, tools and furniture	8,243	7,204
	109,415	**104,836**

7.3. Other disclosures

Government grants amounting to approximately EUR 15,797 thousand at 31 December 2016 and 2015 were received for certain items included under "Buildings", "Machinery" and "Other Fixtures" (see Note 21).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. The directors considered that at the end of 2016 the property, plant and equipment were fully insured against these risks.

8. Investment property

The changes in "Investment Property" in 2016 and 2015 were as follows:

	Thousands of Euros
Balance at 31 December 2014	2,125
Depreciation charge	(86)
Impairment losses	(323)
Transfers to assets held for sale	(1,398)
Balance at 31 December 2015	318
Depreciation charge	-
Transfers from Property, Plant and Equipment (Note 7)	45,316
Impairment losses (Notes 4.5 and 25)	(35,316)
Balance at 31 December 2016	**10,318**

The detail of "Investment Property" is as follows:

	Carrying Amount (Thousands of Euros)
Land – Chinchón	318
Real estate assets - Inveruno plant	10,000
Total	**10,318**

The impairment loss recognised in 2016 related to the decision to close the Inveruno plant (see Notes 2.7 and 4.5). This impairment loss was recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2016.

The detail of fully depreciated items is included in Note 7.

At 31 December 2016, the Parent's directors consider that the recoverable amount of the investment property does not differ from its carrying amount.

9. Leases

"Property, Plant and Equipment" includes vehicles and machinery leased by the Group as the lessee under finance leases, the carrying amount of which at 31 December 2016 was approximately EUR 1,190 thousand (31 December 2015: EUR 1,993 thousand), the present value of the associated liabilities being approximately EUR 1,208 thousand at 31 December 2016 (31 December 2015: approximately EUR 2,195 thousand).

Additionally, the Group holds machinery, equipment, vehicles and facilities under operating leases that lasts until 2017. Operating lease expenses totalled approximately EUR 3,261 thousand in 2016 (2015: approximately EUR 3,578 thousand).

10. Financial assets

The detail of the financial assets in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	2016	2015
Non-current:		
Held-to-maturity investments	899	371
Available-for-sale financial assets-		
At cost	170	173
Loans and other financial assets	5,076	5,142
	6,145	**5,686**
Current:		
Derivative financial instruments (Note 11)	11	551
Held-to-maturity investments	6,163	4,450
Other financial assets	31	30
	6,205	**5,031**

"Loans and Other Financial Assets" includes the two payments relating to the customs authorities' audit of Carapelli Firenze amounting to EUR 4,999 thousand, since this company was granted the suspension of the payment for an additional period subsequent to these payments being made.

"Held-to-Maturity Investments" relates to term deposits maturing at more than three months and less than twelve months from their arrangement date.

No material differences were identified between the carrying amounts of the financial assets measured at amortized cost and their respective fair values.

11. Derivative financial instruments

The detail of the derivative financial instruments included in the consolidated statements of financial position at 31 December 2016 and 2015 is as follows:

	Thousands of Euros			
	2016		2015	
	Financial Assets (Note 10)	Financial Liabilities (Note 18)	Financial Assets	Financial Liabilities
Current:				
Interest rate	-	-	-	5,877
Foreign currency	11	269	551	131
	11	269	551	6,008
Total derivatives recognised	**11**	**269**	**551**	**6,008**

All the derivative financial instruments held by the Group 31 December 2016 are considered to be hedges not qualifying for hedge accounting. The effect of the change in the fair value thereof amounting to EUR 5,199 thousand (31 December 2015: EUR 5,560 thousand) was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss (see Note 26). The credit and counterparty risk adjustment at 31 December is not significant (31 December 2015: EUR 337 thousand).

The Group calculates the fair value of the interest rate derivatives by discounting the cash flows on the basis of the implicit rates determined by the euro yield curve based on market conditions at the measurement date. These financial instruments were classified as Level 2 for the purposes of calculating their fair value, as they were based on inputs other than quoted prices in active markets that are observable for the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

11.1 Interest rate derivatives

Following is a detail of the interest rate derivatives and their corresponding fair values at 31 December 2016 and 2015, together with the maturity of the notional amounts to which they are linked.

	Thousands of Euros			
	Fair Value at		Notional Amount	
	31-12-2016	31-12-2015	2015	Total
Ineffective hedges:				
Barrier IRSs	-	(5,877)	150,000	150,000
	-	**(5,877)**	**150,000**	**150,000**

On 20 December 2016, all the interest rate hedging derivatives held by the Group with various credit institutions expired and were not renewed at 31 December 2016.

During 2016, the Group has used interest rate swaps to manage its exposure to the interest rate fluctuations of its floating-rate bank loans (mainly the syndicated loan described in Note 18.1).

The Group did not have any designated hedging relationships at 31 December 2016 and 2015.

Sensitivity analysis

The changes in the fair value of the interest rate derivatives arranged by the Group depend on the changes in the long-term euro yield curve.

The detail of the sensitivity analysis of the fair values of the derivatives arranged by the Group at 31 December 2015 was as follows:

	Thousands of Euros
	2015
+0.5% (increase in yield curve)	588
-0.5% (decrease in yield curve)	(592)

11.2 Foreign currency derivatives

To manage its foreign currency risk, the Group has arranged currency forward contracts for the main markets in which it operates.

	Euro		Thousands of Dollars		Thousands of Euros			
	Average Exchange Rate		Foreign Currency		Notional Amount		Fair Value	
FX Forwards	2016	2015	2016	2015	2016	2015	2016	2015
US Dollar	1.07	1.10	9,146	5,235	8,550	4,777	(126)	498
Australian Dollar	1.52	1.48	298	888	196	600	(8)	(83)
Canadian Dollar	1.41	1.50	6,263	9,064	4,452	6,041	(128)	5
Mexican Peso	21.63	-	10,817	-	500	-	4	-
					13,698	**11,418**	**(258)**	**420**

The notional amount of all the foreign exchange forward contracts existing at 31 December 2016 was approximately EUR 13.698 million (2015: EUR 11.418 million); these contracts were arranged to hedge the collection and payment flows arising from the Group's activities and/or its financial obligations.

The Group hedges commercial transactions on the basis of the estimated payment/collection periods. As a result, all the forward hedges mature in less than a year.

The fair values of these forward contracts were estimated on the basis of the difference between their exchange rates and the market exchange rates at each transaction maturity date, according to data available from public sources and/or specialised information services.

The effect of a change in the EUR/USD exchange rate of approximately 1% of the value of the hedges at 31 December 2016 would not be material.

12. Inventories

The detail of “Inventories” in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	2016	2015
Goods held for resale	977	1,586
Raw materials and other goods held for conversion	23,533	41,512
Work in progress	12,957	23,838
Finished goods	66,909	74,386
	104,376	141,322
Inventory write-downs	(1,582)	(1,237)
	102,794	**140,085**

The changes in inventory write-downs in 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Beginning balance	1,237	1,388
Charge for the year (Note 25)	3,430	1,425
Amounts used and other changes	(130)	41
Reversals (Note 23)	(2,955)	(1,617)
Ending balance	**1,582**	**1,237**

At 31 December 2016, the Group had raw material purchase commitments amounting to approximately EUR 29,588 thousand (31 December 2015: approximately EUR 18,078 thousand).

The inventories are adequately covered against possible risks by the current insurance policies arranged by the Group.

13. Trade and other receivables

The detail of "Trade and Other Receivables" in the consolidated statements of financial position at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Trade receivables	109,119	118,414
Accounts receivable	237,020	237,195
Advances to suppliers	1,340	6,859
Advances to employees	45	20
Tax receivables (Note 14)	9,800	26,556
Impairment losses and allowances for uncollectible amounts	(281,665)	(280,973)
	75,659	**108,071**

13.1 Trade receivables

"Trade Receivables" in the accompanying consolidated statements of financial position at 31 December 2016 and 2015 includes mainly the balances receivable on sales made to third parties by the Group in the performance of its business activities

The ageing of the past-due balances that were not considered to have become impaired at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Less than 30 days	18,752	26,774
From 31 to 60 days	2,895	4,624
From 61 to 120 days	3,627	1,539
More than 120 days	953	812
	26,227	**33,749**

13.2 Accounts receivable

At 31 December 2016 and 2015, "Accounts Receivable", included approximately EUR 236,579 thousand of receivables from companies related to former directors of the Parent, which were provisioned in full in both years. Additionally, "Advances to Suppliers" and "Customer Advances" includes a balance of approximately EUR 13,849 thousand (31 December 2015: approximately EUR 13,849 thousand) relating to the aforementioned directors, also provisioned in full in both years. In 2009 the Group initiated a process to recover the amounts drawn owed by these companies through complaints filed against the former directors (see Note 20.2).

13.3 Transfer of financial assets

In 2016 the Group entered into various factoring agreements for its accounts receivable amounting to approximately EUR 74,200 thousand (31 December 2015: EUR 137,689 thousand), of which approximately EUR 23,506 thousand had been drawn down at 31 December 2016 (31 December 2015: EUR 28,856 thousand). As part of its financial risk management, the Parent assesses whether the agreements transfer substantially all the risks and rewards incidental to ownership of the factored financial assets.

Where the Group retains the contractual rights to receive the cash flows of a financial asset, it only derecognises the financial asset when it assumes contractual obligations to pay those cash flows to one or more recipients in an arrangement that meets the following conditions:

- Payment of the cash flows is conditional upon the prior collection thereof.
- The Parent may not sell or pledge the financial asset.
- The cash flows collected on behalf of the eventual recipients are remitted without any significant delay.

On the basis of the aforementioned analysis, the Parent derecognised financial assets amounting to EUR 15,392 thousand due to the factoring of accounts receivable, since the requirements for derecognition had been met at 31 December 2016 (31 December 2015, approximately EUR 10,481 thousand); EUR 8,114 thousand were recognised under "Bank Borrowings" in this connection (31 December 2015, approximately EUR 18,375 thousand) (see Note 18.3).

13.4 Impairment losses

The changes in impairment losses and allowances for uncollectible amounts in the years ended 31 December 2016 and 2015 were as follows:

	Thousands of Euros	
	2016	2015
Balance at 1 January	280,973	280,888
Charge for the year (Note 25)	427	1,198
Allowances used	-	(488)
Reversals in the year (Note 23)	(35)	(98)
Translation differences	300	(527)
Balance at 31 December	**281,665**	**280,973**

Most of the impaired accounts receivable are more than six months past due.

The Group does not have a significant concentration of credit risk with regard to its trade receivables, since it has a large number of customers distributed throughout the world.

14. Tax matters

14.1 Tax receivables and payables

The detail of the tax receivables at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Non-current:		
Deferred tax assets	55,571	61,484
	55,571	**61,484**
Current:		
Current income tax assets	2,998	8,583
Sundry tax receivables-		
VAT receivable	7,697	23,424
Prior years' income tax refundable	519	411
Other	1,569	2,699
Social security taxes refundable	15	22
	12,798	**35,139**

The detail of the balances payable to public authorities at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Non-current:		
Deferred tax liabilities	151,005	182,016
	151,005	**182,016**
Current:		
Current income tax liabilities	149	1,540
Accrued social security taxes payable	1,387	1,162
Sundry tax payables-		
VAT payable	825	455
Tax withholdings payable	1,422	1,541
Other tax payables	155	1,013
	3,938	**5,711**

14.2 Reconciliation of the accounting profit (loss) to the taxable profit (tax loss) and the income tax expense

The income tax of each company included in the scope of consolidation is calculated on the basis of the accounting profit (loss), which does not necessarily coincide with the taxable profit (tax loss).

The detail of the income tax expense is as follows:

	Thousands of Euros	
	2016	2015
Current tax	4,700	5,800
Adjustments to prior years' taxes	156	1,699
Deferred taxes:		
Impact of tax rate reduction (Note 14.3)	(273)	(8,346)
Temporary differences originated and reversed	(24,425)	(7,608)
Total income tax expense	**(19,842)**	**(8,455)**

The reconciliation of the average effective tax rate to the applicable tax rate, to the income tax expense and to the accounting profit (loss) is as follows:

	Thousands of Euros	
	2016	2015
Loss for the year before tax	(199,206)	(69,776)
Estimated income tax benefit at the tax rate of the Parent	(49,802)	(19,537)
Effect of difference in tax rate of companies abroad	1,342	4,016
Net non-deductible expenses	51,375	13,885
Adjustment of Deferred Tax liabilities related to trademarks (Notes 4.5 and 14.3)	(22,913)	-
Adjustment of tax credits and tax relief	-	(5)
Offset of tax losses	-	(167)
Impact of tax rate reduction	-	(8,346)
Differences arising in prior years	156	1,699
Tax income	**(19,842)**	**(8,455)**

With the approval of Royal Decree-Law 3/2016, of 2 December, for Spanish companies, the tax regulations relating to impairment losses on securities representing an equity interest in the investees were amended. Through this amendment, approval was given for the straight-line reversal over a five-year period of the impairment losses on ownership interests that were deductible for tax purposes in tax periods prior to 2013, unless the securities are transferred before the aforementioned period has elapsed, in which case, the amounts not yet reversed will be included in the tax base of the tax period in which the transfer takes place, up to the limit of the income obtained on said transfer. This tax amendment gave rise to a positive adjustment of EUR 16,421 thousand (EUR 4,105 thousand of tax charge) to the tax base for the Parent, leaving EUR 65,683 thousand at 31 December 2016 to be reversed and included in the tax base over the next four years; this amount is included under net non-deductible expenses.

