Deoleo S.A., warns that English version of the Consolidated Financial Statements for 2018, had been translated under its exclusive responsibility and do not constitute an official document.

Consolidated Financial Statements for Deoleo and Subsidiaries 2018:

- Independent Auditor's Report.
- Consolidated financial statements position at 31 Dec. 2018.
- 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 financial statements for 2018.
- Consolidated Directors´ report for the year ended 31 December 2018, including the statement of non-financial information.
- Statement of Directors' responsibilities at 31 Dec. 2018

The Annual Corporate Governance report 2018 and Individual Annual Accounts FY 2018 (spanish version) available on CNMV website and Deoleo web site, have not been translated to English.

Link IAGC 2018 (spanish version):
http://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A48012009

Link Annual Accounts FY 2018 - 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 the year ended 31 December 2018 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.

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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

Opinion

We have audited the consolidated financial statements of Deoleo, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Equity position of the Group

Description

As indicated in Note 2.7 to the consolidated financial statements, as a result of the losses incurred in 2018 and the cumulative prior years' losses, the Group's equity at 31 December 2018 amounted to EUR 35 million. The aforementioned Note 2.7 also indicates that at 31 December 2018 the equity of the Parent, Deoleo, S.A., amounted to EUR 27 million and, therefore, this company is in a situation of mandatory dissolution pursuant to Article 363 of the Spanish Limited Liability Companies Law, and the appropriate measures must be adopted to remedy this situation within the time periods established in current legislation.

The situation described above is a significant factor in the assessment of the use of the going concern basis of accounting, although the aforementioned grounds for dissolution of the Parent will be remedied by the execution of the resolutions adopted by the directors of Deoleo, S.A. which are disclosed in Note 2.7 to the consolidated financial statements for 2018. Therefore, we considered this situation to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, verifying the resolutions adopted by the Parent's Board of Directors, in order to confirm the existence of the commitment to reduce capital described in Note 2.7 to the consolidated financial statements, which was proposed by the Parent's directors on 29 March 2019, as well as the terms and conditions on which the reduction was proposed, which will result in the remediation of the aforementioned grounds for dissolution of the Parent.

We also verified the reasonableness of the assumptions used by management in the new business projections prepared for the Group in 2018, checking them against historical information of the Group and assessing the key factors in those projections, including, inter alia, the assumptions regarding expected cash flows; we also performed sensitivity analyses in relation to those key assumptions.

Furthermore, we assessed the reasonableness of the Group's projected cash budgets for 2019, as well as their consistency with the Group's business projections, and whether they had been achieved up to the date of our auditor's report.

Lastly, we checked that the disclosures included in Note 2.7 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Assessment of the recoverability of non-financial non-current assets: goodwill, intangible assets and property, plant and equipment

Description

The carrying amounts of the goodwill, intangible assets and property, plant and equipment in the consolidated statement of financial position as at 31 December 2018 were EUR 22 million, EUR 441 million and EUR 56 million, respectively.

As described in Note 4.5 to the consolidated financial statements, at the end of each reporting period or whenever there are indications of impairment, the Group tests its goodwill, intangible assets and property, plant and equipment for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. For the purposes of analysing possible impairment, these assets are attributed to the various cash-generating units (CGUs). This test is performed using discounted cash flow-based valuation techniques, for which purpose cash flow projections aligned with projected earnings, investments in property, plant and equipment and current assets are employed, as well as assumptions obtained from the new strategic plan prepared by Group management.

We identified this matter as key in our audit, considering the magnitude of the amounts affected, the high degree of judgement required of Group management when assessing the potential impairment of the aforementioned assets, and the fact that small percentage changes in the key assumptions used for the measurement of the goodwill, intangible assets and property, plant and equipment could give rise to significant changes in the consolidated financial statements. The Group was assisted by a first expert engaged to perform the impairment test and by a second expert who undertook certain additional procedures in connection with the aforementioned test.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation, and the testing of the operating effectiveness, of the relevant controls implemented by the Group that mitigate the risks associated with the process of assessing the potential impairment of the goodwill, intangible assets and property, plant and equipment.

We obtained the analysis performed by Group management, who were assisted by a first independent expert, and we evaluated the competence, capability and objectivity of that expert. We also obtained an understanding of the work of that expert and evaluated the appropriateness of that work as audit evidence, and we verified the clerical accuracy of the calculations made and the reasonableness of the main assumptions considered therein, basically those relating to the estimated cash flows envisaged in the aforementioned test, based on the budgets and business plans prepared by the Parent's management and the historical information on the Group. Also, a retrospective review was conducted of the projections made in prior years in order to identify bias in management's assumptions, as well as an assessment of the Group's historical achievement of budgets in order to evaluate the reliability of the estimates made by management. Lastly, we performed a sensitivity analysis on the key hypotheses and assumptions identified.

In addition, in relation to the involvement of a second independent expert whose work focused on performing certain additional procedures on the conclusions of the first expert, we obtained the second expert's analysis and evaluated the competence, capability, objectivity and findings or conclusions of that expert, as well as the appropriateness of that expert's work as audit evidence.

We evaluated the consistency of the future projections used to perform the impairment test with those used in other areas subject to estimation, such as those relating to the recoverability of deferred tax assets or to the assessment of the use of the going concern basis of accounting by the Group and its Parent.

We involved our internal valuation experts, who evaluated the methodology employed by the Group and its independent experts in conducting the impairment test, and the reasonableness of

Assessment of the recoverability of non-financial non-current assets: goodwill, intangible assets and property, plant and equipment

Description	Procedures applied in the audit
	the discount rates and long-term growth rates used. In relation to the procedures performed by the auditor that are indicated in Note 4.5, it should be taken into consideration that the audit work is designed to issue an opinion on the consolidated financial statements taken as a whole and, accordingly, in no circumstances should it be understood as providing a partial opinion on certain balances, transactions or specific items. Also, the Parent's directors are responsible for formally preparing the consolidated financial statements before the auditors complete their work and reach their conclusions. Lastly, we also checked that Notes 4.5, 6 and 7 to the accompanying consolidated financial statements include all the relevant disclosures required in accordance with the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description	Procedures applied in the audit
The consolidated statement of financial position as at 31 December 2018 includes deferred tax assets amounting to EUR 43 million, of which EUR 32 million relate to tax assets (mainly tax loss and tax credit carryforwards) of the Spanish tax group. At the end of the year Group management prepares financial models to assess the recoverability of the deferred tax assets recognised, taking into consideration new legislative developments and the most recently approved business plans. In relation to the aforementioned business plans used by management to assess the recoverability of the deferred tax assets, the Group was assisted in the preparation thereof by an independent expert. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the recoverability of the deferred tax assets.	Our audit procedures included, among others, the review of the aforementioned financial models, including the analysis of the consistency of the actual results obtained compared with the results projected in the previous year's models. In addition, we obtained evidence of the approval of the budgeted results included in the current year's models and assessed the reasonableness of the projections for future years and the consistency of these projections with those used in other areas of estimation, such as in the assessment of the recoverability of goodwill, intangible assets and property, plant and equipment, and in the assessment of the use of the going concern basis of accounting by the Group and its Parent. We also involved our internal experts from the tax area in the analysis of the reasonableness of the tax assumptions considered on the basis of the applicable legislation. Lastly, we checked that Note 14 to the accompanying consolidated financial statements contains the disclosures required in this connection by the regulatory financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, 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.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is included below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 5 April 2019.

Engagement Period

The Annual General Meeting held on 28 June 2018 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2017, i.e. for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2009.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Victoria López Téllez
Registered in ROAC under no. 21.238

5 April 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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 2018
(Thousands of Euros)

ASSETS	Notes	31-12-2018	31-12-2017	EQUITY AND LIABILITIES	Notes	31-12-2018	31-12-2017
NON-CURRENT ASSETS:		583.914	903.940	EQUITY:	Note 16	35.310	299.831
Intangible assets-	Note 6	440.657	704.549	Share capital		140.486	115.468
Trademarks		395.917	655.310	Other reserves		57.823	57.984
Other intangible assets		42.384	46.596	Translation differences		(15.632)	(17.497)
Computer software		2.356	2.643	Valuation adjustments		99	55
Goodwill	Note 6	21.717	64.781	Prior years' losses		(147.466)	143.821
Property, plant and equipment-	Note 7	56.232	59.929	Equity attributable to shareholders of the Parent		35.310	299.831
Land and buildings		34.221	35.657				
Plant and machinery		18.897	20.256				
Other fixtures, tools and furniture		810	942				
Other items of property, plant and equipment		1.214	1.293				
Advances and property, plant and equipment in the course of construction		1.090	1.781	NON-CURRENT LIABILITIES:		687.215	711.248
Investment property	Note 8	11.502	11.618				
Investments in associates		473	473	Financial liabilities arising from the issue of debt instruments and other marketable securities	Note 18	42.453	42.453
Non-current financial assets-	Note 10	10.093	6.564	Non-current bank borrowings	Note 18	541.302	504.161
Deferred tax assets	Note 14	43.240	56.026	Other financial liabilities	Note 18	735	1.215
				Government grants	Note 21	3.921	3.921
				Deferred tax liabilities	Note 14	85.305	143.825
				Provisions	Note 20.1	11.084	12.955
				Other non-current liabilities	Note 4.16	2.415	2.718
CURRENT ASSETS:		224.757	233.997				
Inventories	Note 12	92.783	109.790				
Trade and other receivables	Note 13	66.552	89.868	CURRENT LIABILITIES:		86.146	126.858
Current tax assets	Note 14	2.791	2.234	Current bank borrowings	Note 18	19.675	30.712
Other current financial assets	Note 10	8.223	8.281	Trade and other payables	Note 19	65.572	89.334
Other current assets		1.207	1.610	Current tax liabilities	Note 14	491	541
Cash and cash equivalents-	Note 15	47.947	16.831	Provisions	Note 20.1	8	5.871
Cash		47.947	16.831				
Non-current assets classified as held for sale	Note 5	5.254	5.383	Liabilities associated with non-current assets classified as held for sale	Note 5	400	400
TOTAL ASSETS		808.671	1.137.937	TOTAL EQUITY AND LIABILITIES		808.671	1.137.937

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of financial position at 31 December 2018.

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 2018
(Thousands of Euros)

	Notes	2018	2017
CONTINUING OPERATIONS:			
Revenue	Note 30	605.557	692.332
Other operating income	Note 23	10.052	14.787
Changes in inventories of finished goods and work in progress	Note 30	(15.993)	5.272
Cost of raw materials and consumables used	Note 30	(447.501)	(544.649)
Staff costs	Note 24	(44.078)	(47.606)
Depreciation and amortisation charge	Notes 6, 7 and 8	(17.475)	(17.988)
Other operating expenses	Note 25	(389.857)	(102.833)
PROFIT (LOSS) FROM OPERATIONS		(299.295)	(685)
Finance income	Note 26	9.734	14.063
Finance costs	Note 26	(42.197)	(39.490)
PROFIT (LOSS) BEFORE TAX		(331.758)	(26.112)
Income tax	Note 14.2	40.693	7.756
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(291.065)	(18.356)
PROFIT (LOSS) FOR THE YEAR		(291.065)	(18.356)
Attributable to:			
Shareholders of the Parent		(291.065)	(18.356)
Non-controlling interests		-	
BASIC EARNINGS PER SHARE (in euros):			
Loss from continuing operations	Note 17	(0,243)	(0,016)
DILUTED EARNINGS PER SHARE (in euros):			
Loss from continuing operations	Note 17	(0,243)	(0,016)

The accompanying Notes 1 to 34 are an integral part of the consolidated income statement for 2018.

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 2018
(Thousands of Euros)

	Notes	2018	2017
PROFIT (LOSS) PER INCOME STATEMENT		(291.065)	(18.356)
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Translation differences	Note 16.4	1.865	(10.702)
Actuarial gains and losses and other adjustments		(117)	31
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		1.748	(10.671)
TOTAL COMPREHENSIVE INCOME		(289.317)	(29.027)
Attributable to:			
Shareholders of the Parent		(289.317)	(28.887)
Non-controlling interests		-	(140)

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of comprehensive income for 2018.

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 2018
(Thousands of Euros)

	Share Capital	Other Reserves	Retained Earnings / Losses	Translation Differences	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Balances at 31 December 2016	438.778	23.801	(126.772)	(6.795)	(294)	328.718	140	328.858
Consolidated comprehensive income for 2017	-	-	(18.534)	(10.702)	349	(28.887)	(140)	(29.027)
Share Capital Reduction	(323.310)	34.183	289.127	-	-	-	-	-
Balances at 31 December 2017	115.468	57.984	143.821	(17.497)	55	299.831	-	299.831
Adjustment for application of IFRS 9 (Note 2.2.1)	-	-	(222)	-	-	(222)	-	(222)
Adjusted Balances at 1 January 2018	115.468	57.984	143.599	(17.497)	55	299.609	-	299.609
Consolidated comprehensive income for 2018	-	(161)	(291.065)	1.865	44	(289.317)	-	(289.317)
Share Capital Increase (Note 16)	25.018	-	-	-	-	25.018	-	25.018
Balances at 31 December 2018	140.486	57.823	(147.466)	(15.632)	99	35.310	-	35.310

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of changes in equity for 2018.

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 2018
(Thousands of Euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		(11.893)	(22.738)
Profit/(Loss) for the year before tax		(331.758)	(26.112)
Adjustments for-		345.718	50.308
Depreciation and amortisation charge	Notes 6, 7 and 8	17.475	17.988
Impairment losses	Notes 23 and 25	296.400	5.261
Changes in operating provisions and allowances	Notes 23 and 25	862	1.106
Changes in provisions for contingencies and charges	Note 20	(698)	5.901
Gains/Losses on derecognition and disposal of non-current assets	Note 23	(784)	(50)
Gains/Losses on derecognition and disposal of non-current assets classified as held for sale	Note 23	-	(5.032)
Finance income	Note 26	(1.055)	(55)
Finance costs	Note 26	31.964	30.983
Changes in fair value of financial instruments	Note 26	538	(609)
Exchange differences	Note 26	1.016	(5.185)
Changes in working capital-		6.491	(16.483)
Inventories		17.128	(7.862)
Trade and other receivables		23.553	(26.068)
Other current assets		(116)	246
Non-current assets classified as held for sale		-	(255)
Trade and other payables		(23.208)	21.627
Other assets and liabilities		(10.866)	(3.510)
Liabilities associated with non-current assets classified as held for sale		-	(661)
Other cash flows from operating activities-		(32.344)	(30.451)
Interest paid		(27.414)	(27.757)
Interest received		1.055	55
Income tax paid		(5.985)	(2.749)
CASH FLOWS FROM INVESTING ACTIVITIES:		(3.085)	(1.789)
Payments due to investment-		(4.096)	(8.448)
Intangible assets	Note 6	(589)	(666)
Property, plant and equipment	Note 7	(3.373)	(6.580)
Investment property		-	(25)
Financial assets		(134)	(1.177)
Proceeds from disposal-		1.011	6.659
Property, plant and equipment		175	625
Investment property		-	267
Non-current assets classified as held for sale	Note 5	600	5.767
Financial assets		236	-
CASH FLOWS FROM FINANCING ACTIVITIES:		46.094	12.767
Proceeds and payments for equity instruments-		25.018	-
Issuance of own equity instruments	Note 16	25.018	-
Proceeds and payments relating to financial liability instruments-		21.076	12.767
Proceeds from issue of bank borrowings	Note 18	34.000	22.658
Repayment of bank borrowings		(12.444)	(8.768)
Repayment of other borrowings		(480)	(1.123)
EFFECT OF EXCHANGE RATE CHANGES		-	5.185
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		31.116	(6.575)
Cash and cash equivalents at beginning of year	Note 15	16.831	23.406
Cash and cash equivalents at end of year	Note 15	47.947	16.831

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of cash flows for 2018.

Deoleo, S.A. and Subsidiaries

Notes to the Consolidated
Financial Statements for
the year ended 31 December 2018

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 2018 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 2018, 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 2018, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The 2018 consolidated financial statements of the Group and the 2018 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 2017 were approved by the shareholders at the Annual General Meeting of Deoleo, S.A. on June, 28 2018 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 2018 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 2018

In 2018 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group’s accounting policies:

(1) New obligatory regulations, amendments and interpretations for the year commencing 1 January 2018:

New Standards, Amendments and Interpretations	Description	Obligatory Application in the Years Beginning on or after:
Amendments and/or interpretations		
IAS 9 Financial Instruments (published in July,2014)	It replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	01 January 2018
IFRS 15 Revenue from Contracts with Customers (published in May 2014) and its clarifications (published in April 2016).	New standard on revenue recognition, replacing IAS11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.	
Amendments and/or interpretations		
Amendment to IFRS 2 Classification and measurement of share-based payment transactions (published in June 2016)	Narrow-scope amendments clarifying specific matters such as the effects of vesting and non-vesting conditions in cash-settled share-based payments, the classification of share-based payments where there are net settlement clauses and some aspects of the modifications to terms of a share-based payment.	01 January 2018
Clarifications to IFRS 15 (published in April 2016)	Focus on identifying performance obligations, principal versus agent considerations, licensing and determining whether a license is satisfied at a point in time or over time, as well as certain clarifications to the transition requirements.	
Amendment to IFRS 4 Insurance contracts (published in September 2016)	It allows entities under the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or their temporary exemption.	
Amendment to IAS 40 Reclassification of real estate investments (published in December 2016)	The amendment clarifies that the reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.	
Improvements to IFRS 2014-2016 cycle (published in December 2016)	Minor amendments to a series of standards (different effective dates, including 1 January 2017).	
IFRIC 22 Foreign currency transactions and advances (published in December 2016)	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with foreign currency advances.	

Analysis of initial application of IFRS 9:

IFRS 9 will supersede IAS 39 for reporting periods beginning on or after 1 January 2018 and affects both financial assets and financial liabilities, in three main phases: classification and measurement, impairment methodology and hedge accounting. There are very significant differences with respect to the current standard for the recognition and measurement of financial instruments, the most important being as follows:

- Investments in financial assets with contractual cash flows that are solely payments of principal and interest and the business model of which is in turn to hold them in order to collect contractual cash flows will generally be measured at amortised cost. Substantially all the Group's financial instruments are included in this category. When the business model for these assets is the collection of contractual cash flows and the sale of the assets, they will be measured at fair value through other comprehensive income. All the other financial assets that do not consist solely of payments of principal and interest the business model of which is the sale thereof will be measured at fair value through profit or loss. However, the Group may make an irrevocable election to present in "Other Comprehensive Income" (equity) subsequent changes in the fair value of particular investments in equity instruments and, in general, only the dividends from those investments will be recognised subsequently in profit or loss.

- In relation to the measurement of financial liabilities designated optionally as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be presented in "Other Comprehensive Income" (equity), unless this would create or enlarge an accounting mismatch in profit or loss, and will not be reclassified subsequently to profit or loss.

- In relation to impairment losses on financial assets, IFRS 9 requires the application of a model based on the expected credit loss, as opposed to the model in IAS 39 which is based on incurred credit losses. Under this model, the Group will update the expected loss and the changes therein at each reporting date to reflect the changes in credit risk since initial recognition. In other words, it is no longer necessary for an impairment event to have occurred before credit losses are recognised.

The Group intends to apply IFRS 9 without restating the comparative information, i.e. the difference between the prior carrying amounts and the new amounts at the date of initial application of the standard will be recognised as an adjustment to reserves (equity). By reference to an analysis of the Group's financial assets and liabilities at 31 December 2017, Group management conducted an assessment of the effect of IFRS 9 on the financial statements, as indicated below.

Classification and measurement

The preliminary analysis did not disclose any significant changes in the classification and measurement of financial assets based on the Group's current business model.

The Group has not renegotiated its financial liabilities which under IAS 39 were considered non-material and, consequently, did not require the derecognition of the financial liabilities.

All the other financial assets and liabilities will continue to be measured on the same basis as that currently adopted in application of IAS 39.

Impairment

The financial assets measured at amortised cost or at fair value through other comprehensive income, finance lease receivables, assets from contracts with customers or loan commitments and financial guarantee contracts will be subject to the impairment requirements of IFRS 9.

The new standard replaces the IAS 39 "incurred credit loss" models with the "expected credit loss" model. This model requires the recognition of the financial assets at the date of initial recognition, as well as the amounts receivable from customers in relation to the expected credit loss that would result from a default event within the 12 months after the reporting date or over the expected life of the financial instrument.

The Group has recognised write-downs on trade and other receivables. Also, as a result of the assessment of the new standard performed by the Group, a write-down was made based on the expected credit loss associated with its financial assets, an additional impairment loss of EUR 296 thousand was recognised in the statement of financial position, and a deferred tax asset of EUR 74 thousand and an adjustment to reserves (equity) of EUR 222 thousand were also recognised.

Analysis of initial application of IFRS 15:

IFRS 15 is the new comprehensive standard on the recognition of revenue from contracts with customers and supersedes the 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 Services.

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 leases, insurance contracts and financial instruments.

An entity recognises revenue by applying the following five steps:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

As a result of the Group's line of business, and its customer relationships, the Parent's directors consider that application of IFRS 15 does not give rise to material changes in relation to the current method of accounting for the Group's transactions.

(2) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2018:

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

<table>
<tr><th colspan="2">New Standards, Amendments and Interpretations</th><th>Obligatory Application in the Years Beginning on or After:</th></tr>
<tr><td colspan="3">Approved for use in the European Union</td></tr>
<tr><td>IFRS 16 Leases (issued in January 2016)</td><td>Replaces IAS 17 and associated interpretations. The main change hinges on a single accounting model for lessees who will include all leases (with some exceptions) on the balance sheet with a similar impact to that of the current financial leases (the asset will depreciate due to the right of use and a financial expense for the cost of amortising the liability).</td><td rowspan="2">01 January 2019</td></tr>
<tr><td colspan="2">Amendments and / or interpretations</td></tr>
<tr><td>IFRIC 23 Uncertainty over income tax treatments (issued in June 2017)</td><td>This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over acceptability by the tax authorities of a certain income tax treatment used by the entity.</td><td rowspan="5">01 January 2019</td></tr>
<tr><td>Amendment to IFRS 9 Characteristics of early cancellation with negative offset (issued in October 2017)</td><td>It allows for the valuation of some financial instruments with early payment characteristics at amortised cost allowing the payment of an amount less than the unpaid amounts of principal and interest</td></tr>
<tr><td>Improvements to IFRSs, 2015 – 2017 cycle (issued in December 2017)</td><td>Minor amendments to a series of standards.</td></tr>
<tr><td>Amendment to IAS 28 Long-term interest in associates and joint ventures (issued in October 2017)</td><td>Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.</td></tr>
<tr><td>Amendment to IAS 19 Amendment, reduction or liquidation of a defined benefit plan (issued in February 2018)</td><td>Addresses the posting of a change, reduction, or settlement of a defined benefit plan that occurs in the fiscal year.</td></tr>
<tr><td colspan="3">Awaiting approval for use in the European Union as of the date of publication of this document (1)</td></tr>
<tr><td colspan="3">New Standards:</td></tr>
<tr><td>IFRS 17 Insurance contracts (published in May 2017)</td><td>Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.</td><td>01 January 2021 (2)</td></tr>
<tr><td colspan="3">Amendments and / or interpretations</td></tr>
<tr><td>Amendment to IFRS 3 Definition of a Business (issued in October 2018)</td><td>Clarifications of the definition of a business.</td><td rowspan="2">01 January 2020</td></tr>
<tr><td>Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018)</td><td>Develops recommendations to improve disclosure requirements to help stakeholders improve the usefulness of the information disclosed to the primary users of the financial statements.</td></tr>
</table>

(1) The approval status of the standards by the European Union can be consulted on the EFRAG website.
(2) The date of first-time application of this standard is being reviewed by the IASB and application might be delayed until 1 January 2022.

(3) Analysis of initial application of IFRS 16.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases in the statement of financial position using a single lease accounting model with recognition criteria similar to those of finance leases. Leases for which the underlying asset is of low value and short-term leases (lease term of 12 months or less) are excluded. IFRS 16 came into force on 1 January 2019.

The standard establishes that at the commencement date of the lease, the lessee must recognise a liability equal to the present value of the fixed lease payments. In turn, the lessee is required to recognise a right-of-use asset representing its right to use an underlying asset for the lease term (right of use). A lessee will be required to present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset.

The Group opted to use the modified prospective method for transition to IFRS 16 (modified I).

In order to calculate the term of the lease arrangements, the Group took the non-cancellable period to be the initial term of each arrangement, only taking into account the possible unilateral extensions at the Group's discretion in those cases in which it was considered reasonably certain that they will be exercised; similarly, cancellation options were only taken into account when it was considered reasonably certain that they will be exercised.

The impact of IFRS 16 on the Group's consolidated financial statement is not material due to the fact that the Group's main assets (plants, central offices and main property, plant and equipment associated with these assets) are under Group ownership and the Group's leases are not material (see Note 9).

The estimated impact at 1 January 2019 will give rise to an increase in right-of-use assets of approximately EUR 3.281 thousand and an increase in liabilities for operating leases for the same amount.

(4) Other standards:

In relation to other standards, amendments and interpretations, the Group is analysing all the future impacts of adopting these standards and it is not possible to provide a reasonable estimate of their effects until this analysis has been completed, although its application is not expected to have any significant impact on the group.

2.3 Information relating to 2017

As required by IAS 1, the information relating to 2017 contained in these notes to the consolidated financial statements is presented for comparison purposes with the information relating to 2018 and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2018.

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 preparing the consolidated financial statements in accordance with IFRSs, the Parent's directors are required to make certain accounting estimates and to consider certain factors on which to make judgements. These estimates and judgements, which are assessed on an ongoing basis, are based on historical experience and other factors including expectations regarding future events that are considered to be reasonable in view of the circumstances.

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, inventories and trade payables.
- 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 2018 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 2018 and 2017 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, India, Malaysia, Colombia and Brazil (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 2018 and 2017 with an effect on the interyear comparison were as follows:

2018

- In 2018 there were no acquisitions or disposals of subsidiaries, however certain transactions such as capital increases were performed which did not have an impact on the Group's consolidated financial statements.

2017

- Liquidation of Deoleo Middle East, DMCC; Shanghai Deoleo Trading Co., Ltd; and Carbonell UK, Ltd.

2.7 Going concern principle

The Group incurred significant losses in 2018 amounting to EUR 291,065 thousand at year-end, which arose from, inter alia, the impairment losses recognised in the year for a net amount of EUR 238,407 thousand in relation to certain intangible assets and goodwill, in order to adjust the carrying amounts thereof to their recoverable amounts (see Note 4.5), together with the accumulated prior years' losses, the Group's equity at 31 December 2018 totalled EUR 35,310 thousand.

Also, as a result of the losses incurred and impairment losses recognised by the Parent in 2018, together with the accumulated prior years' losses, its equity amounted to EUR 27,412 thousand at 31 December 2018, and its share capital totalled EUR 140,486 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 70,243 thousand), unless capital is sufficiently increased or reduced (see Note 16).

The principal reason for the recognition of the related impairment losses and the derecognition of assets as a result of the losses in 2018 was the fact that in 2018 indications of impairment were identified on intangible assets and goodwill, centred mainly on the cash-generating units in North America, Southern Europe (Italian geographical area) and Northern Europe, since they did not meet their budgets. As a result, the Parent’s directors proceeded to update the Group’s long-term business plan used to test non-financial assets for impairment (see Note 4.5).

The signs of impairment at the Parent and the Group arose due to non-compliance with the projected budget for 2018 at the majority of the cash-generating units (herein "CGU"), mainly from the second half of the year onwards, and the negative performance of sales and EBITDA (decreases of 16% and 79%, respectively) in the second half of the year with respect to the same period in the previous year. The main reasons were as follows:

- General decline in oil consumption in Italy, one of the Group’s main markets, and a shift in demand towards other competitors and substitute products.
- Loss of volume and falls in sales and margins in the North American market both due to the fierce competition from competitors (prices and promotions) and the adverse impact of the EUR/USD exchange rate.
- Delay in the implementation of the new distribution model in the Indian market.

- Increased investment in advertising, marketing and sales promotions, mainly in the third quarter of the year, which did not have the expected impact on the Group's volume of sales or gross margins.

As indicated in Note 4.5, as a result of these adverse conditions that arose in the second half of 2018 the Parent's directors considered that, in order to implement the Group's strategy, which focuses on the production of quality oils and the perception thereof by consumers, a longer time horizon and greater investment in the advertising, marketing and sales promotions of its trademarks was necessary.

In this context, the Parent prepared a new business plan aligned with the Group's new expectations for growth and requested that an independent expert conduct a valuation of each of the CGUs defined in order to perform the impairment test.

The consequences of updating the assumptions and of conducting the test for impairment are as follows:

- The recognition of impairment losses on non-financial assets (see Note 6).
- The recognition of the losses due to the non-recoverability, in accordance with the applicable accounting legislation, of certain deferred tax assets recognised (see Note 14).

The Parent's directors consider that a significant proportion of the negative aspects that had an impact on the consolidated statement of profit or loss for 2018 do not affect its economic resources, because the recognition of impairment losses did not and will not result in any cash outflows.

On 29 March 2019, 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 capital reduction through the reduction 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 EUR 126.437 thousand, which would leave the par value per share at EUR 0.1. It is expected that this capital reduction, which will be used in full to offset prior years' and 2018, will be approved at the Annual General Meeting to be held on 3 June 2019. Once this measure has been taken, Deoleo, S.A. will have remedied the situation giving grounds for dissolution set out under Article 363 of the Consolidated Spanish Limited Liability Companies Law. Also, the Parent's directors are analysing other supplementary measures, additional to the reduction of capital, in order to help the Parent to restore its equity position.

Taking these facts into account, the Parent's directors prepared the consolidated financial statements for 2018 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 of 31 December 2018.

3. Distribution of profit of the Parent

The proposed distribution of losses of Deoleo, S.A. for 2018, amounting to approximately EUR 133,317 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 perpetual rights to use of the Bertolli brand exclusively and worldwide 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 125,655 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 2018, "Other Intangible Assets" included mainly approximately EUR 42,384 thousand, net of amortisation (2017: approximately EUR 46,596 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. In this connection, the Group performed two impairment tests in 2018, one at 30 June 2018, due to the signs of impairment detected at that date, and the other at 31 December 2018, as described in this Note.

Group management performs impairment test as follows:

- The recoverable amounts are calculated for each CGU, although in the case of intangible assets different from Goodwill and 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 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 fair value calculated in this way does not differ from the Group's market value once the other net assets not included in the impairment test have been taken into account.

The projections are prepared for each CGU 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. Although, as indicated above in the case of intangible assets other than goodwill, and property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

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.

The Group's various cash-generating units ("CGUs"), which have not been modified with respect to 2017, are as follows:

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, Africa, Australia, China, India and rest of Asia
Operating	Manufacturing	Plants in Spain and Italy

As indicated, at the end of each reporting period or whenever there are indications of impairment, the Group performs tests for impairment. In this connection, in 2018 the Group performed one test for impairment at 30 June 2018 and another at 31 December 2018.

Impairment test at 30 June 2018:

The Parent's directors considered that at 30 June 2018 there were indications of impairment, in particular in the North American and Italian geographical areas, and therefore the assets were tested for impairment at the end of the first half of 2018.

In this connection, the main reasons for which indications of impairment were identified and the associated CGUs were as follows:

- Southern Europe CGU: more specifically with respect to the Italian geographical area, due to the general decline in consumption and the shift in demand to other competitors and substitute products.
- North America CGU: more specifically in the US, due to the decline in value of olive oil in that market mainly due to the competition's aggressive sales policies.

The most significant assumptions used to perform the test for impairment are detailed in the explanatory notes to the interim consolidated financial statements as at 30 June 2018, on which a limited review report was issued by the Group auditor.

The detail, by cash-generating unit, of the carrying amount of the assets (before recognising impairment losses) and their recoverable amount at 30 June 2018 is as follows:

	Thousands of Euros					
	Southern Europe	North America	Northern Europe	International Markets	Operating	Total
Non-current assets, net	155,806	268,398	62,149	79,881	45,880	612,114
Goodwill	-	43,064	-	14,805	6,912	64,781
Current assets	10,140	30,734	9,583	24,594	23,668	98,719
Total assets, net	165,946	342,196	71,732	119,280	76,460	775,614
Recoverable amount	150,601	324,859	72,523	139,935	77,805	765,723
Costs to sell	(1,506)	(3,249)	(725)	(1,399)	(778)	(7,657)
Excess/(Impairment) net of deferred taxes	(16,851)	(20,586)	66	19,256	567	

The detail of the gross impairment losses and the associated deferred tax liabilities recognised in the consolidated statement of profit or loss for the sixth month period ended 30 June 2018 is as follows:

	Thousands of Euros		
	Southern Europe	North America	Total
Goodwill (Note 6)	-	25,489	25,489
Trademarks (Note 6)	21,251	-	21,251
Gross impairment loss	21,251	25,489	46,740
Tax effect (Note 14)	(4,400)	(4,903)	(9,303)
Net impairment loss	16,851	20,586	37,437

The total impairment losses, amounting to EUR 46,740 thousand, were recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2018, and the related tax effect, totalling EUR 9,303 thousand, was recognised under "Income Tax" in the consolidated statement of profit or loss for 2018.

Impairment test at 31 December 2018:

Although the Group always performs a test for impairment at the end of the reporting period, if the expected cash flows estimated in the impairment test performed at 30 June 2018 had been met, the need for significant impairment losses or reversals additional to those recognised at that date would not have been disclosed. However, in the second half of 2018, new indications of impairment were identified that worsen an adverse situation and were not foreseen, which has given rise to:

- 16% decrease in Group sales (EUR 54.3 million) in the second half of 2018 with respect to the same period in 2017, especially in the North America CGU and Southern Europe CGU in which sales decreased by 20% (EUR 15 million) and 17% (EUR 27.1 million), respectively.
- 79% decrease in the Group's EBITDA (EUR 8.7 million) in the second half of 2018 with respect to the same period in 2017, mainly in the North America CGU and Southern Europe CGU in which EBITDA decreased by 75% (EUR 5.6 million) and 5% (EUR 0.4 million), respectively.
- The Group's EBITDA in the second half of 2018 (EUR 2.3 million) was 83% down on that of the first half of 2018 (EUR 13.2 million) basically due to the fact that the increased investment in advertising, marketing and sales promotions made in the third quarter of the year did not result in the expected boost in the last quarter in sales and EBITDA.