In addition, net non-deductible expenses also include other permanent differences generated by the Parent amounting to EUR 101,289 thousand (included in the tax base), corresponding mainly to the limitation of the deductibility of impairment losses recognised on investments in Group companies. The net non-deductible expenses also include unrecognised temporary differences for 2016 arising mainly from the limitation of the deductibility of finance costs, which particularly affects the Parent, with an impact of approximately EUR 8,727 thousand on the tax charge (2015: EUR 10,080 thousand), as well as other adjustments.

There were no items recognised directly in equity that gave rise to deferred taxes in 2016.

14.3 Deferred tax assets and liabilities recognised

Deferred tax assets and liabilities are recognised under "Deferred Tax Assets" and "Deferred Tax Liabilities", respectively, in the consolidated statement of financial position, the detail being as follows:

2016

	Thousands of Euros					
	Recognised with a Charge to					
	31-12-2015	Increase	Decrease	Effect of the impairment Test (Note 4.5)	Results for Upgrade Tax Rate	31-12-2016
Assets:						
Other	13,370	2,034	(766)	-	(40)	14,598
Tax credits recognised	18,197	3,876	-	-	-	22,073
Tax loss carryforwards	29,917	813	(12,001)	-	(229)	18,500
	61,484	**6,723**	**(12,767)**	-	**(269)**	**55,171**
Liabilities:						
Trademarks	151,842	1,304	(1,529)	(22,913)	-	128,704
Goodwill and other intangible assets	7,839	-	-	-	-	7,839
Property, plant and equipment	19,598	-	(7,491)	-	(532)	11,575
Other	2,737	160	-	-	(10)	2,887
	182,016	**1,464**	**(9,020)**	**(22,913)**	**(542)**	**151,005**

2015

	Thousands of Euros				
	Recognised with a Charge to				
	31-12-2014	Profit or Loss	Other	Results for Upgrade Tax Rate	31-12-2015
Assets:					
Other	10,797	2,229	490	(146)	13,370
Tax credits recognised	18,192	5	-	-	18,197
Tax loss carryforwards	29,750	167	-	-	29,917
	58,739	**2,401**	**490**	**(146)**	**61,484**
Liabilities:					
Trademarks	165,391	(6,159)		(7,390)	151,842
Goodwill and other intangible assets	7,294	1,015	-	(470)	7,839
Property, plant and equipment	20,380	(150)	-	(632)	19,598
Other	2,726	87	(76)	-	2,737
	195,791	**(5,207)**	**(76)**	**(8,492)**	**182,016**

Following the approval of Royal Decree-Law 3/2016, of 2 December, and solely for the Spanish companies, the offset of prior years' tax losses was limited to 25% for companies with revenue of more than EUR 60 million and the use of double taxation tax credits was limited to 50% of the gross tax payable for companies with revenue of more than EUR 20 million. Based on these new limits, the Group tested the recoverability of its tax loss carryforwards and unused tax credit and tax relief, estimating recoverable amounts of EUR 18,500 thousand and EUR 22,073 thousand, respectively, at 31 December 2016.

The decrease in deferred tax liabilities relates mainly to the impairment recognised on trademarks amounting to EUR 89,140 thousand, which resulted in a decrease in deferred tax liabilities of EUR 22,193 thousand (see Notes 4.5 and 6), as well as the impairment of the Inveruno plant (see Note 8) and the disposal of the Antequera plant (see Note 7), which gave rise to reductions in deferred tax liabilities of EUR 4,864 thousand and EUR 2,098 thousand, respectively. At the end of 2016 the last years for deduction of the tax loss and tax credit carry forwards recognised and the years in which they were generated were as follows:

Tax Loss Carryforwards	
Year Incurred	Thousands of Euros
2009	70,843
2010	150
2015	668
2016	3,388
	75,049

Under current tax legislation, Spanish companies' tax losses reported in a given year can be offset without any time limit for tax purposes against the profits earned by them. However, the amount ultimately qualifying for offset might be modified by the tax authorities in the event of a tax audit of the years in which the losses arose.

The deferred tax assets of the Spanish entities indicated above were recognised in the consolidated statement of financial position because the Parent's directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

The tax loss carryforwards recognised at 31 December 2016 relate mainly to the Parent.

Deductions

Year Generated	Thousands of Euros
2008	1,097
2009	312
2010	860
2013	11,400
2014	4,523
2015	5
2016	3,876
	22,073

14.4 Unrecognised deferred tax assets and liabilities

The detail of the unrecognised deferred tax assets, recalculated at the tax rate at which it is expected that they will be recovered in the case of the assets subject to the tax rate, and of the changes therein is as follows:

	Thousands of Euros	
Deferred Tax Assets	2016	2015
Temporary differences	49,760	40,834
Tax loss carryforwards	165,842	153,527
Tax credit carryforwards	11,208	15,084
	226,810	**209,445**

The Group did not recognise the deferred tax assets detailed in the foregoing table in the accompanying consolidated statement of financial position (net amounts) because it considered that the requirements in the applicable accounting legislation regarding the probability of their future recoverability were not met.

At the end of 2016 the last years for deduction of the unrecognised tax loss and tax credit carryforwards and the years in which they were generated were as follows:

Tax Loss Carryforwards	
Year Incurred	Thousands of Euros
1997	133
1998	159
1999	616
2000	195
2001	134
2002	1,773
2003	2,515
2004	11,512
2005	10,879
2006	15,466
2007	21,987
2008	68,338
2009	350,428
2010	33,771
2011	50,789
2012	91,415
2013	3,437
2015	2,652
	666,199

Although the offset of the tax losses is subject in each case to the time limits established in local legislation, the majority of the Group's tax loss carryforwards have been generated in Spain and, therefore, there is no time limit on the utilisation thereof in future years.

Unrecognised tax credits		
Year Generated	Thousands of Euros	Applicable Until
2006	20	2021
2007	18	2022
2008	1,244	2023
2009	8,000	2024
2010	380	2020
2011	261	2021
2013	1,285	2023
	11,208	

14.5 Tax audits

In relation to the certain items claimed by the Italian tax authorities, in 2012 preliminary tax assessments were received from the Italian tax authorities for the three years audited amounting to approximately EUR 6,912 thousand. The Parent's directors consider that the Group has sound arguments to defend the tax treatment applied so that the assessments will not give rise to any loss for the Group. Accordingly, this tax-related proceeding is still in progress as the corresponding appeals having been filed against the preliminary tax assessment at the Florence provincial tax authorities, handing down of Decisions in the Group’s favour in 2015. In 2016 no significant events took place in relation to this matter. The aforementioned appeals are still in the appeal stage and, therefore, at the date of formal preparation of these consolidated financial statements a decision has yet to be handed down thereon.

In addition, in 2011 Unilever (as the seller), the Parent and the subsidiary Carapelli Firenze, S.p.A. (as the purchasers) received a notice from the Italian tax authorities containing a proposed assessment of approximately EUR 9,146 thousand, in relation to justification of valid economic grounds for the sale and purchase of Mediterranean Dressing, S.a.r.l., with respect to the sale and purchase of the Bertolli licence in December 2008. The three companies filed an appeal and the Milan provincial tax authorities handed down a decision in favour of the interests of Unilever, Deoleo, S.A. and Carapelli Firenze, S.p.A. At the end of 2012 the Italian tax authorities filed an appeal against this judgment at the regional tax tribunal to which Unilever, Deoleo, S.A., and Carapelli Firenze, S.p.A. each submitted a written defence, obtaining another favourable decision for the three companies on 10 February 2014. The Italian tax authorities may file a cassation appeal against this new decision at the Italian Supreme Court, but only on grounds of interpretation of the law, since the Deoleo Group's arguments relating to the economic grounds for the transaction have been upheld at the first and second instance. Notwithstanding the possible appeal by the Italian tax authorities and, on the basis of the sale and purchase agreement signed by Unilever, Deoleo, S.A., and Carapelli Firenze, S.p.A., if Deoleo, S.A. or Carapelli Firenze, S.p.A. are finally obliged to pay, there are mechanisms to attempt to pass on the related amount to Unilever. In 2016 no significant events took place in relation to these matters.

In addition, on 1 April 2014 the Milan 2 and Pavia customs offices notified the subsidiary Carapelli Firenze, S.p.A. of the commencement of notification proceedings relating to the Economic Condition 30.2 of the inward processing regime included in Annex 70 of Commission Regulation (EEC) No 2454/93 in respect of a job-processing contract with Carapelli International from 28 February 2011 to 30 October 2013 for which the customs offices did not consider that the subsidiary bought from a third country but rather from a subsidiary of Carapelli Firenze, S.p.A. and, accordingly, seeks EUR 62.3 million from Carapelli Firenze, S.p.A., including customs duties, VAT, interest and a penalty. Of this amount, the Group paid EUR 4,468 thousand in prior years, and was granted the suspension of the payment of the remainder. In 2016 no significant events took place in this connection.

At the date of preparation of these consolidated financial statements, various decisions had been handed down on all the amounts claimed that accepted the appeals filed by the Group and rendered null and void the assessments issued; however, these decisions can still be appealed.

In addition, on 20 January 2015, notification was received of a new claim by the customs authorities in respect of Economic Condition 30.3 of the inward processing regime, which demanded the payment of approximately EUR 3 million. On 30 January 2015, Carapelli Firenze, S.p.a. filed an application for suspension and a subsidiary application for deferral of the debt and provided the customs authorities with a guarantee issued by an insurance company. On 17 February 2015, the customs office granted the suspension of the payment in view of the presentation of a guarantee, as indicated in Article 244 of Council Regulation (EEC) No 2913/92 of 12 October 1992 n. 2913. On 16 March 2016, a judgment was handed down dismissing the appeal filed by Carapelli Firenze, S.p.A. and a payment of EUR 465 thousand was made in 2016 using the provision recognised in this connection in prior years. At 31 December 2016, the balance of the provision recognised for this claim amounted to EUR 2.3 million.

The Parent's directors, taking into account the opinion of the advisers entrusted with the proceedings, consider that there are valid and sufficient arguments to challenge the customs authorities and consider that a decision will be handed down in favour of the Group. Therefore, they do not consider it necessary to recognise an additional provision for these claims.

On 24 September 2015, the Parent was informed by the Spanish tax authorities of the commencement of an audit of the following taxes:

Tax	Open Years
Income tax	2011 to 2013
VAT	08/2011 to 12/2013
Salary income withholdings and pre-payments	08/2011 to 12/2013
Non-resident income tax withholdings	08/2011 to 12/2013
Income from movable capital withholdings and pre-payments	08/2011 to 12/2013
Income from property lease withholdings and pre-payments	08/2011 to 12/2013

In February 2016 the subsidiary Carapelli Firenze, S.p.a. was informed by the Italian tax authorities of the commencement of a tax audit of all the taxes applicable to it in 2013. On 15 July 2016, Carapelli Firenze S.p.A. was notified of a penalty of EUR 99 thousand as a result of the completion of the tax audits performed by the Italian tax authorities; this penalty was not appealed by the company.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2016, the subsidiaries had the last four years open for review by the tax authorities for the main taxes applicable to them, with the exception of Carapelli Firenze, S.p.A., which was informed in February 2016 of the commencement of a tax audit of all the taxes applicable to it in 2013, which was completed in 2016. In addition to the tax audit in progress referred to above, which it is considered will have been completed by the end of 2017, the Parent only has the years since 2014 open for review for income tax and for the other taxes applicable to it.

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

15. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	2016	2015
Cash on hand and at banks	23,406	42,040
	23,406	**42,040**

As indicated in Notes 19, at 31 December 2016 bank accounts and deposits held by the Group, included under "Cash and Cash Equivalents" and "Other Current Financial Assets", amounting to approximately EUR 21,986 thousand had been pledged (2015: EUR 35,770 thousand).