Group management stated:

- the need for a longer time horizon and for a greater investment in order to implement the Group's business strategy, which focuses on the value and quality of its products -in contrast the volume and price strategy followed by certain competitors-, mainly in the Southern Europe (Italian geographical area) and North America business units; and
- the need to make additional commercial investments in the Northern Europe business unit in order to improve its sales and margins.

This led the Group to reassess its envisaged future growth and profits and resulted in the preparation of a new five-year business plan which was used as the basis for the performance of a new impairment test of non-financial assets. This new business plan was based on the need for greater investment in trademark sustainability (CAGR of +15% in advertising, marketing and sales promotions in 2018-2023), increasing from 3.6% to 5.5% of sales, to achieve the envisaged increases in EBITDA (CAGR of +29% in 2018-2023).

In this context, the Parent requested the assistance of an independent expert (PricewaterhouseCoopers Asesores de Negocios, S.L.) to conduct a valuation of each of the CGUs defined in order to perform the test for impairment at 31 December 2018. Their involvement focused on the estimate of the calculation of the recoverable amount of the Group's various CGUs to which the goodwill and intangible assets (mainly trademarks) are allocated, which are the Group's main assets, in accordance with the accounting standard applicable to the Group's consolidated financial statements (IAS 36). In this regard, the aforementioned report of the independent expert, which considers that there has been a significant setback in terms of EBITDA during the second half of fiscal year 2018, was used by the Parent to assess whether this recoverable amount adequately supports the carrying amount of these CGUs.

For their part, the Group auditor, Deloitte S.L., as part of its audit work, has reviewed the report of the aforementioned independent expert. Deloitte, S.L. also involved its internal Fair Value Specialist, who evaluated the valuation methodology used by the independent expert in carrying out the impairment test, and the reasonableness of the discount rates and the long-term growth rates assumptions. In addition, this independent expert's report has been subject to certain agreed review procedures by KPMG Asesores, S.L.

The most significant assumptions used in the test at 31 December 2018 were as follows:

31 December 2018						
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	7.8%	9.3%	1.7%	6.9%	7.3%	80.9%
Northern Europe	6.0%	7.0%	2.0%	15.5%	56.9%	101.3%
North America	6.1%	7.0%	1.9%	15.9%	24.7%	93.1%
International Markets	9.5%	12.9%	4.0%	8.1%	9.0%	75.0%
Operating	7.8%	9.8%	1.8%	10.2%	2.2%	75.0%

(*) As indicated above, the new 2019-2023 business plan envisages a substantial increase in the investment in advertising, marketing and sales promotions in the initial years and, therefore, cash flows in the projected period are lower than the residual value, which is now stable.

In the test for 2018, the Group's future average growth rate amounted to 2.6% (2017: 1.34%).

The Parent's directors consider that the valuation of the business and assets is not an exact science, but an exercise based on experience and the use of hypotheses that contain a certain degree of subjectivity. Based on the valuation of the impairment test performed by the aforementioned independent expert the Parent's directors consider the conclusions reached therein to be reasonable and adequate. The result of the impairment test gave rise to the recognition of a gross impairment loss for goodwill and the trademarks amounting to EUR 249,439 thousand (EUR 200,970 thousand net of the related tax effect).

The detail, by cash-generating unit, of the carrying amount of the assets (before recognising impairment losses) and their recoverable amount at 31 December 2018 is as follows:

	Thousands of Euros					
	Southern Europe	North America	Northern Europe	International Markets	Operating	Total
Non-current assets, net	139,095	269,160	63,070	79,462	44,192	594,979
Goodwill	-	17,575	-	14,805	6,912	39,292
Current assets	3,246	18,188	7,519	25,826	22,034	76,813
Total assets, net	142,341	304,923	70,589	120,093	73,138	711,084
Recoverable amount	93,043	195,576	31,465	143,043	75,911	539,038
Costs to sell	(930)	(1,956)	(315)	(1,430)	(759)	(5,390)
Excess/(Impairment) net of deferred taxes	(50,228)	(111,303)	(39,439)	21,520	2,014	

The detail of the gross impairment losses and the associated deferred tax liabilities recognised in the consolidated statement of profit or loss for the test performed at 31 December 2018 is as follows:

	Thousands of Euros			
	Southern Europe	North America	Northern Europe	Total
Goodwill (Note 6)	-	17,575	-	17,575
Trademarks (Note 6)	66,155	114,514	51,195	231,864
Gross impairment loss	66,155	132,089	51,195	249,439
Tax effect (Note 14)	(15,927)	(20,786)	(11,756)	(48,469)
Net impairment loss	50,228	111,303	39,439	200,970

The impairment losses amounting to EUR 249,439 thousand were recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2018, and the related tax effect, totalling EUR 48,469 thousand was recognised under "Income Tax" in the consolidated statement of profit or loss for 2018.

At the end of the reporting period, the Parent's management considered all the assumptions used at the date of preparation of the test for impairment at 2018 year-end to be valid, which are based on the Group's historical information, the projections available for the various business areas and the best economic estimates based on available public information and macroeconomic trends.

The Parent's directors consider that no significant events have occurred that require the estimates made at 2018 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 CGU to exceed or be less, significantly, than their recoverable amount.

Set forth below, based on the impairment test performed at 31 December 2018, is the sensitivity analysis performed by the Group on the effect a change in the main assumptions used would have on the recoverable amount of the assets of the CGUs:

Southern Europe CGU

Change in Assumption		Thousands of Euros Increase/(Decrease) of Excess/(Impairment) Weighted Average Cost of Capital (WACC)		
		(0.5%)	Rate Used	0.5%
Future Average Growth Rate	(0.2%) Rate Used 0.2%	(44,454) (41,591) (38,516)	(52,596) (50,228) (47,699)	(59,537) (57,551) (55,441)

Change in Assumption		Thousands of Euros Increase/(Decrease) of Excess/(Impairment) Change in Sales Volume		
		(0.5%)	Rate Used	(0.5%)
Change in Gross Margin	(0.5%) Rate Used 0.5%	(71,379) (52,540) (33,878)	(69,156) (50,228) (31,507)	(66,939) (47,916) (29,137)

Northern Europe CGU

Change in Assumption		Thousands of Euros Increase/(Decrease) of Excess/(Impairment) Weighted Average Cost of Capital (WACC)		
		(0.5%)	Rate Used	0.5%
Future Average Growth Rate	(0.2%) Rate Used 0.2%	(36,161) (34,211) (32,030)	(40,917) (39,439) (37,807)	(44,667) (43,513) (42,254)

Change in Assumption		Thousands of Euros Increase / (Decrease) of Excess / (Impairment) Change in Sales Volume		
		(0.5%)	Rate Used	0.5%
Change in Gross Margin	(0.5%)	(51,503)	(49,700)	(47,897)
	Rate Used	(41,274)	(39,439)	(37,604)
	0.5%	(31,118)	(29,232)	(27,345)

North America CGU

Change in Assumption		Thousands of Euros Increase / (Decrease) of Excess / (Impairment) Weighted Average Cost of Capital (WACC)		
		(0.5%)	Rate Used	0.5%
Future Average Growth Rate	(0.2%)	(92,996)	(119,516)	(140,573)
	Rate Used	(82,248)	(111,303)	(134,123)
	0.2%	(70,269)	(102,269)	(127,099)

Change in Assumption		Thousands of Euros Increase / (Decrease) of Excess / (Impairment) Change in Sales Volume		
		(0.5%)	Rate Used	0.5%
Change in Gross Margin	(0.5%)	(133,561)	(128,648)	(47,897)
	Rate Used	(116,292)	(111,303)	(106,315)
	0.5%	(99,106)	(94,108)	(123,735)

International Markets CGU

Change in Assumption		Thousands of Euros Increase / (Decrease) of Excess / (Impairment) Weighted Average Cost of Capital (WACC)		
		(0.5%)	Rate Used	0.5%
Future Average Growth Rate	(0.2%)	30,351	17,809	7,276
	Rate Used	34,916	21,520	10,342
	0.2%	39,860	25,510	13,618

Change in Assumption		Thousands of Euros Increase / (Decrease) of Excess / (Impairment) Change in Sales Volume		
		(0.5%)	Rate Used	0.5%
Change in Gross Margin	(0.5%)	13,462	14,991	16,521
	Rate Used	19,958	21,520	23,082
	0.5%	26,453	28,049	29,644

Operating CGU

Change in Assumption		Thousands of Euros		
		Increase/(Decrease) of Excess/(Impairment)		
		Weighted Average Cost of Capital (WACC)		
		(0.5%)	Rate Used	0.5%
Future Average Growth Rate	(0.2%)	6,445	203	(5,113)
	Rate Used	8,636	2,014	(3,598)
	0.2%	10,991	3,947	(1,987)

The result of the impairment test is highly sensitive to changes in the key assumptions and, accordingly, the existence of variances in actual growth and earnings as opposed to the estimates envisaged by management in the test may give rise to the need to recognise additional impairment losses or reversals in the future.

2017

For comparison purposes, the most significant assumptions used in the impairment test in 2017, and the results thereof, were as follows:

2017						
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	6.50%	8.31%	0.75%	9.14%	9.26%	82.93%
Northern Europe	5.38%	7.22%	1.45%	16.99%	32.40%	99.33%
North America	6.39%	9.07%	1.50%	17.63%	13.85%	83.66%
International markets	10.00%	13.17%	1.50%	11.99%	12.47%	76.69%
Others	6.50%	8.51%	1.40%	4.40%	7.09%	84.69%

The detail, by cash-generating unit, of the carrying amount of the assets (before recognising impairment losses) and their recoverable amount at 31 December 2017 was as follows:

	Thousands of Euros					
	Southern Europe	North America	Northern Europe	International Markets	Operating	Total
Non-current assets, net	158,100	270,331	62,451	80,545	46,583	618,010
Goodwill	-	43,064	-	14,805	6,912	64,781
Current assets	281	29,581	10,524	23,250	20,595	84,231
Total assets, net	158,381	342,976	72,975	118,600	74,090	767,022
Recoverable amount	160,154	358,124	73,852	147,875	75,429	815,434
Costs to sell	(1,601)	(3,581)	(739)	(1,479)	(754)	(8,154)
Excess/(Impairment) net of deferred taxes	172	11,567	138	27,796	585	40,258

As a result the impairment test performed in 2017 did not disclose any need to recognise impairment losses or reversals on any of the Group's assets.

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 2018 the Group holds two finance for an outstanding amount of EUR 178 thousand (2017: EUR 768 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. As indicated in Note 2.2.1, the financial assets held by the Group companies are classified as:

1. Financial assets at fair value through profit or loss: financial assets acquired by the Group for the purpose of collecting contractual cash flows or for selling; or those that do not consist solely of payments of principal and interest and the business model of which is the sale thereof. Interest income, exchange differences and impairment losses are recognised in the consolidated statement of profit or loss, and the remaining gains or losses are recognised in equity in "Other Comprehensive Income". Any cumulative gain or loss recognised in equity will be reclassified to profit or loss on derecognition.
2. Financial assets at amortised cost: financial assets with contractual cash flows that are solely payments of principal and interest and the business model of which is in turn to hold them in order to collect contractual cash flows. In this case the Group recognises any changes in value that may arise with a charge to the consolidated statement of comprehensive income. Substantially all the Group's financial assets are included in this category.

Transaction costs incurred at the date of acquisition are recognised as an addition to the acquisition cost or as an expense, depending on whether the financial asset associated with the transaction is measured at fair value through comprehensive income or in the consolidated profit or loss account.

The fair value of a financial instrument on a given date is defined as the amount for which it could be bought or sold on that date by two parties that are knowledgeable in the matter, acting freely and prudently and in conditions of mutual independence.

The interest earned on financial assets at amortised cost are recognised in the consolidated statement of profit or loss for based on their effective interest rate. The amortised cost is understood to be the initial cost minus principal repayments or accumulated amortisation, taking into consideration any potential reductions based on the expected credit loss. In this connection, the Group has recognised provisions to cover the risk of uncollectibility. These provisions are calculated in accordance with the expected credit loss based on the credit risk of the customer portfolio.

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.

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 2018 and 2017 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 2018 and 2017 no purchase positions were closed in the olive oil futures market. At 31 December 2018 and 2017, 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 2018 and 2017 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 2018 and 2017 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, accordingly, the Group recognised the appropriate provision under "Provisions" in the consolidated statement of financial position as of 31 December 2018.

The main assumptions used to calculate the provision in 2018 were as follows:

- Effective date: 31 December 2018.
- Mortality tables: PERM/F 2000p.
- Disability rates: not considered.
- Turnover rate: not considered.
- CPI growth: 1%.
- Discount rate: 1.10%, based on market yields on 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 44 thousand (2017: approximately EUR 20 thousand) under "Valuation Adjustments" in equity.

The technical bases for calculating the provision for 2018 were as follows:

- Effective date: 31 December 2018.
- Mortality rate: RG48 mortality table.
- Disability rates: Various tables by age and gender.
- Employee turnover rate: 4%.
- Discount rate: 1.57%.
- *Trattamento di fine rapporto* (TFR) increase rate: 2.625%.
- Early retirement rate: 3%.
- Inflation rate: 1.50%.

At 31 December 2018, in order to meet the cost of these and other obligations to employees described above, the Group had recognised a provision amounting to approximately EUR 2,415 thousand (2017: approximately EUR 2,718 thousand) under "Other Non-Current Liabilities" in the consolidated statement of financial position.

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 2018, the Group had recognized a provision for charges approximately EUR 751 thousand (2017: approximately EUR 1,477 thousand).

Medium-term and long-term variable remuneration ("Long-term incentive plan")

On 5 June 2017, the Parent's Board of Directors approved a remuneration scheme consisting of allocating a specific number of rights to the beneficiaries, including the executive directors, by virtue of which they will be eligible for a certain amount of remuneration based on the selling price of the shares of the Parent held by the Parent's current majority shareholder, whenever those shares are sold.

The Plan began on 5 June 2017 and will end on the date on which the shares representing the ownership interest of the Parent's majority shareholder are transferred; however, as established in the terms and conditions of the Plan, in order for the Plan to be effective, each of the beneficiaries must expressly accept the terms and conditions of the Plan. This condition was met in 2018.

The members of Deoleo's management team were considered to be beneficiaries of the Plan, including the executive directors, and those of the companies that form part of the consolidated Group, as determined by the Board of Directors and at the proposal of the Appointments and Remuneration Committee.

In 2018 no entries were made in the accounting records as a result of the plan since the terms and conditions that would give rise to such recognition thereof were not met.

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:

- Deoleo, S.A.
- 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.

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 2018 and 2017 is as follows:

2018

	Thousands of Euros						
	Beginning Balance	Additions and Charge for the year	Disposals and Reversals	Transfers from Property, Plant and Equipment (Note 7)	Other Transfers	Translation Differences	Ending Balance
Assets:							
Property, plant and equipment	10,287	-	(3,781)	1,955	1,330	2	9,793
Investment property	1,964	-	-	-	(1,330)	-	634
Deferred tax assets	1,830	276	(657)	-	-	-	1,449
Impairment of assets	(8,698)	(1,105)	3,181	-	-	-	(6,622)
Total assets	5,383	(829)	(1,257)	1,955	-	2	5,254
Liabilities:							
Trade and other payables	(400)	-	-	-	-	-	(400)
Total liabilities	(400)	-	-	-	-	-	(400)
Total, net	4,983	(829)	(1,257)	1,955	-	2	4,854

2017

	Thousands of Euros					
	Beginning Balance	Additions and Charge for the year	Disposals and Reversals	Transfers	Translation Differences	Ending Balance
Assets:						
Property, plant and equipment	9,484	(325)	(3,351)	4,184	295	10,287
Investment property	2,253	-	(289)	-	-	1,964
Deferred tax assets	158	1,526	-	146	-	1,830
Other Assets	422	-	-	(422)	-	-
Impairment of assets	(2,203)	(7,658)	1,977	(547)	(267)	(8,698)
Total Assets	10,114	(6,457)	(1,663)	3,361	28	5,383
Liabilities:						
Deferred tax liabilities	(628)	535	66	27	-	-
Government grants	-	-	-	-	-	-
Trade and other payables	(433)	-	-	33	-	(400)
Total liabilities	(1,061)	535	66	60	-	(400)
Total, net	9,053	(5,922)	(1,597)	3,421	28	4,983

The main changes in non-current assets classified as held for sale recognised in 2018 were as follows:

- The Alcolea refinery plant were transferred from property, plant and equipment to non-current assets classified as held for sale at their carrying amount of EUR 1,955 thousand (see Note 7) since they met the requirements to be classified as non-current assets classified as held for sale. In this connection, on the basis of the initial purchase offers received, the Group recognised an impairment loss of EUR 1,105 thousand under "Other Operating Expenses" in the consolidated statement of profit or loss for 2018 (see Note 25), as well as the related deferred tax asset totalling EUR 276 thousand.