16. Equity

The detail of the equity accounts and of the changes therein is presented in the consolidated statement of changes in equity.

16.1 Share capital

The detail in the Parent's shares in 2016 and 2015 were as follows:

	Number of Shares	
	2016	2015
Shares at beginning of year	1,154,677,949	1,154,677,949
Shares at end of year	**1,154,677,949**	**1,154,677,949**

At 31 December 2016, the Parent's share capital was represented by 1,154,677,949 fully subscribed and paid shares of EUR 0.38 par value each, represented by book entries.

According to the most recent notifications received by the Parent and the communications submitted to the Spanish National Securities Market Commission prior to the end of each reporting period, the main shareholdings are as follows:

Holder	2016		2015	
	Number of Shares	% of Ownership	Number of Shares	% of Ownership
CVC Capital Partners VI Limited (1)	577,454,442	50.01	577,454,442	50.01
Fundación Bancaria Unicaja (2)	116,145,186	10.06	116,145,186	10.06
Fundación Bancaria Caixa D´Estalvis I Pensions de Barcelona (3)	57,618,350	4.99	57,618,350	4.99
Fundación Bancaria Bilbao Bizcaia Kutxa (4)	55,886,491	4.84	55,886,491	4.84
Daniel Klein (5)	34,080,537	2.95	34,080,537	2.95
Mao Holdings (Cayman) Limited	19,350,000	1.68	19,350,000	1.68

(1) Through Ole Investments, BV.

(2) Through Unicaja Banco, S.A.U., Unicartera Gestión de Activos, S.L.U. and Alteria Corporación Unicaja, S.L.U.

(3) Through Hiscan Patrimonio, S.A. and Caixabank, S.A.

(4) Through Cajasur Banco, S.A.U. and Grupo de Empresas Cajasur, S.A.

(5) Directly and through Sinpa Holding, S.A.

The Parent's shares are listed on the Bilbao, Barcelona, Madrid and Valencia Stock Exchanges and on the Spanish Stock Market Interconnection System.

The objectives of the Group's capital management are to safeguard its ability to continue operating as a going concern so that it can continue to provide returns to shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

In line with other groups in the industry, the Group controls its capital structure on the basis of its gearing ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated as total financial debt less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Thousands of Euros	
	2016	2015
Non-current bank borrowings (Note 18)	501,019	497,877
Current bank borrowings (Note 18)	16,785	28,138
Financial liabilities due to issue of marketable securities (Note 18)	42,453	42,099
Other non-current financial liabilities (Note 18)	2,338	3,414
Total financial debt	562,595	571,528
Less - Cash and cash equivalents (Note 15)	(23,046)	(42,040)
Net debt (a)	539,549	529,488
Equity	328,858	506,271
Total capital	**868,047**	**1,035,759**
Net debt/total capital ratio	62%	51%

(a) The net debt does not include the term deposits maturing at more than three months and less than twelve months included under "Other Current Financial Assets" which totalled approximately EUR 6,163 thousand at 31 December 2016 (31 December 2015: approximately EUR 4,450 thousand) (see Note 10).

16.2 Other reserves

The detail of "Other Reserves" at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Legal reserve	10,184	10,184
Other reserves	13,617	13,617
	23,801	**23,801**

Appropriations to the legal reserve were made in accordance with Article 274 of the Consolidated Spanish Limited Liability Companies Law, which establishes that, in any case, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may not be distributed and, if it is used to offset losses, where sufficient other reserves are not available for this purpose, it must be replenished out of future profits. At 31 December 2016, the Parent's legal reserve had not reached 20% of share capital.

Voluntary reserves are unrestricted provided that the distribution of dividends does not reduce shareholders' equity to below share capital. The Parent is also subject to other restrictions regarding the distribution of dividends (see Note 6).

16.3 Shares of the Parent

At 31 December 2016 and 2015, the Parent does not hold treasury shares.

At June 28th, the shareholders at the Annual General Meeting of Deoleo, S.A. resolved to authorise the acquisition of shares of the Parent at maximum and minimum prices, based on the following premises:

1. The acquisitions may be made by Deoleo, S.A. directly or indirectly through its subsidiaries.

2. The acquisitions will be carried out by means of purchase, exchange or any other transactions permitted by law.

3. Maximum number of shares acquirable: up to the maximum number permitted under applicable legislation.

4. Maximum price: must not exceed the higher of the following:

    a. The price of the most recent transaction performed in the market by independent third parties.

    b. The highest price contained in the order tickets.

5. Minimum price: must not be 15% lower than the share closing price of the session prior to the transaction date, except when market conditions permit a change in this percentage in accordance with current legislation.

6. Duration of authorisation: five years from the date of approval of the agreement.

7. The shares acquired may be freely used to fulfil, where appropriate, the obligations assumed in the "Share Option Plans" or "Incentive Plans Tied to the Share Price" the implementation of which at the Parent had been subject to the mandatory approvals, and to fulfil, where appropriate, through the delivery of shares, the remuneration obligations arising from the plans and/or remuneration systems in force at the Parent.

8. In the event that shares are acquired through the exercise of this authorisation, the rules established in Article 148 of the Spanish Limited Liability Companies Law shall apply.

In 2016 no transactions were performed with the Parent's shares.

16.4 Translation differences

The detail of the translation differences of the Group's subsidiaries and of the changes therein is as follows:

	Thousands of Euros
Balance at 1 January 2015	(11,975)
Translation differences arising from financial statements of foreign operations	3,067
Balance at 31 December 2015	(8,908)
Translation differences arising from financial statements of foreign operations	2,113
Balance at 31 December 2016	**(6,795)**

16.5 Valuation adjustments

"Valuation Adjustments" in the accompanying consolidated statement of financial position at 31 December 2016 reflects the revaluation of derivative financial instruments that qualify for hedge accounting. The changes therein were as follows:

	Thousands of Euros
	Actuarial Differences and Gains (Note 4.16)
Balance at 1 January 2015	(490)
Adjustment due to change in assessment	159
Balance at 31 December 2015	(331)
Adjustment due to change in assessment	37
Balance at 31 December 2016	**(294)**

16.6 Dividends and restrictions on the distribution of dividends

In 2016 and 2015 the Parent did not distribute any dividends to its shareholders.

Under the terms and conditions of the loan arranged in 2014 described in Note 18, there are certain restrictions on the distribution of dividends by the Parent, i.e. they may not be distributed until all the obligations arising from the aforementioned loan have been fulfilled.

16.7 Equity position of the Parent

Under Article 363 of the Spanish Limited Liability Companies Law, a company is in a situation of dissolution if losses have reduced equity to less than one-half of share capital, unless capital is sufficiently increased or reduced. In this connection, the Parent's equity position vis-à-vis one-half of the share capital is as follows (see Note 2.7):

	Thousands of Euros
Equity per the separate financial statements of the Parent as at 31 December 2016	173,451
Share capital at 31 December 2016	438,778
One-half of the share capital at 31 December 2016	**219,389**

On 28 March 2017, in order to restore the Parent's equity position, its directors resolved to propose to the shareholders, for their approval in due time and form, a share capital reduction through the decrease of the par value of all the shares making up the Parent's share capital. Per the resolution adopted by the directors, the proposed reduction will amount to between a minimum of EUR 300 million and a maximum of EUR 323 million, which would mean that the resulting par value per share would be between EUR 0.12 and EUR 0.10, respectively. This capital reduction is expected to be approved at the Annual General Meeting to be held between 29 May and 6 June 2017, and will be used to offset prior years' losses and, as the case may be, to set up a reserve as provided for in Article 335.c) of the Consolidated Spanish Limited Liability Companies Law. Once this measure has been adopted, Deoleo, S.A. will have remedied the situation considered to be grounds for mandatory dissolution in Article 363 of the aforementioned Consolidated Spanish Limited Liability Companies Law (see Note 2.7)

17. Earnings per share

17.1 Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Parent's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the treasury shares.

The detail of the calculation of basic earnings (loss) per share is as follows:

	2016	2015
Loss for the year attributable to holders of equity instruments of the Parent (in euros)	(179,068,000)	(61,273,000)
Weighted average number of ordinary shares outstanding (number of securities)	1,154,677,949	1,154,677,949
Basic loss per share	(0.155)	(0.053)

The average number of ordinary shares outstanding was calculated as follows:

	2016	2015
Ordinary shares outstanding at the beginning of the year	1,154,677,949	1,154,677,949
Weighted average number of ordinary shares outstanding at 31 December	**1,154,677,949**	**1,154,677,949**

17.2 Diluted earnings per share

Diluted earnings per share are calculated by adjusting the profit for the year attributable to holders of equity instruments of the Parent and the weighted average number of ordinary shares outstanding to take into account all the dilutive effects inherent to potential ordinary shares, i.e. as if all the potentially dilutive ordinary shares had been converted.

The Parent does not have any classes of potentially dilutive ordinary shares.

18. Debentures, loans and other interest-bearing liabilities

The detail of the debentures, loans and other interest-bearing liabilities in the consolidated statement of financial position is as follows:

	Thousands of Euros	
	2016	2015
Non-current:		
Measured at amortised cost-		
Loan	515,000	515,000
Loan arrangement expenses	(13,981)	(17,123)
Total loan	501,019	497,877
Other financial liabilities	-	-
Total bank borrowings	**501,019**	**497,877**
Other interest-bearing financial liabilities	2,338	3,414
	2,338	**3,414**
Financial liabilities due to issue of marketable securities	**42,453**	**42,099**
Current:		
Other bank borrowings	15,699	19,541
Financial liabilities due to issue of marketable securities	-	-
Other interest-bearing financial liabilities	817	2,589
Measured at fair value-		
Derivative financial instruments (Note 11)	269	6,008
	16,785	**28,138**

There is no material difference between the carrying amount and the fair value of the financial liabilities at amortised cost.

18.1 Long-term loan

At 31 December 2016, "Loan" includes the loan agreement entered into on 13 June 2014 by the Group and various lenders whereby a new financing package was arranged for a maximum drawable amount of EUR 600 million, composed of the following tranches:

- The first tranche referred to as “First Lien”, of EUR 460 million, fully drawn and due and payable in 7 years.

- The second tranche referred to as “Second Lien”, of EUR 55 million, fully drawn and due and payable in 8 years.

- A revolving line of credit for a total of EUR 85 million, which no amounts had been drawn down as of December, 2016 and fall due in 6 years.

Bullet repayment applies to all tranches.

Each financing tranche has different interest rate and they are all tied to Libor plus a spread; the weighted average spread is 376 basis points. The financing facility does not require the fulfilment of covenants, except for the revolving line of credit, which requires a Debt/EBITDA ratio that is lower than 7.75 if more than 40% or EUR 35 million is drawn. At 31 December 2016, the abovementioned revolving line was fully available.

The Parent Company, Deoleo, S.A., and its subsidiary, Deoleo USA Inc., in their capacity as borrowers, as well as the main subsidiaries, have provided the following guarantees in favour of the lending institutions so as to secure their obligations:

- Deoleo S.A. and Deoleo USA Inc. shall be the borrowers and Carapelli Firenze, S.p.A. shall be guarantor of the financing facility.

- The First and Second Lien tranches will be covered by first and second collateral agreements, which shall comprise mainly the following:

  1. Pledge of shares of Carapelli Firenze, S.p.A. and Deoleo USA Inc.

  2. Pledge of shares of Deoleo Group companies that represent, at any time, 85% of the Group's EBITDA and assets in the consolidated balance sheet.

  3. Mortgage on the Carbonell, Koipe and Koipesol brands.

  4. Pledge on Deoleo USA Inc.'s current and future assets (floating charge).

  5. Pledge of the cash pooling accounts in the UK and New York, as well as others in Spain, with significant cash surpluses of the Group in Spain.

  6. Promise to mortgage the Alcolea factory.

The Parent cannot distribute dividends until all the obligations arising from the aforementioned loan have been fulfilled.

According to the Parent Company's Directors, at 31 December 2016, the Group was in compliance with all requirements and they also believe there are no foreseeable aspects that could negatively affect such compliance in the coming twelve months.

18.2 Financial liabilities due to issue of marketable securities

On 20 December 2006, the Group issued 6,000 preference shares of EUR 50,000 par value each, for a total amount of approximately EUR 300,000 thousand. The holders of these shares are entitled to receive a pre-determined, non-cumulative return, payment of which is conditional on the availability of sufficient "distributable profit" at the Group.

From the disbursement date and throughout the life of the issue, the preference shares bear non-cumulative interest payable quarterly in arrears at a rate equal to Euribor plus 2.50% nominal p.a.; and from 20 December 2016 onwards, at the 3-month Euribor rate prevailing on the second business day before each period begins plus 4.00% nominal p.a.