- In 2018 the Andújar and Alcolea special product plants were sold for their carrying amount of EUR 600 thousand and, accordingly, no gain or loss arose. Also, the related deferred tax asset amounting to EUR 657 thousand was derecognised.

At 31 December 2018, the detail of non-current assets classified as held for sale included the Voghera production centre (Italy), the Alcolea refinery plant, certain properties located in Villarejo de Salvanés (Madrid) and a land lot 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 2018 and 2017 is as follows:

2018

	Thousands of Euros			
	Beginning Balance	Additions and charges for the year	Disposal and reversal	Ending Balance
Intangible assets:				
Cost-				
Trademarks and licences	898,661	-	-	898,661
Other intangible assets	85,867	-	-	85,867
Computer software	17,447	589	(572)	17,464
	1,001,975	589	(572)	1,001,992
Accumulated amortisation-				
Trademarks and licences	(26,697)	(6,278)	-	(32,975)
Other intangible assets	(39,271)	(4,212)	-	(43,483)
Computer software	(14,804)	(876)	572	(15,108)
	(80,772)	(11,366)	572	(91,566)
Impairment losses recognised-				
Trademarks	(216,654)	(253,115)	-	(469,769)
	(216,654)	(253,115)	-	(469,769)
Net accounting value-				
Trademarks and licences	655,310	(259,393)	-	395,917
Other intangible assets	46,596	(4,212)	-	42,384
Computer software	2,643	(287)	-	2,356
Total Intangible assets, net:	704,549	(263,892)	-	440,657
Goodwill:				
Cost	220,218	-	-	220,218
Impairment losses	(155,437)	(43,064)	-	(198,501)
Net goodwill	64,781	(43,064)	-	21,717

2017

	Thousands of Euros			
	Beginning Balance	Additions and charges for the year	Disposal and reversal	Ending Balance
Intangible assets:				
Cost-				
Trademarks and licences	903,771	-	(5,110)	898,661
Other intangible assets	85,867	-	-	85,867
Computer software	21,254	666	(4,473)	17,447
	1,010,892	666	(9,583)	1,001,975
Accumulated amortisation-				
Trademarks and licences	(25,301)	(6,278)	4,882	(26,697)
Other intangible assets	(35,103)	(4,212)	44	(39,271)
Computer software	(18,737)	(796)	4,729	(14,804)
	(79,141)	(11,286)	9,655	(80,772)
Impairment losses recognised-				
Trademarks	(216,654)	-	-	(216,654)
	(216,654)	-	-	(216,654)
Net accounting value-				
Trademarks and licences	661,816	(6,278)	(228)	655,310
Other intangible assets	50,764	(4,212)	44	46,596
Computer software	2,517	(130)	256	2,643
Total Intangible assets, net:	715,097	(10,620)	72	704,549
Goodwill:				
Cost	220,218	-	-	220,218
Impairment losses	(155,437)	-	-	(155,437)
Net goodwill	64,781	-	-	64,781

The detail of the cost of the fully amortized intangible asset items still in use at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Computer software	12,897	13,054
Other intangible assets	-	408
	12,897	13,462

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.

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, by each of the Group's cash-generating units is as follows:

	Thousands of Euros	
	2018	2017
Cash generating units:		
Southern Europe	105,587	198,365
Northern Europe	28,776	80,476
North America	203,647	321,450
International markets	100,291	101,615
	438,301	701,906

The Parent's directors classify the trademarks as of indefinite useful life, except for four of them, which had a cost of approximately EUR 125,655 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 6,278 thousand was recognised in this connection in the consolidated statement of profit or loss for 2018 and 2017.

As indicated in Note 4.5, in 2018 the Parent's directors performed two impairment tests of its assets, the results of which gave rise to the need to recognise impairment losses for trademarks and rights of use totalling EUR 253,115 thousand (30 June 2018: EUR 21,251 thousand and 31 December 2018: EUR 231,864 thousand) associated with the Southern Europe, Northern Europe and North America CGUs. These impairment losses were recognised under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss for 2018 (see Note 25).

In addition, certain trademarks corresponding to the "Southern Europe" CGU, which had a carrying amount of EUR 100,079 thousand (31 December 2017: EUR 139,489 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:

	Thousands of Euros	
	2018	2017
Cash generating units:		
North America	-	43,064
International Markets	14,805	14,805
Operating	6,912	6,912
	21,717	64,781

As indicated in Note 4.5, in 2018 the Parent's directors performed two impairment tests on its assets, the results of which gave rise to the need to recognise impairment losses on goodwill amounting to EUR 43,064 thousand (30 June 2018: EUR 25,489 thousand and 31 December 2018: EUR 17,575 thousand) associated with the North America CGU. These impairment losses were recognised under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss for 2018 (see Note 25).

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 2018 and 2017 is as follows:

2018

	Thousands of euros							
	Beginning Balance	Additions and charges for the year	Disposals and reversals	Transfer to "Non-Current Assets Classified as Held for Sale" (Note 5)	Transfers Investment Property (Note 8)	Other Transfers	Translation Differences	Ending Balance
Cost:								
Land and buildings	72,615	49	(79)	(2,538)	-	81	-	70,128
Plant and machinery	62,077	1,195	(1,308)	(12,183)	(23)	2,583	-	52,341
Other fixtures, tools and furniture	7,515	44	(103)	(34)	-	11	17	7,450
Computer hardware	2,161	36	(19)	-	-	27	(3)	2,202
Transport equipment	564	-	-	-	-	-	-	564
Other items of property, plant and equipment	199	38	-	-	-	-	-	237
Advances and property, plant and equipment in the course of construction	1,781	2,011	-	-	-	(2,702)	-	1,090
	146,912	3,373	(1,509)	(14,755)	(23)	-	14	134,012
Accumulated depreciation:								
Buildings	(27,340)	(1,130)	20	2.298	-	-	-	(26,152)
Plant and machinery	(41,980)	(2,903)	1,355	10,468	-	-	-	(33,060)
Other fixtures, tools and furniture	(6,461)	(312)	103	34	-	-	(4)	(6,640)
Computer hardware	(1,170)	(157)	17	-	-	-	(2)	(1,312)
Transport equipment	(294)	(2)	-	-	-	-	-	(296)
Other items of property, plant and equipment	(167)	(14)	-	-	-	-	-	(181)
	(77,412)	(4,518)	1,495	12,800	-	-	(6)	(67,641)
Accumulated impairment losses:								
Land and buildings	(9,571)	(184)	-	-	-	-	-	(9,755)
Plant and machinery	-	(384)	-	-	-	-	-	(384)
	(9,571)	(568)	-	-	-	-	-	(10,139)
Net balance	59,929	(1,713)	(14)	(1,955)	(23)	-	8	56,232

2017

	Thousands of euros							
	Beginning Balance	Additions and charges for the year	Disposals and reversals	Transfer to "Non-Current Assets Classified as Held for Sale" (Note 5)	Transfers Investment Property (Note 8)	Other Transfers	Translation Differences	Ending Balance
Cost:								
Land and buildings	73,758	206	(625)	(728)	-	4	-	72,615
Plant and machinery	72,279	4,076	(8,023)	(10,343)	1,668	2,420	-	62,077
Other fixtures, tools and furniture	7,833	219	(153)	(252)	-	-	(132)	7,515
Computer hardware	2,085	121	(45)	-	-	-	-	2,161
Transport equipment	568	-	(3)	-	-	-	(1)	564
Other items of property, plant and equipment	199	-	-	-	-	-	-	199
Advances and property, plant and equipment in the course of construction	2,019	1,958	-	-	-	(2,196)	-	1,781
	158,741	6,580	(8,849)	(11,323)	1,668	228	(133)	146,912
Accumulated depreciation:								
Buildings	(27,286)	(1,145)	506	585	-	-	-	(27,340)
Plant and machinery	(50,385)	(2,743)	5,834	6,704	(1,162)	(228)	-	(41,980)
Other fixtures, tools and furniture	(6,688)	(266)	152	252	-	-	89	(6,461)
Computer hardware	(1,054)	(161)	45	-	-	-	-	(1,170)
Transport equipment	(292)	(3)	1	-	-	-	-	(294)
Other items of property, plant and equipment	(152)	(15)	-	-	-	-	-	(167)
	(85,857)	(4,333)	6,538	7,541	(1,162)	(228)	89	(77,412)
Accumulated impairment losses:								
Land and buildings	(10,126)	-	-	555	-	-	-	(9,571)
	(10,126)	-	-	555	-	-	-	(9,571)
Net balance	62,758	2,247	(2,311)	(3,227)	506	-	(44)	59,929

7.1 Additions, transfers and disposals

In 2018 expenditure on property, plant and equipment amounted to approximately EUR 3.4 million, which relates mainly to the modernisation and expansion of facilities and machinery at Alcolea and Tavarnelle.

The main disposal related to the sale on 13 November 2018 of the Andújar biodiesel plant belonging to the Group company Cogeneración de Andújar, S.A. for EUR 700 thousand. The sale gave rise to a gain of EUR 700 thousand, which was recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2018 (see Note 23). Also, the other disposals gave rise to a net gain of EUR 84 thousand (see Note 23).

In 2018 the Group recognised an impairment loss for all the non-current assets associated with sauce production which at 31 December 2018 were not in use. This impairment loss totalling EUR 568 thousand was recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2018 (see Note 25).

In December 2018 the decision was taken make the Alcolea refinery plant available for sale. As a result, this asset was reclassified to "Non-Current Assets Classified as Held for Sale" for its carrying amount of EUR 1,955 thousand (see Note 5).

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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Buildings	7,658	8,036
Plant and machinery	82,567	87,406
Other fixtures, tools and furniture	15,325	14,852
	105,550	110,294

7.3 Other disclosures

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 2018 the property, plant and equipment were fully insured against these risks.

8. Investment property

The changes in "Investment Property" in 2018 and 2017 were as follows:

	Thousands of euros
Balance at 31 December 2016	10,318
Depreciation charge	(2,044)
Transfers to Property, Plant and Equipment	(506)
Additions	25
Disposals	(267)
Reversals Impairment losses	4,092
Balance at 31 December de 2017	11,618
Depreciation charge	(1,591)
Transfers from Property, Plant and Equipment (Note 7)	23
Reversals Impairment losses (Note 23)	1,452
Balance at 31 December 2018	11,502

The detail of "Investment Property" is as follows:

	Thousands of Euros
	Net
Land Chinchón	318
Real estate assets - Inveruno plant (Italy)	11,184
	11,502

The reversal of the impairment in 2018 relates to the Parent's directors' assessment of the recoverability of the assets of the Inveruno plant (Italy), based on their best estimate of their recoverable amount in accordance with the criteria established in Note 4.4.

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

At 31 December 2018, 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 2018 was approximately EUR 236 thousand (31 December 2017: EUR 694 thousand), the present value of the associated liabilities being approximately EUR 178 thousand at 31 December 2018 (31 December 2017: approximately EUR 768 thousand).

Additionally, the Group leases offices, machinery, equipment, vehicles and facilities under operating leases with terms that extend through 2024. Operating lease expenses amounted to EUR 3,463 and 3,605 thousand in 2018 and 2017 respectively.

10. Financial assets

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

	Thousands of Euros	
	2018	2017
Non-current:		
Available-for-sale financial assets -		
At cost	228	231
Other financial assets	9,865	6,333
	10,093	6,564
Current:		
Derivative financial instruments (Note 11)	54	573
Held-to-maturity investments	6,289	6,553
Other financial assets	1,880	1,155
	8,223	8,281

"Non-Current Financial Assets - Other Financial Assets" includes long-term deposits and guarantees. In 2017 this heading included mainly the payments amounting to EUR 4,999 thousand relating to the customs inspections of Carapelli Firenze carried out in prior years (see Note 20.1). Also, in 2018 a deposit of EUR 3,921 thousand was recognised under this heading in relation to the request for the refund of the grant awarded by the Andalusia Energy Agency to the subsidiary Congeneración de Andújar, S.A., which the Group has appealed against (see Note 21).

The current "Held-to-Maturity Investments" relate to term deposits maturing at between three and twelve months.

"Other Current Financial Assets" includes mainly the amount receivable arising from the sale in 2017 of the plants and facilities of the subsidiary Deoleo Industrial México, S.A. de C.V. for an amount of EUR 849 thousand and the amount receivable arising from the sale in 2018 of the biodiesel plant of the subsidiary Cogeneración de Andújar, S.A. for EUR 525 thousand (see Note 7.1).

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 2018 and 2017 is as follows:

	Thousands of euros			
	2018		2017	
	Financial Assets (Note 10)	Financial Liabilities (Note 18)	Financial Assets	Financial Liabilities
Current:				
Foreign currency	54	153	573	222
	54	153	573	222
Total derivatives recognised	54	153	573	222

All the derivative financial instruments held by the Group at 31 December 2018 are considered to be financial hedges but not accounting hedges. The effect of the changes in fair value of the financial instruments, together with EUR 88 thousand corresponding to other changes due to the settlement of derivatives, was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss as an expense amounting to approximately EUR 538 thousand (31 December 2017: income of EUR 609 thousand) (see Note 26). The credit and counterparty risk adjustment at 31 December 2018 is not significant.

11.1 Interest rate derivatives

The Group had not designated hedging relationships at 31 December 2018 (neither did it have hedge accounting relationships at 31 December 2017).

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.

	Average Exchange Rate (Euro)		Thousands Foreign Currency		Thousands of Euros Notional Amount		Fair Value	
	2018	2017	2018	2017	2018	2017	2018	2017
Currency:								
US Dollar	1.17	1.18	9,305	18,915	9,294	16,082	(145)	329
Australian Dollar	-	1.53	-	199	-	130	-	-
Canadian Dollar	1.53	1.50	2,518	6,314	1,657	4,212	46	22
					10,951	20,424	(99)	351

The notional amount of all the foreign exchange forward contracts existing at 31 December 2018 was approximately EUR 10,951 million (2017: EUR 20,424 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 on the value of the hedges at 31 December 2018 of a +/-1% change in the EUR/USD exchange rate would be 1%, as they are not leveraged. The overall impact, including the hedged item, would be neutral.

12. Inventories

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

	Thousands of Euros	
	2018	2017
Goods held for resale	866	881
Raw materials and other goods held for conversion	24,514	25,763
Work in progress	10,036	16,881
Finished goods	59,239	68,258
	94,655	111,783
Inventory write-downs	(1,872)	(1,993)
	92,783	109,790

The changes in inventory write-downs in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Beginning balance	1,993	1,582
Charge for the year (Note 25)	1,564	2,179
Amounts used	(227)	(408)
Reversals (Note 23)	(1,485)	(1,313)
Translation differences	27	(47)
Ending Balance	1,872	1,993

At 31 December 2018, the Group had raw material purchase commitments amounting to approximately EUR 21,709 thousand (31 December 2017: approximately EUR 68,270 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 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Trade receivables	80,391	98,290
Accounts receivable	261,279	261,186
Advances to suppliers	742	683
Advances to employees	35	24
Tax receivables (Note 14)	10,301	15,270
Impairment losses and allowances for uncollectible amounts	(286,196)	(285,585)
	66,552	89,868

13.1 Trade receivables

"Trade Receivables" in the accompanying consolidated statements of financial position at 31 December 2018 and 2017 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 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Less than 30 days	14,599	18,492
From 31 to 60 days	3,804	5,334
From 61 to 120 days	2,634	1,426
More than 120 days	1,210	582
	22,247	25,834

13.2 Accounts receivable

At 31 December 2018 and 2017, "Accounts Receivable", included approximately EUR 250 million of receivables from companies related to former directors of the Parent, which were 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 2018 the Group entered into various factoring agreements for its accounts receivable amounting to approximately EUR 78,000 thousand (31 December 2017: EUR 70,057 thousand), of which approximately EUR 28,193 thousand had been drawn down at 31 December 2017 (31 December 2017: EUR 39,472 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 11,259 thousand due to the factoring of accounts receivable, since the requirements for derecognition had been met at 31 December 2018 (31 December 2017, approximately EUR 12,359 thousand); 16,934 thousand were therefore recorded under "Current Bank Borrowings" in this connection (EUR 27,113 thousand were recognised under "Bank Borrowings" in this connection on 31 December 2017) (see Note 18.3).

13.4 Impairment losses

The changes in impairment losses and allowances for uncollectible amounts in the years ended 31 December 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Beginning Balance	285,585	281,665
Impairment loss recognised on initial application of IFRS 9	296	-
Adjusted balance at 1 January 2018	285,881	281,665
Charge for the year (Note 25)	815	274
Allowances used	(480)	(59)
Reversals in the year (Note 23)	(32)	(34)
Transfers on long-term provisions	-	902
Other movements and transfers without any impact on the result	-	2,848
Translation differences	12	(11)
Balance at 31 December 2018	286,196	285,585

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 and payable at 31 December 2018 and 2017 is as follows:

Debit Balances	Thousands of Euros	
	2018	2017
Non-current:		
Deferred tax assets	43,240	56,026
	43,240	56,026
Current:		
Current income tax assets	2,791	2,234
Sundry tax receivables-		
VAT receivable	9,673	14,858
Prior years' income tax refundable	398	398
Other	217	12
Social security taxes refundable	13	2
	13,092	17,504

Credit Balances	Thousands of Euros	
	2018	2017
Non-current:		
Deferred tax liabilities	85,305	143,825
	85,305	143,825
Current:		
Current income tax liabilities	491	541
Accrued social security taxes payable	784	763
Sundry tax payables-		
VAT payable	266	511
Tax withholdings payable	1,268	1,622
Other tax payables	71	211
	2,880	3,648

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:

	Miles de Euros	
	2018	2017
Current tax	4,281	2,956
Adjustments to prior years' taxes	(289)	(815)
Deferred taxes:		
Impact of tax rate reduction	-	1,027
Temporary differences originated and reversed	(44,685)	(10,924)
Total income tax expense	(40,693)	(7,756)

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:

	Miles de Euros	
	2018	2017
Loss for the year before tax	(331,758)	(26,112)
Estimated income tax benefit at the tax rate of the Parent	(82,940)	(6,528)
Effect of difference in tax rate of companies abroad	3,683	971
Net non-deductible expenses	19,957	8,368
Adjustment of deferred tax assets and liabilities	18,896	(10,779)
Impact of tax rate reduction	-	1,027
Differences arising in prior years	(289)	(815)
Tax income	(40,693)	(7,756)

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. At 31 December 2018, the reversal of the impairment of the portfolio led to a positive adjustment to the tax base of EUR 10,895 thousand, of which EUR 21,789 thousand had not yet been reversed in the next two years.

In addition, net non-deductible expenses include unrecognised temporary differences for 2018 arising mainly from the limitation on the deductibility of finance costs, which particularly affects the Parent, with an impact of approximately EUR 5,974 thousand on the tax charge (2017: EUR 7,671 thousand), as well as other net adjustments.

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:

2018

	Thousands of Euros					
		Recognised with a Charge to Income Statement				
	Beginning Balance	Increases	Decreases	Transfers and Other Changes	Translation differences	Ending balance
Assets:						
Tax loss carryforwards	17,114	384	(6,284)	(78)	14	11,150
Tax credits recognised	28,191	179	(8,517)	-	5	19,858
Other	10,721	3,593	(2,228)	78	68	12,232
	56,026	4,156	(17,029)	-	87	43,240
Liabilities:						
Trademarks and Goodwill and other intangible assets	140,642	493	(58,662)	-	-	82,473
Property, plant and equipment and other	3,183	17	(368)	-	-	2,832
	143,825	510	(59,030)	-	-	85,305

2017

	Thousands of Euros						
		Recognised with a Charge to Income Statement					
	Beginning Balance	Increases	Decreases	Transfer to "Non-Current Assets Classified as Held for Sale" and Other	Results for Upgrade Tax Rate	Translation differences	Ending balance
Assets:							
Tax loss carryforwards	18,500	-	(1,386)	-	-	-	17,114
Tax credits recognised	22,073	3,086	-	3,032	-	-	28,191
Other	14,598	6,404	(4,360)	(4,704)	(1,027)	(190)	10,721
	55,171	9,490	(5,746)	(1,672)	(1,027)	(190)	56,026
Liabilities:							
Trademarks and Goodwill and other intangible assets	147,537	1,024	(7,919)	-	-	-	140,642
Property, plant and equipment and other	3,468	320	(605)	-	-	-	3,183
	151,005	1,344	(8,524)	-	-	-	143,825

As indicated in Note 4.5, and as a result of the Group's new business plans, the Parent carried out a recoverability test of the tax loss carryforwards and tax credit and tax credit rights, and estimated the recoverable amount at 31 December 2018 at EUR 8,536 thousand and EUR 19,674 thousand, respectively. In this connection, the Parent recognised an expense of EUR 6,186 thousand and EUR 8,517 thousand by reducing the recoverable amount of the tax loss carryforwards and tax credit and tax credit rights, respectively, under "Income Tax" in the consolidated income statement for 2018.

Also included are tax credits for losses to be offset by the subsidiaries Carapelli Firenze, S.p.A., Deoleo, USA, Inc. and Deoleo Comercial de México, S.A. de C.V. amounting to EUR 1,930 thousand, EUR 396 thousand and EUR 288 thousand, respectively, as well as tax credits and tax relief from Deoleo USA, Inc. amounting to EUR 184 thousand.

The increases in deferred tax assets under "Other Items" relate mainly to the tax impact of the consolidation adjustment due to the elimination of the commercial margin of the subsidiaries' inventories on sales between Group companies, amounting to EUR 2,673 thousand. Derecognition of deferred tax assets relates mainly to changes in the year in accounting and tax differences in depreciation and other provisions, including the provision for Class Action amounting to EUR 1,431 thousand (see Note 20).

With respect to deferred tax liabilities, the net decrease relates to the difference between amortization and impairment for accounting purposes and the amortization and impairment for tax purposes of trademarks and rights of use and goodwill. As indicated in Note 4.5, the tax effect of the two impairment tests on non-financial assets performed in 2018 was a reduction in deferred tax liabilities: (i) trademarks and rights of use amounting to EUR 47,006 thousand and (ii) goodwill amounting to EUR 10,766 thousand.

At the end of 2018 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
2006	1,187
2007	20,840
2008	25,547
2009	415,502
2010	51,782
2011 (*)	41,553
2015 (*)	1,703
2017 (*)	1,640
2018 (*)	16,819
	576,573

(*) Tax loss carryforwards of tax consolidated group relating to Deoleo, S.A.

Deductions

Year Generated	Thousands of Euros
2009	18,606
2010	1,330
2011	299
2012	3,534
2013	10,641
2014	4,510
2015	175
2016	121
2017	83
2018	31
	39,330

Pursuant to the tax laws in force, the tax loss carryforwards declared in the year may be offset for tax purposes against the profits obtained with no time limit for Spanish entities. However, the final amount to be offset in relation to the aforementioned tax losses may be modified as a result of the audit of the years in which they arose by the tax authorities.

Also, the deferred tax assets indicated above were recognised in the balance sheet because the Parent's directors considered that, based on their best estimate of the Parent's future earnings, it is probable that these assets will be recovered.

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	
	2018	2017
Deferred Tax Assets:		
Temporary differences	54,596	53,186
Tax loss carryforwards	135,607	125,667
Tax credit carryforwards	19,656	12,135
	209,859	190,988

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.

14.5 Tax inspections

In 2011 and 2012 provisional tax assessments were received from the Italian tax authorities for various items, amounting to EUR 9,146 thousand and EUR 6,912 thousand, respectively. The Group filed the corresponding appeals, and obtained favourable judgments at first and second instance in the first case, and at first instance in the second case. In 2018, a favourable ruling was also obtained in the second instance for the second case. The Italian tax authority has filed a cassation appeal. The Parent's directors consider that the Group has valid arguments to defend the accounting treatment applied, which would result in no impact on the Group's equity.

In 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 inward processing system (IPS), whereby all the IPS authorisations and transactions issued from 2010 to 2012 were rendered null and void, and payment of EUR 62.3 million was sought, including customs duties, VAT, interest and a penalty. Of this amount, the Group paid EUR 4,999 thousand in prior years, and suspension of the payment of the remainder was granted. During the years 2015 to 2017, various resolutions have been received for all the amounts claimed in which the appeals filed by the Group were accepted and the open minutes were rejected, however, they were appealed. In 2018 a favourable ruling was obtained, but the opposing party filed an appeal in cassation. The Parent's directors consider that the Group has valid arguments to defend the accounting treatment applied, which would result in no impact on the Group's equity.

In addition, in 2014 the Milan 2 Customs Office notified the subsidiary Carapelli Firenze, S.p.A. of the opening of a notification relating to the RPA claiming payment of EUR 2,768 thousand. The Group provisioned this amount in previous years on receipt of unfavourable judgments in the first instance, which have been appealed. 465 thousand were paid in 2016 and applied against the provision, and the suspension of payment was granted upon presentation of guarantees. A favourable ruling was obtained in 2018, but it is necessary to wait for the Appeal of Cassation. At 31 December 2018, the provision for this claim amounted to EUR 2,303 thousand.

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 2018, the Parent and the subsidiaries have open for review by the tax authorities the principal taxes presented that are applicable to it for the last four years, with the exception of import VAT and customs duties (import duties) for the year 2015 of the Parent Company. On the other hand, the following are being inspected at the Parent: (i) the special taxes (Alcohol Tax) for 2016 relating to the vinegar activity, (ii) the Tax on Economic Activities relating to Alcolea (2015 to 2018) and Villarejo de Salvanés (2014 to 2018) and (iii) with respect to the Tax Group's 2014 Corporate Tax, certain aspects declared in 2014 are being reviewed, at the Parent's request, which are affected by adjustments made by the General Inspection from 2011 to 2013.

The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, 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	
	2018	2017
Cash on hand and at banks	47,947	16,831
	47,947	16,831

At 31 December 2018 bank accounts and deposits held by the Group, included under "Cash and Cash Equivalents" and "Other Current Financial Assets", amounting to approximately EUR 46,509 thousand had been pledged (2017: EUR 20,777 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 2018 and 2017 were as follows:

	Number of Shares	
	2018	2017
Shares at beginning of year	1,154,677,949	1,154,677,949
Capital increase	250,180,220	-
Shares at end of year	1,404,858,169	1,154,677,949

On 6 April 2018, the Parent's Board of Directors resolved to prepare a capital increase, with pre-emption rights, of EUR 25 million. In this connection, on 30 October 2018 the public deed was executed to increase capital by EUR 25,018,022.00 through the issuance of 250,180,220 shares of EUR 0.10 par value each. The aforementioned public deed was duly registered in the Córdoba Mercantile Register.

At 31 December 2018, 1,404,858,169 fully subscribed and paid shares of EUR 0.10 par value each represented the Parent’s share capital, 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	2018		2017	
	Number of Shares	% of Ownership	Number of Shares	% of Ownership
CVC Capital Partners VI Limited (1)	792,346,473	56.40%	577,454,442	50.01%
Fundación Bancaria Unicaja (2)	126,145,189	8.98%	116,145,186	10.06%
Fundación Bancaria Caixa D´Estalvis I Pensions de Barcelona (3)	57,618,350	4.10%	57,618,350	4.99%
Bilbao Bizkaia Kutxa Fundación Bancaria (4)	55,886,491	3.98%	55,886,491	4.84%
Daniel Klein (5)	34,080,537	2.43%	34,080,537	2.95%
Mao Holdings (Cayman) Limited	19,350,000	1.38%	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	
	2018	2017
Non-current bank borrowings (Note 18)	541,302	504,161
Current bank borrowings (Note 18)	19,675	30,712
Financial liabilities due to issue of marketable securities (Note 18)	42,453	42,453
Other non-current financial liabilities (Note 18)	735	1,215
Total financial debt	604,165	578,541
Less- Cash and cash equivalents (Note 15)	(47,947)	(16,831)
Net debt (a)	556,218	561,710
Equity	35,310	299,831
Total capital	591,528	861,541
Net debt/total capital ratio	94.0%	65.2%

(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 at 31 of December 2018 and 2017 amounts to EUR 6,289 thousand and EUR 6,553 thousand, respectively (see Note 10).

16.2 Other reserves

The detail of "Other Reserves" at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Legal reserve	10,184	10,184
Other reserves	47,639	47,800
	57,823	57,984

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 2018, the Parent's legal reserve had not reached 20% of share capital. However, once the planned capital reduction has been carried out, aimed at restoring the equity balance of the Parent mentioned in Note 2.7, the Parent Company's legal reserve will be fully consolidated since 20% of the resulting new share capital has been reached. In this sense, the Parent will have 7,374 thousand of excess legal reserve over the aforementioned mandatory minimum.

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 section 6 of this Note).

16.3 Shares of the Parent

At 31 December 2018 and 2017, 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 2018, 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 2017	(6,795)
Translation differences arising from financial statements of foreign operations	(10,702)
Balance at 31 December 2017	(17,497)
Translation differences arising from financial statements of foreign operations	1,865
Balance at 31 December 2018	(15,632)

16.5 Valuation adjustments

"Valuation Adjustments" in the accompanying consolidated statement of financial position at 31 December 2018 reflects the revaluation of derivative financial instruments that qualify for hedge accounting. The changes therein were as follows:

	Thousands of Euros
	Actuarial Losses and Gains
Balance at 1 January 2017	(294)
Adjustment due to change in assessment	349
Balance at 31 December 2017	55
Adjustment due to change in assessment	44
Balance at 31 December 2018	99

16.6 Dividends and restrictions on the distribution of dividends

In 2018 and 2017, 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.

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:

	Euros	
	2018	2017
Loss for the year attributable to holders of equity instruments of the Parent (in euros)	(291,065,000)	(18,356,000)
Weighted average number of ordinary shares outstanding (number of securities)	1,197,174,315	1,154,677,949
Basic loss per share	(0.243)	(0.016)

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

	Average Number of Shares	
	2018	2017
Ordinary shares outstanding at the beginning of the year	1,154,677,949	1,154,677,949
Capital increase as October 30 2018	250,180,220	-
Ordinary shares outstanding at year end	1,404,858,169	1,154,677,949
Weighted average number of ordinary shares outstanding at 31 December	1,197,174,315	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	
	2018	2017
Financial liabilities due to issue of marketable securities	42,453	42,453
Non-current:		
Measured at amortised cost-		
Loan	549,000	515,000
Loan arrangement expenses	(7,698)	(10,839)
Total loan	541,302	504,161
Total non-current bank borrowings	541,302	504,161
Other interest-bearing financial liabilities	735	1,215
Total other interest-bearing financial liabilities	735	1,215
Current:		
Other bank borrowings	17,906	28,121
Other interest-bearing financial liabilities	1,616	2,369
Measured at fair value-		
Derivative financial instruments (Note 11)	153	222
Total current bank borrowings	19,675	30,712

18.1 Long-term loan

At 31 December 2018, "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 EUR 34 million had been drawn down as of December, 2018 and fall due in 6 years.

Bullet repayment applies to all tranches.

The interest rate differs for each tranche of financing and they all bear at Euribor plus a spread; the weighted average spread amounted to 376 basis points. The financing does not require covenants to be achieved, except in the case the revolving line of credit; if more than EUR 60 million is drawn down against this facility, the Group must achieve a debt/EBITDA ratio of less than 7.75x. In April 2018, without increasing the total drawable amount of the revolving line of credit, the limit on the drawable amount was increased from EUR 35 million to EUR 60 million without achievement of the aforementioned covenant being mandatory. No drawdowns against the aforementioned revolving line of credit above the threshold requiring the aforementioned ratio to be achieved were made either in 2018 or between 31 December 2018 and the date of authorisation for issue of these consolidated financial statements.

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 2018, 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 for the year, the Group did not recognise a provision for the interest borne in 2018 payable to the holders of preference shares. In 2017 no provision was recognised in this connection either.

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 2018 and 2017, 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.

18.3 Other non-current bank borrowings

"Other Bank Borrowings" under current liabilities includes mainly a reverse factoring agreement (classified as a financial reverse-factoring arrangement) entered into on 3 March 2016, against which EUR 1,094 thousand had been drawn down at 31 December 2018 (31 December 2017: EUR 5,174 thousand), and the Group's liabilities under factoring agreements arranged with various banks. EUR 15,840 thousand had been drawn down against the factoring lines at 31 December 2018 (31 December 2017: EUR 21,939 thousand) (see Note 13.3).

This line item also includes accrued interest payable amounting to EUR 972 thousand (31 December 2017: EUR 1,230 thousand).

19. Trade and other payables

The detail of "Trade and other payables" in the consolidated statements of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Trade payables	57,955	82,692
Other payables:		
Remuneration payable	5,126	3,477
Accrued social security taxes payable (Note 14)	784	763
Payable to public authorities (Note 14)	1,605	2,344
Customer advances	100	21
Accruals and deferred income	2	37
	65,572	89,334

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.

	Days	
	2018	2017
Average period of payment to suppliers	53	55
Ratio of transactions settled	53	54
Ratio of transactions not yet settled	59	65

	Thousands of Euros	
	2018	2017
Total payments made	432,796	410,202
Total payments outstanding	34,673	52,397

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 2018 and 2017 were as follows:

	Thousands of Euros
Balance at 1 January 2017	18,448
Provisions recognised	116
Provisions used	(4,654)
Reversals of provisions	(53)
Transfers	(902)
Total long-term provisions at 31 December 2017	12,955
Provisions recognised	2,721
Provisions used	(1,173)
Reversals of provisions	(3,419)
Total long-term provisions at 31 December 2018	11,084

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. In relation to the total amount of the tax assessments received, which were fully provisioned, the Group made the appropriate submissions in order for the tax assessment claims to be dismissed, amounting to EUR 2,357 thousand. In 2018, a provision related to finance costs of EUR 187 thousand have been recognised, amounting the provisioned balance to EUR 2,544 thousand.