As a result of the loss obtained, the Group has not recognised a provision for the outstanding interest accrued to the holders of the preference shares.

Since 2010 the Group has carried out various capital increases through the contribution of preference shares, as well as the repurchase of preference shares. Accordingly, at 31 December 2016 and 2015, 1,034 preference shares were outstanding. Of these, 189 are held by the Parent. Although the preference shares are perpetual, they may be redeemed fully or partially at any time once five years have elapsed since the disbursement date, at the discretion of the issuer. The net changes in 2016 amounting to EUR 354 thousand relate to the recognition of the costs incurred in the arrangement of this debt.

18.3 Other non-current bank borrowings

The other bank borrowings under current liabilities include mainly a reverse factoring agreement (classified as a financial reverse-factoring arrangement) entered into on 3 March 2016, against which EUR 4,873 thousand had been drawn down at 31 December 2016, and the Group's liabilities under factoring agreements arranged with various banks. EUR 8,114 thousand had been drawn down against the factoring lines at 31 December 2016 (31 December 2015: EUR 18,375 thousand) (see Note 13.2). Of the Group's liabilities under factoring agreements, EUR 1,450 thousand (2015: EUR 5,977 thousand) related to balances held vis-à-vis shareholders of the Parent (see Note 27.1).

This line item also includes the accrued interest payable on the loan amounting to EUR 1,146 thousand (31 December 2015: EUR 1,166 thousand).

19. Trade and other payables

The detail of “Trade and Other Payables" in the consolidated statements of financial position at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Trade payables	58,384	125,534
Other payables:		
Remuneration payable	5,392	4,055
Accrued social security taxes payable (Note 14)	1,387	1,162
Payable to public authorities (Note 14)	2,402	3,009
Customer advances	-	21
Accruals and deferred income	142	142
	67,707	**133,923**

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2016	2015
	Days	Days
Average period of payment to suppliers	59	57
Ratio of transactions settled	59	56
Ratio of transactions not yet settled	61	67
	Euros	
Total payments made	380,518	485,312
Total payments outstanding	22,160	45,148

The figures shown in the foregoing table in relation to payments to suppliers relate to suppliers of the Spanish consolidated companies that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to “Trade Payables” under “Current Liabilities” in the consolidated statement of financial position.

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions, and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, was 60 days for 2013. This Law was amended by Law 11/2013, of 26 July, which established from its date of application a maximum payment period to suppliers and trade creditors of 30 days, unless there is an agreement between the parties, in which case the maximum period is 60 days. In this regard, the Group has agreements with substantially all its suppliers and trade creditors for a maximum payment period of 60 days and, accordingly, the weighted average period of late payment is calculated taking this into account.

20. Provisions and contingent assets and contingent liabilities

20.1 Provisions

The changes in long-term provisions in 2016 and 2015 were as follows:

	Thousands of Euros
Balance at 1 January 2015	8,593
Provisions recognised	4,093
Provisions used	(174)
Reversals of provisions	(2,397)
Transfers	(26)
Total long-term provisions at 31 December 2015	10,089
Provisions recognised	8,754
Provisions used	(1,518)
Reversals of provisions	(625)
Transfers	(1,748)
Total long-term provisions at 31 December 2016	**18,488**

The balance of provisions relates mainly to the estimated risks arising from the claims filed against the Group by certain former employees, customers and public authorities.

In 2016, certain provisional assessments were received from the Spanish customs authorities in relation to alleged incorrect settlements, which are guaranteed by the Parent as part of the management of the inward processing regime, arising from discrepancies between the declared oil quality and the results of samples taken by the inspection authorities. The total amount of the provisional assessments was EUR 4,599 thousand, which were fully provisioned. However, the Group has made the submissions required in order to have the proceedings dismissed and the guarantees provided refunded.

In 2016 and 2015 the Italian authorities undertook various quality inspections in relation to the subsidiary Carapelli Firenze, S.p.A., and established, in certain cases, the existence of discrepancies between the quality of the oil marketed and that indicated by the labelling. In this connection, in 2016 notification was received of a penalty amounting to EUR 1,900 thousand, which was fully provisioned at 31 December 2016. Since the majority of the other proceedings are at a verbal notice stage, it is not possible to determine whether they will give rise to any kind of administrative or criminal liability for the Group and, therefore, the Parent's directors do not consider that the requirements for the recognition of a liability in relation to the aforementioned claims are met. The total provisions for quality inspections recognised in the consolidated statement of financial position amounted to EUR 3,994 thousand.

Also, as mentioned in Note 2.7, in 2016 a series of necessary measures were taken which resulted, inter alia, in the closure of the Inveruno plant (Italy). In this regard, negotiations are currently underway which it is expected will result in the lease of the plant, with an option to sell it. The total workforce at the Inveruno plant prior to notification of closure amounted to 137 employees, 36 of whom are expected to be absorbed by the lessor of the plant. In this connection, the Group recognised a provision for terminations amounting to EUR 2,032 thousand in relation to the employees to be laid off as a result of the decisions taken with regard to the Inveruno plant.

The provision for other third-party liability includes provisions for certain contingencies and litigation whose final outcome, in the opinion of the Parent's directors, will not give rise to any additional material liabilities.

20.2 Contingent assets and contingent liabilities

20.2.1 Legal proceedings against former directors

On 8 June 2009, the Parent filed a criminal complaint against former directors Jesús Ignacio Salazar Bello and Raúl Jaime Salazar Bello, and against other individuals and entities, for the purported offences of continued misappropriation of funds, particularly aggravated by the amounts defrauded, as provided for under Article 242 in connection with Article 250.1.6 and corporate offences under Article 295 in relation to the Parent funds that were embezzled through fraudulent dispositions, for the alleged corporate offence under Article 292 of fraudulently imposing a resolution based on false information provided to the directors who approved the Parent's Board of Directors Resolution of 27 February 2009; for the alleged offence relating to the market and consumers under Article 284, for the use of insider information; and for the purported continued offence of fraud that was particularly aggravated by the size of the defrauded amounts, in relation to the simulated documents executed in detriment to the Parent, under Article 251.3. The case was allocated by list and heard by the Central Examining Court no.4 of the National Appellate Court, which issued an order on 19 June 2009 establishing that the court had jurisdiction to hear the case, giving permission for the lawsuit to proceed and initiating preliminary proceedings to investigate the facts and determine potential liability.

Subsequent to the filing of the aforementioned criminal complaint, various different extensions to the criminal lawsuit were filed against the accused parties indicated above and also against other individuals or entities for alleged offences connected with those included in the initial criminal complaint, which were given permission to proceed by Central Examining Court no.4 of the National Appellate Court.

The Central Examining Court no.4 of the National Appellate Court took the decision, through the order issued on 4 June 2013, to open a separate civil liability proceeding against HSH Nordbank AG and Landesbank Baden Württemberg, ordering them to post bonds of EUR 42 million and EUR 34 million, respectively, to cover any third-party liability to which they may be exposed as a result of the criminal proceedings.

By virtue of the order issued on 22 March 2016 it was ruled that the preliminary proceedings would continue in accordance with the established rules. This order marked the end of the examination phase and the case was referred to the State Prosecutor's Office and the prosecution so that they may request a trial and submit a charging instrument. Following this, the court will issue a ruling with regard to the commencement of the trial and will, if it so resolves, refer the case to the appropriate procedural body, in this case the Criminal Division of the Spanish National Appellate Court, where it will be heard.

Provisions have been recognised in full for all the balances receivable from the persons against whom the criminal complaint was filed; however, the Group does not rule out the recovery thereof through the legal actions pursued at the Central Examining Court of the National Appellate Court.

20.2.2 Demands for payment by German banks

On 2 June 2009, the Parent was notified of two demands for payment made by the banks HSH Nordbank AG and Landesbank Baden-Württemberg on the grounds of the Parent's alleged guarantor status in two bills of exchange accepted by the company related to the former directors and shareholder of the Parent, Unión de Capitales, S.A. drawn by Glanswood Limited and endorsed in favour of the aforementioned banks.

Both bills of exchange were signed by one of the former directors representing Unión de Capitales, S.A. and they included a purported guarantee provided by this director claiming to represent Deoleo, S.A.

The Parent considered that the provision of the purported guarantees by the former director on behalf of the Parent constituted a continued fraudulent offence, as defined in Article 251.3 of the Criminal Code, by entering into a simulated agreement to the detriment of a third party.

As a result, on 8 June 2009, the Parent filed a criminal lawsuit against the former director for fraud.

Subsequent to that date the Parent received further demands for payment from the banks, the total amount demanded by both banks totalling EUR 55,014,417. All the demands were rejected by the Parent, which indicated to the banks that the former director lacked powers and that the related legal proceeding was in progress at the National Appellate Court.

The banks holding the guarantees were requested to provide evidence of the underlying business and the documentation that was provided on accepting or discounting the bills of exchange, but they did not respond to the notice.

The Parent attended the voluntary insolvency proceedings of Unión de Capitales, S.A. (the entity that accepted the bills of exchange) and verified that this company had not recognised or accounted for any accounts payable to either of these two banks.

The report of the insolvency managers recognises an ordinary claim of HSH Nordbank AG against Unión de Capitales, S.A. amounting to approximately EUR 30,031 thousand, of which approximately EUR 29,997 thousand relate to the amount of the bills of exchange, the remainder of the recognised claim being protest charges and interest.

The report of the insolvency managers did not recognise the claim notified by Landesbank Baden-Württemberg payable by Unión de Capital, S.A. of approximately 21,554 thousand, except in respect of just one of the bills of exchange, amounting to approximately EUR 3,497 thousand, due to a an irregularity in the bills of exchange, where the date of endorsement was prior to the issue date. The insolvency managers' report indicates that the endorsement date of the bills of exchange was prior to their issue date and, accordingly, in view of the documentation provided, the insolvency managers consider that the claim was not duly substantiated.

On 11 December 2009, the Parent filed an ancillary insolvency claim, requesting that the aforementioned banks' claims should be excluded from the list of creditors on the grounds that there was not even a lawful claim against Unión de Capitales, S.A., since the bills of exchange lacked legal validity, thereby giving rise to an undue claim in the insolvency proceeding, to the detriment of the other creditors, including Deoleo, S.A., which has a contingent claim against Unión Capitales S.A. in connection with the criminal proceedings in which said company may be held vicariously liable.

On 15 December 2009, Landesbank Baden-Württemberg filed an ancillary claim in the insolvency proceedings, contesting the list of creditors set forth in the insolvency managers' report, and requesting that it be amended so that its claim of approximately EUR 21,554 thousand, which had been excluded by the insolvency managers and classified as an ordinary claim, be recognised.

No final decision has been handed down by the Madrid Provincial Appellate Court in relation to these accounts payable, section 28, which will be required to announce its decision in this regard as a result of handing down a decision on the appeal to a superior court filed against the judgment handed down by the Commercial Court which dismissed the claim made by Deoleo, S.A. and upheld that of Landesbank Baden-Württemberg.

After partially upholding the Parent's appeal, section 28 of the Madrid Provincial Appellate Court ordered the issue of a letter of request that was unduly rejected by the Commercial Court as a means of proof, and when the letter has been issued a decision will be handed down on the appeal filed against the court decision.

By virtue of the order of 7 April 2016, it was resolved to suspend the proceedings pending a preliminary judgment to be handed down in the criminal jurisdiction. The Parent submitted a respondent's notice against this resolution, together with documentation to evidence its rights which included, among others, the order of the Provincial Appellate Court upholding the suspension of the proceedings and the supervening procedural events such as the order authorising commencement of a trial in which HSH NORDBANK AG is named as the accused, in view of the civil liability it may have incurred in the case being heard by the National Appellate Court. At the date of formal preparation of these consolidated financial statements, a decision had yet to be handed down by the Madrid Provincial Appellate Court in relation to this appeal.

The Parent maintains its opinion that the bills of exchange are not good against it and considers that the guarantee simulated therein constitutes an offence that is being examined by the Central Examining Court no. 4 of the National Appellate Court and, accordingly, the related amounts are not claimable from the Group, regardless of the court decision eventually handed down in the insolvency proceeding of Unión de Capitales, S.A. with regard to a possible claim exclusively against the insolvent company.

With regard to this proceeding, it is not possible to determine the outcome of the lawsuit or to make any estimate of any amounts that might arise therefrom, since the outcome depends on the decisions taken in both this proceeding and in the criminal proceedings indicated in the preceding section of these Notes (legal proceedings against former directors) by the courts, and it is therefore outside the Parent's control.