In addition, in 2014 the Milan 2 customs office notified the subsidiary Carapelli Firenze, S.p.A. of the opening of a notification proceeding in relation to the IPS seeking payment of EUR 2,768 thousand. The Group recognised a provision for this amount in prior years, as it received unfavourable judgements at first instance, which were appealed against. In 2016 EUR 465 thousand of the provision were used and suspension of the payment was granted as guarantees were provided. A decision was handed down in favour of the Parent in 2018 although this decision is not final until the judgment is handed down in the cassation appeal. At 31 December 2018, the provision recognised for this claim amounted to EUR 2,303 thousand.

In 2015 and 2016 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. The total provisions for quality inspections recognised in the consolidated statement of financial position amounted to EUR 3,994 thousand. In 2018 notification was received from the Italian authorities that one of the inspection assessments amounting to EUR 2,094 thousand had been dismissed without incurring penalties and, accordingly, the reversal of the related provision was recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2018. At 31 December 2018, the provision recognised for the assessment not yet settled amounted to EUR 1,900 thousand.

In 2018 the Group recognised additional provisions amounting to EUR 2,534 thousand for certain contingencies and litigation. These provisions were recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2018.

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.

The changes in the short-term provisions in 2018 and 2017 were as follows:

	Thousands of Euros
Balance at 1 January 2017	327
Provisions recognised	5,838
Provisions used	(294)
Total short-term provisions at 31 December 2017	5,871
Provisions recognised	-
Provisions used	(5,863)
Balance at 31 December 2018	8

In August 2017 a court judgment resolved that a claim filed by a single consumer in 2014 against the subsidiary Deoleo USA, Inc. was to be handled on a class action basis. This claim was based on alleged charges related to certain products sold in the State of California.

Although the Group objected strongly to this claim, as it understood that it lacked substance, the Parent's directors negotiated an out-of-court settlement amounting to USD 7 million (approximately EUR 5.8 million). Although, under no circumstances does the Deoleo Group admit its culpability with regard to the events subject to claim, nor has a court judgment been issued against it in this connection, the Group's consolidated financial statements as at 31 December 2017 included a provision for the aforementioned amount under "Provisions".

In August 2018 the competent court handed down its decision giving its definitive approval of the proposed out-of-court settlement, a resolution which definitively concludes the proceeding and any future claim related thereto. In this connection, the Group paid USD 7 million, which was used to pay the court costs of the claimants and the individual claims that may have been substantiated.

20.2 Contingent assets and contingent liabilities

20.2.1 Legal proceedings against former directors

On 26 September 2016, the Central Court of Examination no. 4 issued an order to commence trial whereby it was resolved to consider submitted a charge against the former CEOs and other natural persons, and against the entities sued (held liable for third-party claims), for alleged offences of cumulative and highly aggravated misappropriation, cumulative and highly aggravated embezzlement, corporate offences, criminal breach of duty owed by de facto and de iure directors, forgery of corporate documents, cumulative money laundering, dealings in assets with a view to defrauding creditors, market- and consumer-related offences and accessory after the fact.

The handling of the case was entrusted to Section 3 of the National Appellate Court, Case number 5/2017, for which the date of trial has not yet been scheduled.

All the balances claimed from the persons against which the criminal complaint was brought are fully provisioned; however, the Group does not eliminate the possibility of recovering those balances through the legal actions brought before the Central Court of Examination of the National Appellate Court.

More detailed information on the proceeding and the persons and entities against which the claims are filed appears in the notes to the financial statements for previous years, and there were no significant changes in this connection in 2018.

20.2.2 Demands for payment by German banks

A full summary of the claims of HSH NORDBANK and LANDESBANK BADEN WÜRTEMBERG and of the proceedings brought before the Courts of First Instance No. 1 and No. 3 of Arganda del Rey is detailed in the notes to the financial statements for previous years.

The Parent maintains its view that the drafts lack validity for the Company and that simulation of the guarantee constitutes an offence of forgery of documentation; therefore, both the Company, by means of private prosecution, and the Public Prosecutor's Office submitted a charging instrument in relation to this matter and in both cases sought a declaration of the nullity of the aforementioned negotiable instruments. Accordingly, the order to commence trial issued by the Central Court of Examination no. 4 of the National Appellate Court also handled the court proceedings against the German entities for their involvement in the creation and endorsement of these negotiable instruments, and demanded from them, in a separate subfile relating to third-party liability, a guarantee to meet the potential third-party liability that may be adjudged, for an amount equivalent to that of the drafts.

The Civil Courts, which are aware of the claims of these entities, to which the Company has objected, resolved to stay the proceeding until a judgment is delivered by the criminal courts in this connection.

With regard to these proceedings, it is impossible to determine the outcome of the litigation or provide an estimate as to any amount that may arise therefrom, as its resolution is conditional upon the decision to be taken both in these proceedings and in the criminal proceeding related to the previous point of this document (legal proceedings against former directors) by the judicial authority and, therefore, it is beyond the Parent's control. There were no significant changes in this connection in 2018.

21. Government grants

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

	Thousands of Euros
At beginning of year 2017	4,013
Other changes	(92)
At end of year 2017	3,921
Other movements	-
Amount at 31 of December 2018	3,921

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 2016 in the consolidated statement of profit or loss. In 2018 a deposit was recognised for this amount until the final decision is handed down for the proceedings in progress (see Note 10).

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 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Grants related to income	28	25
Leases	433	904
Gains on sale of items of property, plant and equipment (Note 7)	784	50
Gains on non-current assets classified as held for sale	-	5,143
Reversal of impairment losses:		
Investment property (Note 8)	1,452	4,092
On inventories and accounts receivable (Notes 12 and 13.4)	1,517	1,347
Other income	5,838	3,226
	10,052	14,787

24. Staff costs

The detail of "Staff Costs" in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Wages, salaries and similar expenses	32,386	32,304
Termination benefits	1,199	6,354
Social security contributions and other employee benefit costs	10,493	8,948
	44,078	47,606

The average number of employees at the Group in 2018 and 2017, by professional category and gender, was as follows:

	Number of Employees					
	2018			2017		
	Total	Men	Women	Total	Men	Women
Executives	53	39	14	49	36	13
Clerical supervisors	91	50	41	79	43	36
Skilled employees	61	42	19	74	54	20
Sales staff	123	102	21	109	87	22
Clerical staff	168	56	112	147	46	101
Factory staff	110	95	15	129	108	21
	606	384	222	587	374	213

At 31 December 2018 and 2017, all the members of the Board of Directors of the Parent were men.

The number of employees, by professional category and gender, at the end of 2018 and 2017 was as follows:

	Number of Employees					
	2018			2017		
	Total	Men	Women	Total	Men	Women
Executives	51	36	15	48	35	13
Clerical supervisors	92	50	42	78	42	36
Skilled employees	67	43	24	66	48	18
Sales staff	147	120	27	103	85	18
Clerical staff	190	66	124	142	42	100
Factory staff	103	92	11	99	84	15
	650	407	243	536	336	200

The average number of people employed by the Group's Spanish companies in 2018 and 2017 with a level of disability of 33% or more, by professional category, was as follows:

Category	Number of Employees	
	2018	2017
Clerical supervisors	1	1
Skilled employees and factory staff	2	2
	3	3

25. Other expenses

The detail of "Other Operating Expenses" is as follows:

	Thousands of Euros	
	2018	2017
Impairment losses:		
On non-current assets classified as held for sale (Note 5)	1,105	7,658
On intangible assets (Note 6)	296,179	-
On property, plant and equipment (Note 7)	568	1,695
On inventories and accounts receivable (Notes 12 and 13.4)	2,379	2,453
Losses on disposals non-current assets as held for sale	-	111
Other expenses	89,626	90,916
	389,857	102,833

26. Finance income and costs

The detail of "Finance Income" and "Finance Costs" in the years ended 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Finance income:		
Gains on foreign currency transactions	8,679	13,399
Arising from measurement at fair value of derivative instruments	-	609
Other finance income	1,055	55
	9,734	14,063
Finance costs:		
Debt arrangement expenses - syndicated loan	3,319	3,142
On bank borrowings	28,290	26,493
Losses on foreign currency transactions	9,695	8,214
Due to valuation at fair value of derivative instruments (Note 11)	538	-
IRS settlement and other hedging instruments	-	406
Losses on long-term debt securities	-	101
Losses on liquidation of subsidiaries	-	192
Other financial expenses	355	942
	42,197	39,490

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 2018 and 2017 is as follows:

	Thousands of Euros	
	Other Related Parties Shareholders	
	2018	2017
Current financial assets:		
Cash and cash equivalents	18	14
Accounts receivable:		
Accounts receivables	646	1,086
Non-Current payables:		
Non-current payables (Note 18.3)	(4,000)	-
Trade and other payables:		
Payable to suppliers	(42)	(185)
Advances to suppliers	57	-

The Group recognises allowances under various line items for the full amount of the accounts receivable from companies associated with former directors of the Parent, amount EUR 250 million at the end of 2018 and 2017.

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

	Thousands of Euros	
	2018	2017
CaixaBank, S.A.	4,000	-
Total loans and other interest-bearing liabilities	4,000	-

27.2 Related party transactions

The detail of the Group's transactions with related parties in 2018 and 2017 is as follows:

2018

	Thousands of Euros			
	Shareholders	Directors	Senior Management of the Parent	Total
Income:				
Net sales	9,427	-	-	9,427
	9,427	-	-	9,427
Expenses:				
Procurements	6,932	-	-	6,932
Other operating expenses	3,092	372	-	3,464
Staff costs	-	515	1,974	2,489
Finance costs	175	-	-	175
	10,199	887	1,974	13,060
Guarantees received	-	-	-	-

2017

	Thousands of Euros			
	Shareholders	Directors	Senior Management of the Parent	Total
Income:				
Net sales	9,651	-	-	9,651
	9,651	-	-	9,651
Expenses:				
Procurements	18,375	-	-	18,375
Other operating expenses	3,607	503	-	4,110
Staff costs	-	690	4,585	5,275
Finance costs	163	-	-	163
	22,145	1,193	4,585	27,923
Guarantees received	25	-	-	25

All the transactions with related parties in 2018 were performed on an arm's length basis.

The remuneration of the senior executives of the Parent amounted to approximately EUR 1,974 thousand in 2018 (2017: EUR 4,585 thousand).

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

	Thousands of Euros	
	2018	2017
Salaries	515	690
Attendance fees	372	503
	887	1,193

At 31 December 2018, the Parent had paid EUR 60 thousand in premiums for the directors' third-party liability insurance (same amount in 2017).

At 31 December 2018, 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 2018 the Parent's directors did not receive any amounts other than those mentioned above. At 31 December 2018 and 2017 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 2018 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:

- Javier de Jaime Guijarro under the framework of the long-term incentive plan linked to the increase in value of the shares of DEOLEO aimed at the members of the Parent's executive team, abstained from voting in relation to the new distribution of rights, as regards Mr Miguel de Jaime Guijarro, as he was involved 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 2018 and 2017 there were no additions to, or disposals of, environmental investments in the Group's plant. At 31 December 2018, the carrying amount of the environmental investments was EUR 1,607 thousand (31 December 2017: EUR 1,992 thousand).

The ordinary expenses incurred in the year ended 31 December 2018 for the purpose of protecting and enhancing the environment amounted to EUR 1,355 thousand (2017: EUR: 988 thousand). These expenses related mainly to costs incurred in relation to packaging recycling, environmental diagnosis work and waste treatment.

At 31 December 2018 and 2017, 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 2018, nor did it have any such grants in 2017, and its consolidated statement of financial position does not include any grants of this nature from prior years.

29. Fees paid to auditors

In 2018 and 2017 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	
	2018	2017
Audit services	324	324
Other attest services	3	3
Total audit and related services	327	327
Other services	-	12
Total professional services	327	339

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

	Thousands of Euros	
	2018	2017
Audit services	288	275
Other attest services	4	8
Total audit and related services	292	283
Tax counselling services	6	65
Other services	11	-
Total other services	17	65
Total professional services	309	348

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. Senior management in order to take operating decisions for the Group and to assess the Group's performance reviews its operating results, organised in this manner. 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).
- North America (US and Canada).
- International markets (Latin America, Africa, 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	589,353	675,190	16,181	17,117	23	25	605,557	692,332
Other Income	8,353	13,185	1,409	633	290	969	10,052	14,787
Cost of raw materials and other consumables used and changes in inventories of finished goods and work in Progress	(452,887)	(527,771)	(10,607)	(11,606)	-	-	(463,494)	(539,377)
Staff costs	(40,782)	(44,046)	(3,296)	(3,560)	-	-	(44,078)	(47,606)
Depreciation and amortisation charge	(13,544)	(13,943)	(323)	(332)	(3,608)	(3,714)	(17,475)	(17,989)
Intangible assets and Goodwill's Impairment (Note 25)	(297,852)	(9,353)	-	-	-	-	(297,852)	(9,353)
Other operating expenses	(75,128)	(76,332)	(3,270)	(3,322)	(13,607)	(13,825)	(92,005)	(93,479)
Profit (Loss) from operations	(282,487)	16,930	94	(1,070)	(16,902)	(16,545)	(299,295)	(685)
Net financial loss	-	-	-	-	(32,463)	(25,427)	(32,463)	(25,427)
Profit (Loss) for the year before tax	(282,487)	16,930	94	(1,070)	(49,365)	(41,972)	(331,758)	(26,112)

	Thousands of Euros							
	Oils		Other Businesses		Central Services		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Asset								
Property, plant and equipment and investment property	58,855	62,481	-	-	8,879	9,066	67,734	71,547
Goodwill	21,717	64,781	-	-	-	-	21,717	64,781
Other intangible assets	438,301	702,069	-	-	2,356	2,480	440,657	704,549
Other non-current assets	-	-	-	-	53,806	63,063	53,806	63,063
Total non-current assets	518,873	829,331	-	-	65,041	74,609	583,914	903,940
Inventories	90,300	107,072	2,483	2,718	-	-	92,783	109,790
Trade and other receivables	64,771	87,643	1,781	2,225	-	-	66,552	89,868
Other current asset	-	-	-	-	60,168	28,956	60,168	28,956
Non-current assets held for sale	-	-	-	-	5,254	5,383	5,254	5,383
Total current assets	155,071	194,715	4,264	4,943	65,422	34,339	224,757	233,997
Total assets	673,944	1,024,046	4,264	4,943	130,463	108,948	808,671	1,137,937

	Thousands of Euros							
	Oils		Other Businesses		Central Services		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Total equity	-	-	-	-	35,310	299,831	35,310	299,831
Interest-bearing liabilities	-	-	-	-	604,165	578,541	604,165	578,541
Trade and other payables	64,071	87,412	1,501	1,992	-	-	65,572	89,334
Other liabilities	-	-	-	-	103,224	169,831	103,224	169,831
Non-current liabilities held for sale	-	-	-	-	400	400	400	400
Total liabilities	64,071	87,412	1,501	1,992	707,789	748,772	773,361	838,106
Total equity and liabilities	64,071	87,412	1,501	1,992	743,099	1,048,603	808,671	1,137,937

	Thousands of Euros											
	Southern Europe		Northern Europe		North America		International Markets		Operative		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from non-Group customers	292,510	334,808	72,141	83,939	132,111	156,924	108,795	116,661	-	-	605,557	692,332
Total non-current assets:												
Property, Plant and Equipment and Investing property	2,153	2,783	921	1,283	4,040	4,008	1,343	1,355	47,775	50,500	56,232	59,929
Intangible assets and Goodwill	107,943	201,008	28,776	80,476	203,647	364,514	115,096	116,420	6,912	6,912	462,374	769,330

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.

	Thousands of Euros	
EBITDA	2018	2017
Profit (Loss) from operations	(299,295)	(685)
Depreciation and amortisation charge (Notes 6, 7 and 8)	17,475	17,988
Impairment and gains or losses on disposal of non-current assets and non-current assets classified as held for sale and other (Notes 23 and 25)	(1,131)	(1,515)
Impairment of intangible assets and property, plant and equipment (Note 25)	296,747	1,695
Non-recurring income and expenses (*)	1,649	13,860
	15,445	31,343

(*) The detail of the non-recurring expenses recognised under each line item in the consolidated statement of profit or loss in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Staff costs	1,199	6,304
Other operating expenses	450	7,556
	1,649	13,860

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

- 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 related effects, as well as 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 debt 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	
	2018	2017
Non-current bank borrowings (Note 18)	541,302	504,161
Current bank borrowings (Note 18)	19,675	30,712
Financial liabilities due to issue of marketable securities (Note 18)	42,453	42,453
Other non-current financial liabilities (Note 18)	735	1,215
Less- Cash and cash equivalents (Note 15) (*)	(47,947)	(16,831)
Total Net financial debt	556,218	561,710

(*) 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 totaled approximately EUR 6.289 (31 December 2017: approximately EUR 6,553 thousand) (See Note 10).

- 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	
	2018	2017
Inventories (Note 12)	92,783	109,790
Trade and other receivables (Note 13)	66,552	89,868
Trade and other payables (Note 19)	(65,572)	(89,334)
Current provisions (Note 20.1)	(8)	(5,871)
Total working capital	93,755	104,453

- 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 2018. 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 Euro). The Group's Corporate Finance Department is responsible for managing the net position in each foreign currency using, when deemed necessary, external forward foreign currency contracts.