21. Government grants

The changes in non-refundable government grants were as follows:

	Thousands of Euros	
	2016	2015
Original grants:		
At beginning of year	15,797	15,797
	15,797	**15,797**
Less income recognised:		
At beginning of year	(12,741)	(12,751)
In the year (Note 23)	-	(8)
Plus recognised expenses:		
Accrued interest	964	-
Other changes	(7)	18
At end of year	**(11,784)**	**(12,741)**
Carrying amount	**4,013**	**3,056**

In relation to the grant awarded by the Andalusian Energy Agency to the subsidiary Cogeneración de Andújar, S.A., with respect to which a proceeding had been initiated, notification was received on 8 July 2016 declaring that the grant must be refunded. The Group has appealed against this ruling, although, if the refund is upheld judicially, the subsidiary will be required to repay the amount of the grant (approximately EUR 3 million) as well as late-payment interest amounting to EUR 964 thousand. Based on the foregoing, the Group recognised this amount in the accompanying consolidated statement of profit or loss.

22. Revenue

The detail of revenue, which relates to the sale of goods, by line of business and geographical market, is shown in Note 30 on segment reporting.

23. Other income

The detail of "Other Operating Income" in the years ended 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Government grants	-	8
Grants related to income	363	341
Gains on sale of items of property, plant and equipment	-	268
Gains on sale of investment property	-	-
Gains on non-current assets classified as held for sale (Note 5)	1,018	32
Reversal of impairment losses:		-
Property, Plant and Equipment	-	19
On inventories and accounts receivable (Notes 12 and 13.4)	2,990	1,715
Other income	4,508	3,120
	8,879	**5,503**

The grants related to income are those received by the Group as part of the official aid granted by the Spanish public authorities to promote products manufactured in Spain in international markets, including commercial research and similar services provided by several government agencies free of charge, as well as certain grants awarded by other authorities in areas where the Group has interests.

24. Staff costs

The detail of “Staff Costs” in 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Wages, salaries and similar expenses	41,536	39,036
Termination benefits	5,234	917
Social security contributions and other employee benefit costs	11,426	10,746
	58,196	**50,699**

The average number of employees at the Group in 2016 and 2015, by professional category and gender, was as follows:

	Number of Employees					
	2016			2015		
	Total	Men	Women	Total	Men	Women
Executives	56	40	16	44	34	10
Clerical supervisors	92	59	33	93	51	42
Skilled employees	82	58	24	69	47	22
Sales staff	115	89	26	95	77	18
Clerical staff	170	53	117	192	61	131
Factory staff	223	188	35	245	208	37
	738	**487**	**251**	**738**	**478**	**260**

At 31 December 2016, two member of the Board of Directors were women (31 December 2015: one member of the Board of Directors were women).

The number of employees, by professional category and gender, at the end of 2016 and 2015 was as follows:

	Number of Employees					
	2016			2015		
	Total	Men	Women	Total	Men	Women
Executives	56	39	17	46	38	8
Clerical supervisors	91	59	32	93	52	41
Skilled employees	78	56	22	71	46	25
Sales staff	128	99	29	95	78	17
Clerical staff	161	53	108	190	59	131
Factory staff	168	141	27	234	199	35
	682	**447**	**235**	**729**	**472**	**257**

The average number of people employed by the Group's Spanish companies in 2016 and 2015 with a level of disability of 33% or more, by professional category, was as follows:

	Number of Employees	
Category	2016	2015
Clerical supervisors	1	1
Skilled employees and factory staff	3	3
	4	**4**

25. Other expenses

The detail of “Other Operating Expenses” is as follows:

	Thousands of Euros	
	2016	2015
Impairment losses:		
On non-current assets classified as held for sale (Note 5)	340	674
On intangible assets (Note 6)	118,417	33,880
On property, plant and equipment (Note 7)	796	-
On investment property (Note 8)	35,316	323
On inventories and accounts receivable (Notes 12 and Note 13.4)	3,857	2,623
Losses on disposals of property, plant and equipment and intangible assets (Note 7)	3,736	-
Losses on disposals non-current assets as held for sale(Note 5)	-	7
Other operating expenses	109,823	113,848
	271,665	**151,355**

26. Finance income and costs

The detail of "Finance Income" and "Finance Costs" in the years ended 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Finance income:		
From financial assets at amortised cost	-	32
Arising from measurement at fair value of derivative instruments (Note 11)	5,199	5,560
Gains on foreign currency transactions	6,594	10,823
Other finance income	644	512
	12,437	**16,927**
Finance costs:		
Debt arrangement expenses - syndicated loan (Note 18)	3,142	3,142
On bank borrowings	26,546	32,614
Impairment and losses on disposals of investments in associates	-	13
Settlement of IRS	6,078	-
Losses on foreign currency transactions	7,819	14,356
Other finance costs	3,263	1,729
	46,848	**51,854**

27. Related party balances and transactions

27.1 Related party balances

The detail of the accounts receivable from and payable to related parties at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	Other Related Parties Shareholders	
	2016	2015
Non-current financial assets:		
Cash and cash equivalents	351	128
Accounts receivable:		
Sundry receivables	291	195
Current payables:		
Current payables (Note 18.3)	(1,450)	(5,997)
Trade and other payables:		
Payable to suppliers	(538)	(236)

The Group recognised an allowance under several line items for the full amount of the balances (totalling EUR 250,428 thousand at 2016 and 2015 year-end) receivable from companies related to former directors of the Parent.

The detail of the loans received, derivatives and other interest-bearing liabilities associated with shareholders is as follows:

	Thousands of Euros	
	2016	2015
Kutxabank, S.A. (Cajasur Banco S.A.U.)	-	1,629
CaixaBank, S.A.	1,450	3,248
Unicaja Banco S.A.	-	1,120
Total loans and other interest-bearing liabilities	**1,450**	**5,997**

27.2 Related party transactions

The detail of the Group's transactions with related parties in 2016 and 2015 is as follows:

2016

	Thousands of Euros			
	Shareholders	Directors	Senior Management of the Parent	Total
Income:				
Net sales	3,644	-	-	3,644
	3,644	-	-	3,644
Expenses:				
Procurements	-	5,752	-	5,752
Other operating expenses	2,767	58	-	2,825
Staff costs	-	2,439	4,258	6,697
Finance costs	241	13	-	254
	3,008	8,262	4,258	15,528
Guarantees received	**49**	-	-	**49**

2015

	Thousands of Euros			
	Shareholders	Directors	Senior Management of the Parent	Total
Income:				
Net sales	12,653	-	-	12,653
	12,653	**-**	**-**	**12,653**
Expenses:				
Procurements	-	575	87	662
Other operating expenses	2,775	35	16	2,826
Staff costs	-	1,585	3,364	4,949
Finance costs	287	47	-	334
	3,062	**2,242**	**3,467**	**8,771**
Guarantees received	**74**	**120**	**-**	**194**

In 2016 the Parent performed all its transactions with related parties on an arm's length basis.

The remuneration of the senior executives of the Parent amounted to approximately EUR 4,258 thousand in 2016 (2015: EUR 3,364 thousand).

The remuneration of the members of the Board of Directors was as follows:

	Thousands of Euros	
	2016	2015
Salaries	1,896	1,172
Attendance fees	543	413
	2,439	**1,585**

At 31 December 2016, the Parent had paid EUR 59 thousand in premiums for the directors' third-party liability insurance.

At 31 December 2016, the Parent did not have any pension obligations to the former or current members of the Board of Directors and had not assumed any guarantee commitments on their behalf. In addition, in 2016 the Parent's directors did not receive any amounts other than those mentioned above. At 31 December 2016, there were no balances with the members of the Parent's Board of Directors other than those described in Note 27.1.

27.3 Ownership interests and portions held by the Parent's directors in other companies

At the end of 2016 the members of the Board of Directors of Deoleo, S.A. had not notified the other members of the Board of Directors of any direct or indirect conflict of interest that they or persons related to them as defined in the Spanish Limited Liability Companies Law might have with respect to the Group, except as follows:

- Fernando Valdés Bueno abstained in the vote to approve the provision of his strategic advisory services, since he was in a situation of conflict of interest.

- Pierluigi Tosato was absent during deliberation on the remuneration proposal prepared by the Nomination and Remuneration Committee and the terms and conditions of the agreement for the provision of services entered into as a result of his appointment as CEO, and abstained in the vote thereon, as he was in a situation of conflict of interest.

- Rosalía Portela de Pablo was absent during deliberation on the remuneration proposal prepared by the Nomination and Remuneration Committee and the terms and conditions of the agreement for the provision of services entered into as a result of her appointment as executive chair, and abstained in the vote thereon, as she was in a situation of conflict of interest.

28. Information on the environment

The Group's operations are governed by the laws on environmental protection ("environmental laws") and workers' safety and health ("occupational safety laws"). The Deoleo Group considers that it is complying with these laws and that it has procedures in place to foster and guarantee compliance therewith.

In 2016 and 2015 there were no additions to, or disposals of, environmental investments in the Group's plant. At 31 December 2016, the carrying amount of the environmental investments was EUR 2,377 thousand (31 December 2015: EUR 2,762 thousand).

The ordinary expenses incurred in the year ended 31 December 2016 for the purpose of protecting and enhancing the environment amounted to EUR 2,623 thousand (2015: EUR 3,613 thousand). These expenses related mainly to costs incurred in relation to packaging recycling, environmental diagnosis work and waste treatment.

At 31 December 2016 and 2015, the Group had not recognised a provision for environmental measures since the Parent's directors consider that there are no risks of this nature.

The Group did not receive any environmental grants in 2016, nor did it have any such grants in 2015, and its consolidated statement of financial position does not include any grants of this nature from prior years.

29. Fees paid to auditors

In 2016 and 2015 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., and the fees for services invoiced by entities related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	Thousands of Euros	
	2016	2015
Audit services	310	330
Other attest services	7	8
Total audit and related services	317	338
Other services	7	-
Total professional services	**324**	**338**

Furthermore, entities related to the Deloitte international network invoiced the Group for the following services:

	Thousands of Euros	
	2016	2015
Audit services	341	303
Other attest services	1	30
Total audit and related services	342	333
Tax counselling services	67	40
Total other services	67	40
	409	**373**

30. Segment reporting

As a result of the divestments made by the Group in prior years, the Group only has one operating segment which relates to the oil line of business which, in accordance with IFRS 8, represents the activity from which the Group obtains at least 75% of its revenue. Its operating results, organised in this manner, are reviewed by senior management in order to take operating decisions for the Group and to assess the Group's performance. The Group also carries on other more minor activities (vinegar and sauces).

The Group has a reporting model for the oil business operating segment based on geographical areas. The purpose of this organisation is to make it possible to analyse more accurately the performance of the oil business segment by world region.

The geographical areas identified are as follows:

- Southern Europe (Spain and Italy).
- Northern Europe (France, Germany, Belgium, Holland, and the rest of Europe).
- International markets (Latin America, Australia, China, India and the rest of Asia).
- Operating (Factories in Italy and Spain).

The Parent's directors consider it relevant to furnish comparative information by Group business line in order to enable the users of the Group's consolidated financial statements to assess the nature and financial impacts of the business activities it carries on and the economic areas in which it operates.

Furthermore, the Group does not perform transactions with any single non-Group customer that account for 10% or more of its revenue. The accounting policies applied for the segment are the same as those described in Note 4.