The Group enters into contracts with exchange rate hedges on certain assets, liabilities or future transactions. In addition, in transactions with third parties, the euro is used as the currency whenever possible (mainly in raw material purchase transactions, which are the most relevant within the Group). All the financing subscribed by the Group is in euros.

The Group also presents its financial statements in euros, for which the assets and liabilities of the Group companies, whose functional currency is not the euro, are translated to euros at the closing exchange rate on the date of the related balance sheet, while the income and expenses of these companies are converted to the euro at the average exchange rate for the period in which they arose. The fluctuations in the exchange rates used in this conversion process give rise to variations expressed in euros (positive or negative), which are recognised in the Group's consolidated financial statements as "Translation Differences" in equity.

Despite certain foreign currency hedges that the Group usually arranges, fluctuations in the exchange rate may expose the Group to significant economic and accounting losses that could have a material adverse impact on its activities, the results of its operations or its financial position.

Following is the detail of the Group's exposure to foreign currency risk at 31 December 2018 and 2017. The tables below reflect the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currency.

2018

	Thousands of Euros						
	US Dollar	Mexican Peso	Australian Dollar	Canadian Dollar	Swiss Franc	Indian Rupees	Total
Trade and other receivables	5,060	3,556	2,997	2,273	424	2,048	16,358
Cash and cash equivalents	5,181	470	173	977	23	4,112	10,936
Total current assets	10,241	4,026	3,170	3,250	447	6,160	27,294
Total assets	10,241	4,026	3,170	3,250	447	6,160	27,294
Trade and other payables	3,352	353	269	304	1	865	5,144
Total current liabilities	3,352	353	269	304	1	865	5,144
Total liabilities	3,352	353	269	304	1	865	5,144
Gross balance sheet exposure	6,889	3,673	2,901	2,946	446	5,295	22,150

2017

	Thousands of Euros						
	US Dollar	Mexican Peso	Australian Dollar	Canadian Dollar	Swiss Franc	Indian Rupees	Total
Trade and other receivables	7,322	3,477	1,864	1,990	2,065	570	17,288
Cash and cash equivalents	1,283	405	227	447	32	155	2,549
Total current assets	8,605	3,882	2,091	2,437	2,097	725	19,837
Total assets	8,605	3,882	2,091	2,437	2,097	725	19,837
Trade and other payables	3,291	843	210	572	7	-	4,923
Total current liabilities	3,291	843	210	572	7	-	4,923
Total liabilities	3,291	843	210	572	7	-	4,923
Gross balance sheet exposure	5,314	3,039	1,881	1,865	2,090	725	14,914

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 Treasury 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 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 2018 both Deoleo's and Carapelli Firenze's percentage of sales cover was over 90%, while the doubtful debt levels stood at 0.04% and 0.09% of sales of Deoleo and Carapelli Firenze, respectively.

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 2018 and 2017. The tables below reflect the analysis of the maturities of the financial assets not impaired at 31 December 2018 and 2017.

2018

	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)	-	-	-	228	228
Derivative financial instruments (Note 10)	54	-	-	-	54
Trade and other receivables:					
Of which, fixed-rate (Notes 13 and 14)	65,923	-	629	-	66,552
Of which, floating-rate (Note 10)	-	6,289	1,880	9,865	18,034
Total assets	65,977	6,289	2,509	10,093	84,868

2017

	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)	-	-	-	1,079	1,079
Available-for-sale financial assets measured at cost:					
Of which, fixed-rate (Note 10)	-	-	-	27	27
Derivative financial instruments (Note 10)	573	-	-	-	573
Trade and other receivables:					
Of which, fixed-rate (Notes 13 and 14)	89,456	-	412	-	89,868
Of which, floating-rate (Note 10)	-	-	-	5,254	5,254
Other financial assets (Note 10)	6,576	-	1,132	204	7,912
Total assets	96,605	-	1,544	6,564	104,713

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 through the "Revolving" credit line) as well as through factoring and discount lines, to cover its working capital needs.

Operating within the scope of the financing agreement establishes certain limitations with regard to the arrangement of new lines or transactions which entail the assumption of new levels of borrowing.

In this connection, at the date of formal preparation of these consolidated financial statements and in relation to the revolving line of credit described in Note 18.1, the Group had drawn down a maximum of EUR 59.9 million from the total amount of the line. In accordance with the cash projections prepared by the Parent's management, no additional drawdowns will be made from the remaining amount available after twelve months have elapsed from 2018 year-end and, accordingly, the limit on the drawable amount of EUR 60 million will not be reached, which would result in the need to achieve the debt/EBITDA ratio of less than 7.75x provided for in the line of credit agreement (see Note 18.1). In addition, no repayments are forecast, in the 12 months following 2018 year-end, in relation to the aforementioned line of credit, the amount drawn down at 31 December 2018 or the additional amount drawn down until the date of authorisation for issue of these consolidated financial statements.

Following is the detail of the Group's exposure to liquidity risk at 31 December 2018 and 2017. The tables below reflect the analysis, by contractual terms to maturity at those dates, of the financial liabilities.

2018

	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)	-	-	17,906	541,302	-	559,208
Trade and other payables:						
Of which, fixed-rate (Note 19)	43,294	16,352	5,926	-	-	65,572
Other financial liabilities (Note 18)	-	1,616	735	-	-	2,351
Derivative financial instruments (Note 18)	-	-	153	-	-	153
	43,294	17,968	24,720	541,302	42,453	669,737

2017

	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)	-	-	28,121	504,161	-	532,282
Trade and other payables:						
Of which, fixed-rate (Note 19)	49,950	31,122	8,262	-	-	89,334
Other financial liabilities (Note 18)	-	2,369	1,215	-	-	3,584
Derivative financial instruments (Note 18)	-	-	222	-	-	222
	49,950	33,491	37,820	504,161	42,453	667,875

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 2018, 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 24,940 thousand (2017: approximately EUR 23,970 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 2018.

33. Events after the reporting period

The Board of Directors of the Parent Company held on 31 January 2019 appointed Mr. Miguel Ibarrola López as a proprietary director through the co-optation procedure.

Likewise, the Board of Directors of the Parent Company held on 27 February 2019 has resolved to remove Mr. Pierluigi Tosato as Chairman and CEO and to appoint, in his place, Mr. Miguel Ibarrola López as the new Chairman and CEO.

Mr. Tosato will continue as a member of the Board of Directors of the parent company, in the category of other external.

On 25 March 2019, Mr. Miguel Ibarrola López resigned as Chairman, Chief Executive Officer and member of the Board of Directors of the parent company for health reasons.

Pending the appointment of a new Chairman of the Board of Directors, the Vice-Chairman of the Board, Mr. Manuel Atencia Robledo, will perform the duties of the Chairman in the meetings of the Board of Directors.

At the date of preparation of these financial statements, no other significant events have occurred that have not been disclosed in the notes to the report.

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 rule.

Appendix I

Detail of the Subsidiaries at 31 December 2018 and 2017

Company Name	Registered Office	Activity	Auditor	Company Holder of the Participation	% Participation
Carapelli Firenze, S.p.A.	Milán (Italia)	Oil production and marketing	Deloitte (Italia)	Deoleo, S.A.	100
Deoleo Australia Pty, Ltd.	East Gosford (Australia)	Marketing and distribution of food products	Deloitte (Australia)	Carapelli Firenze, S.p.A.	100
Deoleo Comercial México, S.A. de C.V.	México D.F. (México)	Marketing and distribution of food products	Deloitte (México)	Deoleo, S.A.	100
Deoleo USA, Inc	Houston (USA)	Marketing and distribution of food products	Deloitte (USA)	Deoleo, S.A.	100
Deoleo Canadá, Inc	Toronto (Canadá)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Deoleo Preferentes, S.A.U.	Rivas Vaciamadrid (Madrid)	Issue of preference shares	Deloitte. S.L.	Deoleo, S.A.	100
Deoleo Deutschland GmbH	Frankfurt (Alemania)	Marketing of bottled oil	Deloitte (Alemania)	Deoleo, S.A.	100
Deoleo, B.V.	Amsterdam (Holanda)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Deoleo Belgium, B.V.	Bruselas (Bélgica)	Marketing of food products	Deloitte (Bélgica)	Deoleo, S.A. (99%) y Cambium Rice Investments, S.L. (1%)	100
Deoleo Colombia, SAS	Colombia	Marketing and distribution of food products	Cañón & Cañón	Deoleo, S.A.	100
Deoleo South East Asia Sdn., Bhd.	Malasia	Oil production and marketing	Deloitte (Malasia)	Deoleo, S.A.	100
Deoleo India Private, Ltd.	India	Oil production and marketing	Deloitte (India)	Deoleo, S.A.	100
Deoleo Industrial México, S.A. de C.V.	Córdoba. Veracruz (México)	Purchase and sale, import, export, processing, preparation and marketing of rice and other food and agricultural products	Deloitte (México)	Deoleo, S.A.	100
Mercadeo de Productos Alimenticios, S.A. de C.V.	México D.F.(México)	Marketing and distribution of food and agricultural products	-	Deoleo Industrial México, S.A. de C.V.	100
Deoleo Antilles Guyane, S.A.	Mana (Guyana Francesa)	Marketing. distribution and export of food products	-	Deoleo, S.A.	100
Compagnie Rizicole de L'Ouest Guyanais, S.A.	Mana (Guyana Francesa)	Oil production and marketing	-	Deoleo, S.A.	100
Cama, S.A.	Mana (Guyana Francesa)	Oil production and marketing	-	Deoleo, S.A.	100
Cimariz, S.A.	Mana (Guyana Francesa)	Oil production and marketing	-	Deoleo, S.A. (72.41%). Cama, S.A. (13.94%) y Compagnie Rizicole de L´Ouest Guyanais. S.A. (7.04%)	93.39
Carbonell do Brasil, S.A.	Sao Paulo (Brasil)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Cetro Aceitunas, S.A.	Pilas (Sevilla)	Production and distribution of food products	-	Deoleo, S.A.	100
Salgado USA, Inc.	Nueva York (EE.UU.)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Minerva USA, Ltd	Fort Lee - New Jersey (USA)	Marketing of bottled oil	-	Carapelli Firenze, S.p.A.	100
Carapelli Firenze USA Inc	New Jersey (USA)	Oil production and marketing	-	Carapelli Firenze, S.p.A	100
Carapelli USA LLC	Delaware (USA)	Marketing of bottled oil	-	Carapelli Firenze, S.p.A. (39.36%), Carapelli Firenze USA Inc. (11.64%) y Deoleo USA Inc. (49%)	100
Aceica Refinería, S.L.	Las Palmas de Gran Canaria	Marketing and distribution of food products	-	Deoleo, S.A.	100
Cogeneración de Andújar, S.A.	Andújar (Jaén)	Electricity cogeneration	-	Deoleo, S.A.	100
Aceites Ibéricos ACISA, S.A.	Alcolea (Córdoba)	Production and distribution of food products	-	Deoleo, S.A.	100
Cambium Rice Investments, S.L.	Rivas Vaciamadrid	Holding company	-	Deoleo, S.A.	100
Aceites Elosúa. S.A.	Rivas Vaciamadrid (Madrid)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Sevilla Rice Company, S.A.	Rivas Vaciamadrid (Madrid)	Purchase and sale. Processing, preparation and marketing of rice and other food and agricultural products	-	Deoleo, S.A.	100
Carbonell UK, Ltd. (1)	East Molessey_Surrey (U.K.)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Shanghai Deoleo Trading Co., Ltd. (1)	China	Oil production and marketing	Shanghai Pengfu	Deoleo, S.A.	100
Deoleo Middle East DMCC (1)	Dubai	Oil production and marketing	TGS Koya Chartered Accountants	Deoleo, S.A.	100

(1) Liquidated in 2017.

This Appendix is an integral part of Note 2.6.1. to the consolidated financial statements for 2018, and should be read in conjunction.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Deoleo, S.A. and Subsidiaries

2018 Consolidated 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's main production centres are located 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 2018, the Parent's Board of Directors was composed of twelve members, of whom nine were proprietary directors, two were independent directors and one was executive director.

The following executive committees form part of the Board of Directors, the composition of which at 31 December 2018 was as follows:

- Audit and Control Committee, comprising three members, which holds periodic 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 are regulated in the Board Regulations.

The Board of Directors of the Parent Company held on 31 January 2019 appointed Mr. Miguel Ibarrola López as a proprietary director through the co-optation procedure.

Likewise, the Board of Directors of the Parent Company held on 27 February 2019 has resolved to remove Mr. Pierluigi Tosato as Chairman and CEO and to appoint, in his place, Mr. Miguel Ibarrola López as the new Chairman and CEO. Mr. Tosato will continue as a member of the Board of Directors of the parent company, in the category of other external.

On 25 March 2019, Mr. Miguel Ibarrola López resigned as Chairman, Chief Executive Officer and member of the Board of Directors of the parent company for health reasons.

Pending the appointment of a new Chairman of the Board of Directors, the Vice-Chairman of the Board, Mr. Manuel Atencia Robledo, will perform the duties of the Chairman in the meetings of the Board of Directors.

Therefore, at the date of authorization for issue of the consolidated financial statements, the Parent's Board of Directors was composed of twelve members, of whom nine were proprietary directors, two were independent directors and one was other external director.

Regarding the composition of the managing bodies and the related executive committees, from 31 December 2018 to the date of authorization for issue of these consolidated financial statements no changes took place.

(*) Reference to the Annual Corporate Governance Report for 2018, published on the CNMV website (www.cnmv.es) and on the Deoleo website (www.deoleo.com).

2. Investment performance

In 2018 the investments in property, plant and equipment for the oil business related mainly to the extension and modernization of machinery on the packaging lines at the Alcolea (Córdoba) and Tavarnelle (Italy) plants.

3. Business performance

2018 was marked by:

- Markets
    - Based on the estimates of the International Olive Council (IOC) published in November 2018, global olive oil production for the 2017/18 harvest season would yield 3.3 million tonnes.
    - IOC estimates for the 2018/19 harvest season predict a decrease in global olive oil production to 3.1 million tonnes mainly as a result of production decreases in Italy, Greece and Tunisia which are offset by the predicted growth in Spain.
    - Olive oil consumption in the retail channel, based on data published by Nielsen and IRI, continues to drop principally in Italy (-5.4%) and the US (-2.1%). Spain saw the consolidation of the recovery in consumption, which increased by 2.6% in 2018, mainly as a result of passing on the reduction in the raw material source price to consumers.

- o The raw material source price fell considerably in 2018 across all markets, particularly including most notably Spain, with decreases of around 30%. However, the reduced availability of extra virgin olive oil has curbed the decrease in this type of oil.

The year-on-year change from 2017 to 2018 in prices in Spain was as follows:

Raw materials	Olive oil prices - Spain (EUR/t)		
	Dec-18	Dec-17	Year-on-year % change
Extra virgin	2,794	3,643	(23.3%)
Virgin	2,432	3,512	(30.7%)
Lampante	2,262	3,440	(34.3%)

Average prices taken from POOLRed

- Group:
  - o The fall in EBITDA observed in the first half of 2018 was further exacerbated in the second half of the year to close at EUR 15.4 million (down 51% on 2017).
  - o Most of this reduction in EBITDA arose in North America business unit, which lost EUR 15.1 million with respect to 2017, mainly as a result of (i) the negative impact of the exchange rate fluctuations, amounting to EUR 8.4 million; and (ii) the additional investment required to support our trademarks to combat the current situation in this market, in which certain competitors are pursuing a strategy focused on volume rather than value and quality.
  - o The increased investment in advertising and commercial expenses incurred to support our trademarks, which in 2018 increased year-on-year by EUR 5.6 million, account for a significant portion of this increase associated with the action plan implemented in response to market performance in the US.

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.

	Thousands of euros		
	2018	%	2017
Consolidated statement of profit or loss:			
Sales	605,557	(12.5%)	692,332
Gross margin	90,087	(11.5%)	101,750
Other operating expenses	(74,642)	6,0%	(70,407)
EBITDA	15,445	(50.7%)	31,343
EBITDA/Sales	2.6%		4.5%
Loss for the year	(291,065)	(1,486%)	(18,356)

2018 saw a net loss of EUR 291 million, due mainly to the recognition in June and December of net impairment losses of EUR 238 million on the intangible assets and goodwill and the reduction in the generation of EBITDA as compared to 2017:

- The 12.5% decrease in sales with respect to 2017 was the result of: (i) the 8% decrease in unit selling prices due to the reduction in the raw material source price; and (ii) the 5% decrease in sales volumes suffered in 2018, which had an impact on all the business units, particularly the North America BU (-6%), the Southern Europe BU, mainly on Italy (-7%), the International Markets BU (-7%) associated basically to the implementation of the new distribution model in India, and the Northern Europe BU (-13%).

- The factors affecting EBITDA were as follows: (i) the exchange rate fluctuations in the North America BU (EUR 8.4 million), (ii) the increase investment in advertising (EUR 5.6 million), (iii) the fall in margins in the US due to the extraordinary investments made in response to the market situation provoked by certain competitors, which focused more on volume rather than quality, (iv) the aforementioned delay, at the beginning of the year, in the implementation of the new distribution model in India; and (v) the market situation in Italy. These factors were partially offset by the improvements in unit gross margin in Spain, Italy, Northern Europe and International Markets, and also the performance of the effectiveness measures implemented. All of the foregoing generated a decrease in EBITDA of EUR 15.9 million with respect to 2017.