	Thousands of Euros							
	Oils		Other Businesses		Central Services		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	678,185	798,485	17,006	18,799	22	-	695,213	817,284
Other income	4,085	2,532	4,794	2,971	-	-	8,879	5,503
Cost of raw materials and other consumables used and changes in inventories of finished goods and work in progress	(508,145)	(623,188)	(10,616)	(11,358)	(29)	-	(518,790)	(634,546)
Staff costs	(53,844)	(46,908)	(4,352)	(3,791)	-	-	(58,196)	(50,699)
Depreciation and amortisation charge	(15,685)	(16,514)	(373)	(394)	(4,178)	(4,128)	(20,236)	(21,036)
Intangible assets and Goodwill's Impairment (Note 25)	(153,733)	(33,880)	-	-	(1,136)	-	(154,869)	(33,880)
Other operating expenses	(95,196)	(102,266)	(4,185)	(4,885)	(17,415)	(10,324)	(116,796)	(117,475)
Profit (Loss) from operations	(144,333)	(21,739)	2,274	1,342	(22,736)	(14,452)	(164,795)	(34,849)
Net financial loss	-	-	-	-	(34,411)	(34,927)	(34,411)	(34,927)
Profit (Loss) for the year before tax	(144,333)	(21,739)	2,274	1,342	(57,147)	(49,379)	(199,206)	(69,776)
Asset:								
Property, plant and equipment and investment property	60,978	112,054	-	-	12,098	9,843	73,076	121,897
Goodwill	64,781	94,058	-	-	-	-	64,781	94,058
Other intangible assets	712,580	812,216	-	-	2,517	943	715,097	813,159
Other non-current assets	-	-	-	-	61,789	67,643	61,789	67,643
Total non-current assets	838,339	1,018,328	-	-	76,404	78,429	914,743	1,096,757
Inventories	100,491	136,950	2,303	3,135	-	-	102,794	140,085
Trade and other receivables	73,920	105,585	1,739	2,486	-	-	75,659	108,071
Other current asset	-	-	-	-	34,465	56,468	34,465	56,468
Non-current assets held for sale	-	-	-	-	10,114	12,403	10,114	12,403
Total current assets	174,411	242,535	4,042	5,621	44,579	68,871	223,032	317,027
Total assets	**1,012,750**	**1,260,863**	**4,042**	**5,621**	**120,983**	**147,300**	**1,137,775**	**1,413,784**

	Thousands of Euros							
	Oils		Other Businesses		Central Services		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Total equity	**-**	**-**	**-**	**-**	**328,858**	**506,271**	**328,858**	**506,271**
Interest-bearing liabilities	-	-	-	-	562,595	571,528	562,595	571,528
Trade and other payables	66,150	130,843	1,557	3,080	-	-	67,707	133,923
Other liabilities	-	-	-	-	177,554	200,911	177,554	200,911
Non-current liabilities held for sale	-	-	-	-	1,061	1,151	1,061	1,151
Total liabilities	66,150	130,843	1,557	3,080	741,210	773,590	808,917	907,513
Total equity and liabilities	**66,150**	**130,843**	**1,557**	**3,080**	**1,070,068**	**1,279,861**	**1,137,775**	**1,413,784**

	Thousands of Euros											
	Southern Europe		Northern Europe		North America		International Markets		Operative		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenues from non-Group customers	323,058	414,284	101,786	117,693	164,321	175,944	106,048	109,363	-	-	695,213	817,284
Total non-current assets:												
Property, plant and equipment and investment property	3,709	2,316	1,411	1,435	4,842	5,012	1,569	1,604	51,227	111,212	62,758	121,759
Intangible assets and goodwill	206,378	282,532	81,026	124,970	367,819	374,499	117,743	118,304	6,912	6,912	779,878	907,217

Other Disclosures

The Group presents its results in accordance with generally accepted accounting standards (IFRSs). However, management considers that certain Alternative Performance Measures ("APMs") provide useful additional financial information that should be considered when evaluating its performance. Management also uses the APMs detailed below when taking financial, operating and planning decisions, as well as when evaluating Group performance.

- *EBITDA*

Definition: Profit or loss from operations before the depreciation and amortisation charge, impairment and gains or losses on derecognition and disposal of non-current assets and non-current assets classified as held for sale, as well as the impacts corresponding to other non-recurring income and expenses.

Reconciliation: the calculation of the EBITDA in the statement of profit or loss is presented as follows:

Profit or loss from operations + depreciation and amortisation charge +/- impairment and gains or losses on disposal of non-current assets and non-current assets classified as held for sale +/- impacts corresponding to non-recurring expenses.

	EBITDA
Thousands of Euros	2016
Profit (Loss) from operations	(164,795)
Depreciation and amortisation charge (Notes 6 & 7)	20,236
Impairment and gains or losses on disposal of non-current assets and non-current assets classified as held for sale and other	37,849
Impairment of intangible assets and property, plant and equipment (Notes 6 & 7)	119,213
Non-recurring income and expenses (*)	33,620
	46,123

(*) The detail of the non-recurring expenses recognised under each line item in the consolidated statement of profit or loss 2016 is as follows:

Thousands of Euros	2016
Revenue	4,093
Cost of raw materials and other consumables used	6,864
Staff costs	5,248
Other operating expenses	17,415
	33,620

In conceptual terms, non-recurring items are considered to be those mainly associated with:

- Comprehensive redesign of the quality area with new standards and processes as a result of the quality crisis in Italy and the related impact.

- Comprehensive redesign of the Group's global model, affecting processes, systems and structure, which will make it possible to maintain a more robust growth-oriented business.

- Non-recurring provisions.

✓ Description of use: EBITDA provides an analysis of the profit or loss from operations before the depreciation and amortisation charge, impairment and gains or losses on derecognition and disposal of non-current assets and non-current assets classified as held for sale and the impacts corresponding to other non-recurring income and expenses, since none of these variables represents a cash flow and each may vary substantially from one company to another depending on accounting policies and the carrying amount of assets.

EBITDA is the closest approximation to cash flows from operating activities before tax and reflects the cash generated prior to changes in working capital (calculated as the difference between total current assets and total current liabilities).

The Group uses EBITDA as the baseline for calculating cash flow to which it adds the changes in working capital. Lastly, it is an APM indicator that is widely used by investors when valuing businesses (valuation using multiples), and by rating agencies and creditors to measure the level of indebtedness by comparing EBITDA with net debt.

✓ Consistency: The method used to calculate EBITDA is the same as that used in the prior year.

- *Net financial debt*.

Definition: Gross financial debt less cash and cash equivalents.

Reconciliation: Financial liabilities due to issue of debt instruments and other marketable securities + Non-current bank borrowings + Other financial liabilities + Current bank borrowings - Deposits recognised as other current financial assets - Cash and cash equivalents - Other assets of the nature detailed above recognised as non-current assets classified as held for sale.

	Thousands of Euros 2016
Non-current bank borrowings (Note 18)	501,019
Current bank borrowings (Note 18)	16,785
Financial liabilities due to issue of marketable securities (Note 18)	42,453
Other non-current financial liabilities (Note 18)	2,338
Less - Cash and cash equivalents (Note 15)	(23,406)
Less - deposits recognised as other current financial assets (Note 10)	(6,163)
Total net financial debt	**533,026**

✓ Description of use: the Group's level of indebtedness.
✓ Consistency: The method used to calculate the net financial debt is the same as that used in the prior year.

- *Working capital*

Definition: portion of non-financial current assets that is financed with capital funds.

Reconciliation: Inventories + Trade and other receivables - Trade and other payables.

Thousands of Euros	2016
Inventories (Note 12)	102,794
Trade and other receivables (Note 13)	75,659
Trade and other payables (Note 19)	(67,707)
Total working capital	**110,746**

✓ Description of use: the Group's level of solvency.
✓ Consistency: The method used to calculate non-financial working capital is the same as that used in the prior year.

31. Risk policy and management: financial risk factors

The Group’s global risk management programme focuses on analysing and managing the uncertainty of financial markets and attempts to minimise the potential adverse effects on the Group's profitability. The Group uses derivatives to hedge certain risks.

Risk management is controlled by the Group's Central Treasury Department in accordance with the policies approved by the Parent's Board of Directors. This Department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The Board provides written policies for global risk management, as well as for specific matters such as foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity.

The most significant potential risks facing the Deoleo Group are:

Financial covenants

The financing arranged in 2014 requires the achievement of a single financial ratio when the amounts drawn down against the loan exceed certain parameters. This situation did not occur in 2014. In addition, the agreement establishes a series of limits on the transactions that the Group can perform (see Note 18.1).

Exposure to foreign currency risk:

The Group operates in the international market and, therefore, is exposed to foreign currency risk on the transactions performed by it in foreign currencies, mainly the US dollar. Foreign currency risk arises when future commercial transactions, recognised assets and liabilities and net investments in foreign operations are denominated in a currency other than the functional currency of the Group.

The Group has various investments in foreign operations, the net assets of which are exposed to foreign currency risk. Foreign currency fluctuations of the financial investments denominated in currencies other than the euro are recognised as translation differences in consolidated equity

The Group's Economic and Financial Department is responsible for managing the net cash position in foreign currencies using foreign currency forward contracts in accordance with the parameters and limits established in the financing agreement. Additionally, at Group level, foreign currency contracts arranged with third-party non-Group companies are designated as foreign currency hedges on certain assets, liabilities or future transactions.

To control the foreign currency risk, the Group uses currency forwards.

Wherever possible the Group closes transactions with third-parties in euros (mainly raw material purchases), which are the most significant within the Group.

Following is the detail of the Group’s exposure to foreign currency risk at 31 December 2016 and 2015. The tables below reflect the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currency.

	Thousands of Euros				
	2016				
	US Dollar	Mexican Peso	Australian Dollar	Canadian Dollar	Total
Trade and other receivables	5,401	3,088	2,636	1,718	12,843
Cash and cash equivalents	7	293	248	1,219	1,767
Total current assets	5,408	3,381	2,884	2,937	14,610
Total assets	**5,408**	**3,381**	**2,884**	**2,937**	**14,610**
Trade and other payables	3,656	259	263	410	4,588
Total current liabilities	3,656	259	263	410	4,588
Total liabilities	**3,656**	**259**	**263**	**410**	**4,588**
Gross balance sheet exposure	1,752	3,122	2,621	2,527	10,022

	Thousands of Euros					
	2015					
	US Dollar	Mexican Peso	Pound Sterling	Australian Dollar	Canadian Dollar	Total
Trade and other receivables	6,297	3,685	472	3,542	3,177	17,173
Cash and cash equivalents	565	382	28	111	1,130	2,216
Total current assets	6,862	4,067	500	3,653	4,307	19,389
Total assets	**6,862**	**4,067**	**500**	**3,653**	**4,307**	**19,389**
Trade and other payables	4,786	450	27	528	956	6,747
Total current liabilities	4,786	450	27	528	956	6,747
Total liabilities	**4,786**	**450**	**27**	**528**	**956**	**6,747**
Gross balance sheet exposure	**2,076**	**3,617**	**473**	**3,125**	**3,351**	**12,642**

Credit risk:

The Group operates with customers in various countries and with different level of solvency and collection periods for sales. As a result, it is exposed to situations of default or insolvency with regard to the customers with which it operates.

The Credit Department forms part of the Group's Economic and Financial Department and is responsible for periodically monitoring customer credit levels and establishing the appropriate analytical procedures in accordance with the specific operations of each unit.

The Group implements internal customer risk management procedures and the main Group companies take out insurance policies with top-level international companies with high credit ratings to ensure that products are sold to customers with a suitable track record of creditworthiness.

The Credit Department, which forms part of the Group's Treasury Department, periodically implements analytical and monitoring procedures on customer credit limits. The maximum credit limits for each customer are parameterised in the system in accordance with the limits covered by the insurance policies taken out.

In 2016 Deoleo's and Carapelli's percentage of sales cover was over 90% in both cases, while the credit loss levels were 0.02% of sales.

Following is the detail of the estimated maturities of the Group's financial assets reflected in the consolidated statements of financial position at 31 December 2016 and 2015. The tables below reflect the analysis of the maturities of the financial assets not impaired at 31 December 2016 and 2015.

2016

	Thousands of Euros				
	Within 3 Months	More than 3 Months and Less than 6 Months	More than 6 Months and Less than 1 Year	More than 1 Year	Total
Held-to-maturity investments:					
Of which, fixed-rate (Note 10)	-	-	-	899	899
Available-for-sale financial assets measured at cost:					
Of which, fixed-rate (Note 10)	-	-	-	170	170
Derivative financial instruments (Note 10)	11	-	-	-	11
Trade and other receivables:					
Of which, fixed-rate (Notes 13 and 14)	74,955	185	3,517	-	78,657
Of which, floating-rate (Note 10)	-	-	-	5,076	5,076
Other financial assets (Note 10)	6,194	-	-	-	6,194
Total assets	**81,160**	**185**	**3,517**	**6,145**	**91,007**

2015

	Thousands of Euros			
	Within 3 Months	More than 6 Months and Less than 1 Year	More than 1 Year	Total
Held-to-maturity investments:				
Of which, fixed-rate (Note 10)	-	-	371	371
Available-for-sale financial assets measured at cost:				
Of which, fixed-rate (Note 10)	-	-	173	173
Derivative financial instruments (Note 10)	551	-	-	551
Trade and other receivables:				
Of which, fixed-rate (Notes 13 and 14)	108,071	8,583	-	116,654
Of which, floating-rate (Note 10)	-	-	5,142	5,142
Other financial assets (Note 10)	30	4,450	-	4,480
Total assets	**108,652**	**13,033**	**5,686**	**127,371**

Liquidity risk:

The Group manages liquidity risk prudently by maintaining sufficient cash for the ordinary business operations and has additional funding within the framework of the financing agreement of a sufficient amount (basically factoring lines which have not been drawn down in full) to cover its working capital needs.

Operating within the scope of the refinancing agreement establishes certain limitations with regard to the arrangement of new lines or transactions which entail the assumption of new levels of borrowing. The Company is required to meet a series of very strict requirements as regards compliance with obligations; principal repayment amounts in accordance with a predefined repayment schedule which may mean that its future liquidity capacity in its ordinary operating activities may be reduced.

Following is the detail of the Group's exposure to liquidity risk at 31 December 2016 and 2015. The tables below reflect the analysis, by contractual terms to maturity at those dates, of the financial liabilities.

2016

	Thousands of Euros					
	Within 1 Month	1 to 3 Months	3 Months to 1 year	1 to 5 Years	After 5 Years	Total
Financial liabilities due to issue of debt instruments and other marketable securities:						
Of which, floating-rate (Note 18)	-	-	-	-	42,453	42,453
Financial liabilities with banks:						
Of which, floating-rate (Note 18)	-	-	15,699	501,019	-	516,718
Trade and other payables:						
Of which, fixed-rate (Note 19)	28,893	34,044	4,770	-	-	67,707
Other financial liabilities (Note 18)	-	817	2,338	-	-	3,155
Derivative financial instruments (Note 18)	-	-	269	-	-	269
	28,893	**34,861**	**23,076**	**501,019**	**42,453**	**630,302**

2015

	Thousands of Euros					
	Within 1 Month	1 to 3 Months	3 Months to 1 year	1 to 5 Years	After 5 Years	Total
Financial liabilities due to issue of debt instruments and other marketable securities:						
Of which, floating-rate (Note 18)	-	-	-	-	42,099	42,099
Financial liabilities with banks:						
Of which, floating-rate (Note 18)	-	-	19,541	497,877	-	517,418
Trade and other payables:						
Of which, fixed-rate (Note 19)	33,454	100,441	28	-	-	133,923
Other financial liabilities (Note 18)	-	-	2,589	3,414	-	6,003
Derivative financial instruments (Note 18)	-	-	6,008	-	-	6,008
	33,454	**100,441**	**28,166**	**501,291**	**42,099**	**705,451**

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from the Company's financing through non-current borrowings. Debt issued at floating rates exposes the Company to cash flow interest rate risk. The Company arranges hedges (derivatives) to hedge against interest rate risk.

The changes in the fair value of the interest rate derivatives arranged by the Company depend on the changes in the medium- or long-term euro yield curve.

The Group's financing is conditional on the financing agreement entered into in June 2014, which governs the conditions of the floating interest rates for each period during the term of the agreement.

Derivatives transactions are only arranged with banks with high credit ratings.

32. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2016, the Group had provided guarantees mainly for loans granted by banks, commercial transactions and transactions with public authorities for an outstanding amount at that date of approximately EUR 19,077 thousand (2015: approximately EUR 19,445 thousand) for which no contingency or loss is expected to arise.

As a result of the sale in 2010 of the subsidiaries forming part of the Tierra Project, the Parent has provided a guarantee securing compliance with the conditions provided for in the sale agreement which, amounted to EUR 5,600 thousand at 31 December 2016.

33. Events after the reporting period

On 26 January 2017, the Parent's Board of Directors resolved to initiate a collective redundancy procedure ("ERE") on productivity and organisational grounds. On 13 March 2017, an agreement was reached that entails the termination of the employment contracts of 65 employees providing services in Spain and will give rise to termination benefit costs of EUR 4 million.

34. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

Appendix I

Detail of the Subsidiaries at 31 December 2016 and 2015

Company Name	Location	Business Activity	Auditors	Shareholder Company	% of Ownership
Rústicas Monte Branco, S.A. (1)	Beja (Portugal)	Agricultural exploitation	-	Deoleo, S.A.	100.00
Deoleo Industrial México, S.A. de C.V.	Córdoba Veracruz (Mexico)	Purchase and sale, import, export, processing, preparation and marketing of rice and other food and agricultural products	Deloitte (México)	Deoleo, S.A.	100.00
Mercadeo de Productos Alimenticios, S.A. de C.V.	Mexico City, Mexico	Marketing and distribution of food and agricultural products	-	Deoleo Industrial México, S.A. de C.V.	99.90
Deoleo Comercial Mexico, S.A. de C.V.	Mexico City, Mexico	Marketing and distribution of food and agricultural products	Deloitte (México)	Deoleo, S.A.	99.90
Deoleo Antilles Guyane, S.A.	Mana (French Guiana)	Marketing, distribution and export of food products	-	Deoleo, S.A.	100.00
Compagnie Rizicole de L'Ouest Guyanais, S.A.	Mana (French Guiana)	Production and marketing of rice and other food products	-	Deoleo, S.A.	99.98
Cama, S.A.	Mana (French Guiana)	Production and marketing of food products	-	Deoleo, S.A.	100.00
Cimariz, S.A.	Mana (French Guiana)	Production and marketing of food products	-	Deoleo, S.A.	86.91
Cetro Aceitunas, S.A.	Pilas (Seville)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Carbonell do Brasil, S.A.	Sao Paulo (Brazil)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Carbonell UK, Ltd.	East Molesey, Surrey (UK)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Aceica Refinería, S.L.	Las Palmas de Gran Canaria	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Cogeneración de Andujar, S.A.	Andujar (Jaén)	Electricity cogeneration	-	Deoleo, S.A.	100.00
Deoleo Preferentes, S.A.U.	Rivas Vaciamadrid (Madrid)	Issue of preference shares	Deloitte, S.L.	Deoleo, S.A.	100.00
Carapelli Firenze, S.p.A.	Milan (Italy)	Oil production and marketing	Deloitte (Italy)	Deoleo, S.A.	100.00
Deoleo Australia Pty Ltd.	East Gosford (Australia)	Marketing of bottled oil	Deloitte (Australia)	Carapelli Firenze, S.p.A.	100.00
Minerva USA Ltd.	Fort Lee, New Jersey (US)	Marketing of bottled oil	-	Carapelli Firenze, S.p.A.	100.00
Carapelli Firenze USA, Inc.	New Jersey (US)	Holding company	-	Carapelli Firenze S.p.A	100.00
Carapelli USA, LLC	Delaware (US)	Marketing of bottled oil	-	Carapelli Firenze S.p.A (39.36%) y Carapelli Firenze USA Inc (1164%) y Deoleo USA Inc (49%)	100.00
Aceites Ibéricos ACISA, S.A.	Alcolea (Córdoba)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Cambium Rice Investments, S.L.	Rivas Vaciamadrid	Holding company	-	Deoleo, S.A.	100.00
Aceites Elosúa, S.A.	Rivas Vaciamadrid (Madrid)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Salgado USA, Inc.	New York (US)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo USA, Inc	Houston (US)	Marketing and distribution of food products	Deloitte (USA)	Deoleo, S.A.	100.00
Deoleo Canadá, Inc.	Toronto (Canada)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Carapelli Belgium, B.V.	Brussels (Belgium)	Marketing of food products	Deloitte (Belgium)	Deoleo, S.A.	100.00
Deoleo Deutschland, GmbH	Frankfurt (Germany)	Marketing of bottled oil	Deloitte (Germany)	Deoleo, S.A.	100.00
Deoleo, B.V.	Amsterdam (The Netherlands)	Marketing and distribution of food products	-	Deoleo, S.A.	100.00
Sevilla Rice Company, S.A. (2)	Rivas Vaciamadrid (Madrid)	Purchase and sale, processing, preparation and marketing of rice and other food and agricultural products	-	Deoleo, S.A.	75.00
Deoleo India Private, Ltd.	India	Oil production and marketing	Deloitte (India)	Deoleo, S.A. (99%) y Aceites Elosua, S.A. (1%)	100.00
Deoleo South East Asia Sdn. Bhd.	Malaysia	Oil production and marketing	Deloitte (Malaysia)	Deoleo, S.A.	100.00
Shangai Deoleo Trading Co., Ltd.	China	Oil production and marketing	Shanghai Pengfu	Deoleo, S.A.	100.00
Deoleo Colombia, SAS	Colombia	Marketing and distribution of food products	Deloitte (Colombia) (2)	Deoleo, S.A.	100.00
Deoleo Middle East DMCC	Dubai	Oil production and marketing	TGS Koya Chartered Accountants (3)	Deoleo, S.A.	100.00

(1) Liquidated in 2016
(2) Unaudited at 31 December 2015
(3) Audited by Deloitte Dubai at 31 December 2015
This Appendix is an integral part of Note 2.6.1. to the consolidated financial statements for 2016, and should be read in conjunction.

Deoleo, S.A. and Subsidiaries

2016
Directors' Report

1. Situation of the Group

Organisational structure

Deoleo is a global leading olive oil brand name group, and it has the largest brand portfolio in this sector, since it is leader in the various markets in which it operates. Also, it markets seed oils, table olives, vinegars and sauces and, therefore, it is a genuine benchmark in global foodstuffs.

Deoleo has a major international presence with recognised brands, which maintain their leadership in the largest markets in the world, such as Carbonell, Bertolli, Carapelli, Sasso, Koipe and Hojiblanca.

The Group has two production centres in Spain and Italy.

Deoleo's strategic model, aimed at generating value and making the Company sustainable, is founded on three basic pillars:

- Commitment to quality and customer orientation.

- Improvement in purchasing and sales policies by establishing commercial agreements to add medium- and long-term formulas to the short-term purchasing formula, diversify purchasing by increasing purchases outside Spain and review assets and opportunities for sales.

- Adjustment to operations to increase efficiency and profitability. Actions to optimise the purchase of ancillary materials and energy, achieve savings due to focusing on and rationalising brands, and investment in sales and marketing.

Deoleo's business model is based on six key pillars:

- Olive oil as the core activity.

- Increase and consolidation of the geographical presence in the world (development of international markets).

- Strong commitment to the US market.

- Growth in sales volumes.

- Minimising the impact of raw material price volatility.

- Focus on the main brands and products.

Governing Bodies

At 31 December 2016, the Parent's Board of Directors was composed of 13 members, of whom nine were proprietary directors, two were independent directors and the remaining two were executive directors.

The following committees form part of the Board of Directors, the composition of which at 31 December 2016 was as follows:

- Audit and Control Committee, comprising three members, which holds ordinary meetings to address the matters within the scope of its powers indicated in the Board Regulations.

- Nomination and Remuneration Committee, comprising five members, which holds regular meetings to address the matters within the scope of its powers which is regulated in the Board Regulations.

Regarding the composition of the managing bodies and their related Executive Committees, from 31 December 2016 to the date of authorisation for issue of these consolidated financial statements no changes took place.

(*) See Annual Corporate Governance Report for 2016, available on CNMV website (www.cnmv.es) and Deoleo website (www.deoleo.com).

2. Investments performance

In 2016 the investments in property, plant and equipment for the oil business related mainly to the extension and adaptation of machinery on the packaging lines at the Alcolea plant (Córdoba). Also, new furniture was acquired, as well as new IT equipment and servers in order to support the investments made in computer software

3. Business performance

Set forth below are the main line items from the consolidated statement of profit or loss for the last two years, presented on a like-for-like basis.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Thousands of Euros	*31/12/16*	*%*	*31/12/15*
Sales	695,213	*-14.9%*	817,284
EBITDA	46,123	*29.7%*	35,555
EBITDA/Sales	*6,6%*		*4.4%*
LOSS BEFORE TAX	(199,206)	*185.5%*	(69,776)
LOSS FOR THE YEAR	(179,364)	*192.5%*	(61,321)

In accordance with the strategic decision to focus on profitable sales, sales volume dropped by approximately 22%, whereas the value of sales increased by 15% with respect to 2015, indicating the gradual transfer of raw material prices to the price of the product sold, with the resulting recovery in margins.

- The decrease in sales is due basically to the focus on profitable sales and the effects of the quality crisis suffered in Italy.

- The EBITDA EUR/litre unit margin grew by 65.5% with respect to 2015, with a progressive improvement throughout the year, which has enabled us to offset, and exceed in absolute value terms, the fall in volumes.

- Business profitability (EBITDA to sales ratio) increased by 2.2 percentage points to 6.6% at 2016 year-end.

At 2016 year-end the loss in value suffered by certain assets was estimated using impairment testing. As a result, and taking into account the various regulatory changes of a tax nature approved by the Spanish government at the end of 2016, the Group's total losses in 2016 amounted to EUR 179,364 thousand.

The short harvest forecast in Italy and Tunisia, combined with the delay in the Spanish harvest, placed further upward pressure on raw material prices, in both the fourth quarter and for the year as a whole, and the year closed with prices well above EUR 3 across the range of olive oil qualities.

At the date of writing this report, Extra Virgin olive oil prices had continued to rise and this oil was trading at around EUR 4/Kg, signifying an additional increase of 14.3% in the first two months of 2017.

With just a few months to go till the end of the harvest, we estimate production in Spain of between 1,250,000 and 1,400,000 tonnes, which is in line with that for the previous season.

According to data published by Nielsen, consumption fell in Spain due to the high prices and there was an appreciable switch in consumption to the seed oil market (+4.3%). This situation is a traditional response in a context of high olive oil prices.

In Italy olive oil consumption in the year was negatively affected by the quality crisis at the end of 2015.

At the date of writing this report, on a year-on-year basis (2016-2015), the change in prices in Spain (POOLred Data) was as follows:

Raw Material: Olive Oil Prices - Spain					
EUR/Tonne	Dec-16	Sept-16	*% Quarter*	Dec-15	% Year
Extra virgin	3,504	3,200	*9.5%*	3,305	*6.0%*
Lampante	3,199	3,052	*4.8%*	2,981	*7.3%*

Average prices published by POOLred

According to data published by Nielson, consumption fell in Spain due to the high prices in 2016. The detail of this decrease is as follows (Nielsen data):

Olive Oil Consumption - Principal Markets			
(millions of litres)	2016	2015	% Change
Spain	308.0	317.8	-3.1%
Italy	186.0	207.0	-10.1%
US	128.7	122.6	5.0%

Nielsen

4. Financial position

Balance Sheet Information

Set forth below are the main line items from the consolidated balance sheet and the ROCE for the last three years on a like-for-like basis.

Millions of Euros	31.12.2016	31.12.2015	Change
Non-current Assets	914.7	1,096.8	(16.6%)
Working Capital	110.7	114.2	(3.1%)
Equity	328.7	505.8	(35.0%)
Net Financial Debt	533.0	524.9	1.5%

- The decrease in non-financial working capital continued due to the lower level of inventories and the optimisation of the average collection period of trade receivables.
    - At 2016 year-end the revolving credit line remained unused.

5. Equity

At 31 December 2016, the Parent's share capital was represented by 1,154,677,949 fully subscribed and paid shares of EUR 0.38 par value each, represented by book entries.

6. Treasury shares

At 31 December 2016, the Company did not have any treasury shares.

In 2016 no transactions were performed with the Parent's shares.

7. Outlook of the group

The Group has set in motion a plan to redefine its operating model which affects its industrial base, the resources required for efficient operations and the adaptation of the Group's assets to the current business reality.

This plan will act as a springboard to relaunch Deoleo's business and make it a consumer-focused company, based on the quality of its products, with a responsive, efficient and transparent organisation, thus enabling it to compete successfully in the identified strategic markets.

A description of the main measures currently underway is provided in Note 2.7 to the consolidated financial statements for 2016.

8. Environment and sustainability

The Group's operations are governed by the laws on environmental protection ("environmental laws") and workers' safety and health ("occupational safety laws"). The Group considers that it is complying with these laws and it has procedures in place to foster and guarantee compliance therewith. The main information on the environment is disclosed in Note 28 to the consolidated financial statements for 2016.

9. Events after the reporting period

On 26 January 2017, the Board of Directors resolved to initiate a collective redundancy procedure ("ERE") on productivity and organisational grounds. On 13 March 2017, an agreement was reached that entails the termination of the employment contracts of 65 employees providing services in Spain and will give rise to estimated termination benefit costs of approximately EUR 4 million.

10. Main risks of the group

The most relevant potential risks in the Deoleo Group and the response and monitoring plans are as follows:

1) Compliance risks: in view of the nature of these risks, management thereof should basically be anticipatory and proactive, ensuring strict compliance with and observance of prevailing legislation; it should also be geared towards cooperation with regulatory bodies and take into account the potential scenarios in an increasingly global environment. These risk will be managed at Group company level with the support of Deoleo's corporate units.

• Regulatory non-compliance risk: the main sources of regulation affecting the Group's business are monitored through consultation with advisory bodies, subscriptions, specialist publications, associations, etc. for the purpose of obtaining as much information as possible and, to the extent feasible, anticipating these sources and exerting an influence thereon.

The Group maintains a quality, environmental and food safety management system that meets the requirements of, inter alia, standards UNE-EN-ISO 9001 (Quality Management Systems) and UNE-EN-ISO 14001 (Environmental Management Systems), the food safety standards of the British Retail Consortium (BRC) and the International Food Security (IFS) standards recognised by the Global Food Safety Initiative (GFSI). Most of the Group's production centres located in Spain and Italy are certified pursuant to the aforementioned standards.

The Group's Global Insurance Programme has taken out several insurance policies that cover, among others, the risks relating to food safety and environmental damage.

• Tax risks: the Group manages its tax risks in conjunction with tax advisory firms of recognised prestige in most of the countries in which it operates; it also requests these firms to provide advisory services when the circumstances so require.

2) Financial risks: financial risk management must aim to (i) avoid undesired changes in the value of the Deoleo Group, and refrain from pursuing speculative activities; (ii) maintain flexible financing by ensuring the availability of the sources of financing arranged, in such a way as to minimise exposure to liquidity risk; and (iii) reduce the impact of interest rate and foreign currency risk by arranging hedges, as well as to reduce credit risk by taking out credit insurance.

• Cash flow and fair value interest rate risk. The Group has arranged certain interest rate hedges.

• Foreign currency risk: The Group's Financial Department is responsible for managing the net position in foreign currencies using external foreign currency forward contracts. At Group level, external foreign currency forwards are entered into to hedge the foreign currency risk on certain assets, liabilities or future transactions.

Wherever possible the Group closes transactions with third-parties in euros (mainly raw material purchases), and these are the most significant transactions within the Group.

• Liquidity risk: The Group entered into a financing agreement with lender banks that grouped together most of the Group's borrowings in a single obligation. As a result, the Group maintains reasonable levels of liquidity and has additional available funding through the use of recourse and non-recourse factoring lines and working capital financing facilities. Given the dynamic nature of the core businesses, the Group's Financial Department aims to maintain flexible financing by ensuring the availability of the sources of financing arranged.

• Financial covenants: The Group's Financial Department monitors compliance with these commitments.

• Credit risk: the Group implements internal customer risk management procedures and takes out insurance policies with leading companies with high credit ratings to ensure that products are sold to customers with a suitable track record of creditworthiness.

The Credit Department, which forms part of the Group's Treasury Department, has internal procedures in place for the periodic analysis and monitoring of customer credit levels, in order to ensure that sales are carried out with customers with a suitable credit history. Also, certain of the main Group companies have taken out credit insurance on accounts receivable, with a coverage of around 90%. Internal customer risk management procedures are implemented and insurance policies are arranged with leading companies with high credit ratings.

3) Operating risks: the Group's business process management must consider the following: (i) its design in terms of efficiency and effectiveness, envisaging controls that mitigate the risks; (ii) its structure involving management systems based on benchmark international standards (best practices), including periodic verification and improvement; (iii) arranging coverage by means of insurance policies for such claims as might arise; and (iv) limiting the impact of significant fluctuations in raw material prices using the mechanisms deemed most appropriate in each case.

• Raw material supply and price fluctuation risk: In the course of 2016 the availability of certain qualities of raw material (olive oil) fell dramatically. This circumstance was managed through the implementation of the following actions:

- the adaptation of the supply sources so as to diversify the pool of suppliers.

- the shortening of the supply chain, seeking more direct routes to approach or contact producers.

- the strengthening of quality processes.

- the improvement of the demand planning model, with a direct effect on optimisation of all purchasing processes and their coverage.

• Reputational risk: in 2016 we made the required investments in order to carry out the comprehensive redesign of the quality and process areas, and received expert specialist advice. Investments were also made to bring all our products into line with the highest quality standards, by increasing the control systems in place from when products are at our plants and warehouses to when they are delivered to our customers.

11. Research and development

Commitment to innovation is the strategic pillar in which the Deoleo Group confides to maintain its position of leadership in the market for packaged oils.

Competition in this sector means the Group needs to continue enhancing innovation and development activities, with the ultimate goal of designing new differentiated products, the health component of which provides value added that will be appreciated by the consumer, so that consuming these products may benefit their health.

In 2016 the R&D team continued its work in developing new products, supporting the industrial area in order to optimise industrial processes, fine-tuning new analytical methods and cooperating with the Marketing Department to find new ways to differentiate our products.

The R&D+i activities to develop new products in 2016 can be grouped together in the following areas:

1. Olive oil
2. Functional oils
3. Frying oils
4. Deoleo Institute activities

12. Average payment period to suppliers

The average period of payment to suppliers in 2016 was 59 days (2015: 57 days).

As disclosed in Note 19 to these consolidated financial statements, as a result of the oral agreements made with virtually all the Group's suppliers and creditors, the maximum payment period considered by the Group is 60 days and, therefore, the average payment period is within the limits stipulated by the related legislation.

Law 3/2004, of 29 December, on combating late payment in commercial transactions, which was amended by Law 11/2013, of 26 July, provides, from the date it came into force, for a maximum period of 30 days for payment to suppliers and creditors, unless there is an agreement between the parties with a maximum period of 60 days. It should be noted that the Group has agreements with most of its suppliers, establishing the average payment period at 60 days.

13. Other relevant information

Detail of main stock market data	2016	2015
Closing price (EUR)	0.23	0.23
Period high (EUR)	0.26	0.47
Date of high	12-dic	6-may
Period low (EUR)	0.155	0.23
Date of low	24-jun	31-dic
Period average (EUR)	0.205	0.37
Total volume of shares traded (thousands)	331,624	307,989
Daily volume of shares traded (thousands)	1,290	1,203
Effective total volume traded (millions of euros)	68,808	119,245
Average effective daily volume traded (thousands of euros)	268	466
Number of shares (millions)	1,155	1,155
Stock market capitalisation at end of period (millions of euros)	266	266

Dividend Policy

Pursuant to the terms and conditions of the syndicated loan arranged by the Group in 2016, unless authorisation is received from the creditor banks, dividends may not be distributed until the loan has been repaid in full.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS REPORT AS OF 31 DECEMBER 2016

The Secretary of the Board of Directors of Deoleo, SA, Manuel Pacheco Manchado, states that the members of the Board of Directors detailed below subscribe to this document, containing (i) the consolidated financial statements, consolidated income statement, consolidated statements of changes in equity, consolidated statement of cash flows and the consolidated Directors´ report for the year ended 31 December 2016, prepared by the Board of Directors, which comprises 80 single-sided pages, and (ii) the annual corporate governance report (Spanish version), presented on 63 single-sided pages, all of them signed by the Secretary and with the signature of all Board members on this page and the following.

Madrid, 28 March 2017

Manuel Pacheco Manchado

Rosalía Portela de Pablo
(Chairperson)

Manuel Atencia Robledo
(Vice-chairperson)

Pierluigi Tosato
(Chief Executive Officer)

Unicaja Banco, S.A.U.
(María Teresa Sáez Ponte)

Sinpa Holding, S.A.
Daniel Klein

Pedro Barato Triguero

Theatre Directorship Services Beta, S.a.r.l
(Javier de Jaime Guijarro)

Theatre Directorship Services Gama, S.a.r.l
(Santiago Ramírez Larrauri)

Theatre Directorship Services Delta, S.a.r.l
(Pablo Costi Ruiz)

Fernando Valdés Bueno

Francisco Javier López García Asenjo

Vilas Advisory Group, S.L.
(José María Vilas Aventín)

Gianluca Bolla

STATEMENT OF RESPONSABILITY OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

The members of the Board of Directors of Deoleo, S.A. declare that, to the best of their knowledge, the financial statements (balance sheet, income statement, statement of changes in equity and cash flow and report), both the individual company and the consolidated group for the year closing at 31 December 2016, have been prepared in accordance with the applicable accounting principles, presented fairly, in all material respects the financial situation and the results of Deoleo's operations and the companies included in the consolidation group taken as a whole. The additional Directors' report of the individual and the consolidated financial statements included a faithful analysis of the evolution and business results and the position of Deoleo S.A. and the companies included in the consolidation taken as a whole, together with a description of the main risks and uncertainties that might arise.

Madrid, 28 March 2017

Manuel Pacheco Manchado

Rosalía Portela de Pablo
(Chairperson)

Manuel Atencia Robledo
(Vice-chairperson)

Pierluigi Tosato
(Chief Executive Officer)

Unicaja Banco, S.A.U.
(María Teresa Sáez Ponte)

Sinpa Holding, S.A.
Daniel Klein

Pedro Barato Triguero

Theatre Directorship Services Beta, S.a.r.l
(Javier de Jaime Guijarro)

Theatre Directorship Services Gama, S.a.r.l
(Santiago Ramírez Larrauri)

Theatre Directorship Services Delta, S.a.r.l
(Pablo Costi Ruiz)

Fernando Valdés Bueno

Francisco Javier López García Asenjo

Vilas Advisory Group, S.L.
(José María Vilas Aventín)

Gianluca Bolla