Performance, by business unit, at EBITDA level was as follows:

- In the Southern Europe BU, Spain's performance was positive reporting increases in volumes and market shares, thereby maximising returns on the EUR 1.3 million increase in advertising spend. In Italy, despite the improvement in the unit margin with respect to 2017, the decline in volumes hampered this business unit's EBITDA.
- In Northern Europe, a slight improvement was observed with respect to 2017 due to the improvements achieved in unit margins, although decreased volumes were recognised in 2018 with the consequent knock-on effect on sales, which fell by 12%.
- International markets BU: The delay in the implementation of the new sales model in India (which is now fully operational), with an impact of EUR 2.2 million in gross margin terms, affected this BU's performance. However, other countries performed better as a result of the increase in margins associated with the reduction in raw material prices.
- In the North America BU, in particular the US, where the market situation continues to be driven by aggressive sales policies in terms of prices and large volumes of poor-quality product by certain competitors, we invested in sales promotions and advertising to bolster our trademarks and reverse this situation which, together with the exchange rate fluctuations, gave rise to the poor results currently reported.

Impairment test:

- The Company has performed an impairment test during 2018 first semester which affected North America CGU in 20.5 million euros and Southern Euros CGU in 17 million euros.
- In the second half of 2018, new indications of impairment were identified that worsen an adverse situation and were not foreseen, which has given rise to:
    - o 16% decrease in Group sales (EUR 54.3 million) in the second half of 2018 with respect to the same period in 2017, especially in the North America CGU and Southern Europe CGU in which sales decreased by 20% (EUR 15 million) and 17% (EUR 27.1 million), respectively.
    - o 79% decrease in the Group's EBITDA (EUR 8.7 million) in the second half of 2018 with respect to the same period in 2017, mainly in the North America CGU and Southern Europe CGU in which EBITDA decreased by 75% (EUR 5.6 million) and 5% (EUR 0.4 million), respectively.
    - o The Group's EBITDA in the second half of 2018 (EUR 2.3 million) was 83% down on that of the first half of 2018 (EUR 13.2 million) basically due to the fact that the increased investment in advertising, marketing and sales promotions made in the third quarter of the year did not result in the expected boost in the last quarter in sales and EBITDA.
- Group management stated:
    - o the need for a longer time horizon and for a greater investment in order to implement the Group's business strategy, which focuses on the value and quality of its products -in contrast the volume and price strategy followed by certain competitors-, mainly in the Southern Europe (Italian geographical area) and North America business units; and

- o the need to make additional commercial investments in the Northern Europe business unit in order to improve its sales and margins.

- This led the Group to reassess its envisaged future growth and profits and resulted in the preparation of a new five-year business plan which was used as the basis for the performance of a new impairment test of non-financial assets. This new business plan was based on the need for greater investment in trademark sustainability (CAGR of +15% in advertising, marketing and sales promotions in 2018-2023), increasing from 3.6% to 5.5% of sales, to achieve the envisaged increases in EBITDA (CAGR of +29% in 2018-2023).
- In this context, the Parent requested the assistance of an independent expert (PricewaterhouseCoopers Asesores de Negocios, S.L.) to conduct a valuation of each of the CGUs defined in order to perform the test for impairment at 31 December 2018. Their involvement focused on the estimate of the calculation of the recoverable amount of the Group's various CGUs to which the goodwill and intangible assets (mainly trademarks) are allocated, which are the Group's main assets, in accordance with the accounting standard applicable to the Group's consolidated financial statements (IAS 36). In this regard, the aforementioned report of the independent expert, which considers that there has been a significant setback in terms of EBITDA during the second half of fiscal year 2018, was used by the Parent to assess whether this recoverable amount adequately supports the carrying amount of these CGUs.
- The detail of the gross impairment losses for intangible assets and Goodwill and the associated deferred tax liabilities recognised in the consolidated statement of profit or loss for the different CGUs during fiscal year 2018 is as follows:

	Thousands of Euros			
	Southern Europe	North America	Northern Europe	Total
Goodwill	-	(43.064)	-	(43,064)
Trademarks	(87,406)	(114.514)	(51,195)	(253,115)
Gross impairment loss	(87,406)	(157,578)	(51,195)	(296,179)
Tax effect	20,372	25,689	11,756	57,772
Net impairment loss	(67,079)	(131,889)	(39,439)	(238,407)

4. Financial position

Detail of the consolidated balance sheet

Set forth below are the main line items from the consolidated balance sheet for the last two years on a like-for-like basis:

	Thousands of euros		
	31/12/18	31/12/17	Change
Non-current assets	583,914	903,940	-35.4%
Working capital	93,755	104,453	-10.2%
Equity	35,310	299,831	-88,2%
Net financial debt	556,218	555,157	-1,0%

- The decrease in non-current assets related mainly to the gross impairment of intangible assets and goodwill, which amounted to EUR 296 million.
- The fall in the raw material source price, the reduction in sales volumes and the improvement in working capital management as compared to 2017, enabled a significant reduction in the investment in working capital.

- The impairment loss recognised prompted an accounting adjustment that does not impact on the liquidity position of the Group, which had reduced its net financial debt by EUR 5.5 million at 31 December 2018 and, as a result of the share capital increase and its syndicated financing agreement, reported liquidity of EUR 74 million at 2018 year-end.

On 6 April 2018, the Parent's Board of Directors resolved to prepare a capital increase, with pre-emption rights, of EUR 25 million. In this connection, on 30 October 2018 the public deed was executed to increase capital by EUR 25,018,022.00 through the issuance of 250,180,220 shares of EUR 0.10 par value each. The aforementioned public deed was duly registered in the Córdoba Mercantile Register.

At 31 December 2018, 1,404,858,169 fully subscribed and paid shares of EUR 0.10 par value each represented the Parent's share capital, represented by book entries.

On 29 March 2019, 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 capital reduction through the reduction 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 EUR 126,437 thousand, which would leave the par value per share at EUR 0.1. It is expected that this capital reduction, which will be used in full to offset prior years' losses and losses in 2018, will be approved at the Annual General Meeting to be held on 3 June 2019. Once this measure has been taken, Deoleo, S.A. will have remedied the situation giving grounds for dissolution set out under Article 363 of the Consolidated Spanish Limited Liability Companies Law. Also, the Parent's directors are analysing other supplementary measures, additional to the reduction of capital, in order to help the Parent to restore its equity position.

6. Treasury shares

No transactions involving treasury shares were performed in 2018.

At 31 December 2018, the Parent did not have any treasury shares.

7. Group performance and outlook

Our industrial, internal service and customer-oriented structure is much more efficient.

Our expertise in blending and the quality standards of our products will be the driver, together with the renown of our brands, to regaining the expected levels of returns.

We are moving closer to our origins, reaching agreements with farmers and advancing in other agreements in order to achieve integration in the value chain and align interests.

At Deoleo, we are committed to investing in value, consumer preferences and knowledge of each and every one of the markets in which we operate. The prizes that we are being awarded are an incentive and show us that we are on the right path.

Deoleo believes in its business model which is focused on the quality of its products, and is working on the development of its entire value chain in the knowledge that these measures take time and investment in the trademark.

In Spain, despite being one of the world's most mature olive oil markets and one in which were initially in a highly unfavourable position, we have reversed the trend, increasing our market share and returns, and our brands are among the ten brands in the food industry reporting an increase in the number of consumers in Spain.

The impairment loss recognised in 2018 prompted an accounting adjustment that does not impact on the liquidity position of the Group, which had reduced its net financial debt by EUR 5.5 million at 31 December 2018 and, as a result of the share capital increase and its syndicated financing agreement, reported liquidity of EUR 74 million at 2018 year-end.

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 Parent considers that it is complying with these laws and that 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 2018.

9. Events after the reporting period

The Board of Directors of the Parent Company held on 31 January 2019 appointed Mr. Miguel Ibarrola López as a proprietary director through the co-optation procedure.

Likewise, the Board of Directors of the Parent Company held on 27 February 2019 has resolved to remove Mr. Pierluigi Tosato as Chairman and CEO and to appoint, in his place, Mr. Miguel Ibarrola López as the new Chairman and CEO.

Mr. Tosato will continue as a member of the Board of Directors of the parent company, in the category of other external.

On 25 March 2019, Mr. Miguel Ibarrola López resigned as Chairman, Chief Executive Officer and member of the Board of Directors of the parent company for health reasons.

Pending the appointment of a new Chairman of the Board of Directors, the Vice-Chairman of the Board, Mr. Manuel Atencia Robledo, will perform the duties of the Chairman in the meetings of the Board of Directors.

At the date of preparation of these financial statements, no other significant events have occurred that have not been disclosed in the notes to the report.

10. Main risks to the Group

The most significant potential risks in the Group are as follows:

1) External risks

- Risk of strong competition: the Group could suffer a reduction in its market share, its business volume or its margins as a result of the advantages of its competitors, such as a greater ability to obtain financing, tighter costs or preferential agreements with third-parties. Reduction in sales revenue, either due to changes in consumer preferences in relation to its products, a decrease in service quality or sensitivity to price changes, or as a result of insufficient demand arising from an across-the-board fall in consumption.
- Risk of price volatility and raw material shortages: the Group's activities are affected by raw material prices, since raw materials represent a high percentage of the cost of the products it markets (approximately 80% of operating expenses). Insufficient capacity to manage fluctuations, both rises and falls, over short periods of time, due to various factors over which the Group cannot exercise control, such as climatic and meteorological changes, olive tree diseases, restrictions on imports and exports, energy and fuel prices, etc. Also, situations may

arise of scarcity or shortages of raw materials on the (oil) market at a reasonable price and of sufficient quality, as required by the Group.

- Risk of competition from private brands: decrease in its market share, its sales volume or its margins, arising from a hypothetical increase in the share of private labels.
- Regulatory risk: the Group's activities and products are subject to regulation in the areas of food quality and safety, occupational health and safety, the environment and competition, among others, in the various countries in which it operates. The regulations in these areas affect both the raw materials and ancillary materials used, as well as the processes and products manufactured and/or marketed by the Group. Failure by the Group to comply with the applicable regulations could give rise to the imposition of penalties and fines against it, and claims or lawsuits brought by consumers, customers or employees, or result in liabilities and indemnity payments without prejudice to the impairment or loss of image of its trademarks.
- Risk associated with political factors or sales policies: the Group is exposed to political risk and social instability in all the countries in which it operates, although its activity is centred mainly on three markets: Spain, Italy and the US. Economic conditions and political uncertainty can have a negative impact on demand for its products in these countries, and on the ability of customers to meet their payment obligations. During recessions, as experienced in Spain and Italy in recent years, demand for products also tends to decrease, which has an adverse effect on the Group's operations. In addition, in some countries there may be stakeholders, lobbies or pressure groups that seek to impose protectionist measures.
- Risk associated with macroeconomic factors: unfavourable economic conditions may affect the confidence of consumers and their consumption patterns, which would have a negative impact on the Group's business. The consumption of the Group's products generally decreases in periods in which disposable income falls sharply or in periods of economic uncertainty. Significant adverse changes in the global economy or in the main locations in which our products are sold can reduce consumer confidence and consumption patterns and, therefore, may adversely affect the Group's revenue and operations.
- Reputational risk: the Group is exposed to risks of loss of image and reputation due to failure to comply with legal requirements, or with regulations relating to the protection of confidential data, issues of corporate responsibility, environmental issues, personal injury or damage to property, fraud committed by employees or any other aspect relevant to the goods and capital markets, or to the industry. Companies operating in the food industry sell products for human consumption, which entails possible risks of contamination, adulteration, etc., which could give rise to liabilities derived from diseases and damage that their products may have caused. Possible claims and damages arising therefrom, as well as their public disclosure, could have a negative impact on the Group's image and trademarks, cause reactions in its competitors and attitudes of rejection in customers and consumers, which could lead to a reduction in its sales. Food companies are exposed to the potential disclosure of incorrect news stories and studies of dubious origin, both in the news media and on social networks, which have increased significantly in recent years.
- Risk of existing litigation and claims: ongoing or future litigation or claims. The Group is currently involved in lawsuits and claims, which are mostly tied to the ordinary course of business, the outcome of which is uncertain. These lawsuits arise basically from relationships with customers, suppliers, employees and the public authorities, as well as from industrial activities.
- Risk of revenue concentration by activity, geographical area and customers: the concentration of customers entails the Group becoming dependant on a limited number of major customers with whom bargaining power is also limited (e.g. in pricing terms). Given the existing concentration of customers, if any of these customers ceased to be customers or the volume of their orders fell, this could have a major adverse impact on the Group's activities, results and financial position.

2) Financial risks

- Foreign currency risk: changes in exchange rates can expose companies to significant financial and accounting losses.

- Interest rate risk: the Group's interest rate risk is mainly limited to non-current borrowings. Debt issued at floating rates exposes the Group to cash flow interest rate risk.
- Liquidity/Financing risk: in which there is insufficient liquidity when required to meet payment obligations. Ultimately, it could lead to default and insolvency. Limited access to capital threatens the company's ability to grow, implement its business model and generate future income.
- Risks arising from the level of indebtedness (non-compliance of covenants): a breach of the obligations entered into with the lenders could give rise to a situation of early repayment of the financing package, and may require payment of the amounts granted under the various tranches of financing. In addition, as part of the obligations entered into with the banks in the financing agreement (covenants), certain limits were agreed upon in relation to the payment of dividends.
- Profitability risk: the Group has incurred significant losses over the last three years that could jeopardise the achievement of its objectives as a result of (i) impairment losses in relation to certain intangible assets, goodwill, property, plant and equipment and investment property; (ii) recognition of certain tax losses that affected the Group's Spanish companies; (iii) extraordinary expenses recognised as a result of the process to redefine businesses promoted by the new management; and (iv) other extraordinary expenses recognised as a result of the quality crisis that occurred in 2015 and 2016.

3) Risks associated with information

- Tax and customs risk: specific risks in relation to potential claims or procedures in the tax and customs area, as well as potential changes in tax and customs legislation. The Group may be subject to potential tax inspections and audits and may be obliged to refund tax settlements in compliance with tax obligations, which could give rise to decisions or resolutions unfavourable to the Group's interests, and may require the payment of fines, sanctions or penalties.
- Risk associated with accounting and management information: i) possible defects or errors in the accounting, management and reporting information, or in the policies used for its preparation, which may give rise to deficient operating, accounting, financial and strategic information. Accounting and/or management information required or provided to investors, regulatory or supervisory bodies that is inaccurate, incomplete, incorrect or untimely; and ii) changes in accounting standards, especially International Financial Reporting Standards (IFRSs), could affect the Group's activities, profit or loss from operations or financial position.
- Information security risk: unauthorised access to critical information and/or information systems by employees, competitors or other third parties, exposing the Group to management information leaks, financial losses, industrial espionage, etc.

4) Operational risks

- Risk of loss of the Bertolli trademark: in the unlikely event of the occurrence of any of the grounds for termination of the worldwide and exclusive licensing agreement of an indefinite duration for the use of the "Bertolli" trademark, Mizkan as the current trademark owner could unilaterally, and with immediate effect, withdraw the rights of use of the "Bertolli" trademark from the Group.
- Risk associated with intangible assets (trademarks) and goodwill: the Group is exposed to the risk of a potential impairment of its trademarks as a result of inadequate positioning or the inability to make customers and consumers perceive the difference between its products and others on the market.
- Purchasing and contracting risk: inadequate purchasing strategy and subcontracting of activities to third parties in terms of determining the timing, quantity and quality of purchases; inadequate supplier selection and contracting process, contracting of goods and services by persons without power of attorney or in breach of the Group's power-of-attorney structure, purchases with prices above market rates, receipt of products of a quality or quantity below that contracted, which involve a higher cost for the Group or are performed without adequate transparency.

- Risk of industrial inefficiency: inadequate capacity to allocate, integrate or coordinate resources would threaten the Group's objective of producing goods or services at competitive prices, i.e. at a cost equal to or less than that incurred by its competitors. Technological obsolescence can cause major losses for the Group, as well as significant adjustments to its profit or loss from operations.
- Risks associated with innovation and new product launches: inadequate product development procedures can threaten its ability to compete and meet or exceed the needs and requirements of customers and consumers in a consistent manner and at long term. The development of these innovation projects and the search for new markets requires significant economic investments and marketing campaigns to ensure the success of such launches. The Group cannot guarantee that such campaigns will ensure that new products are successful or that the related trademarks achieve satisfactory recognition.
- Risk of an inappropriate commercial strategy: the definition and implementation of an inappropriate commercial strategy or business plan (in terms of prices, discounts, channels and markets, and marketing and advertising), inadequate communication of the strategy or its business plans, or the lack of resources for their correct implementation.
- Risk associated with stock management: the Group's business may be adversely affected by the maintenance of inadequate stock levels. If the Group does not make an accurate estimate of the level of demand and of the level of stock required at any given time to meet that demand, it may be obliged to offer rebates or discounts on products or even to recall certain products in the event of excess stock. Otherwise, if the Group underestimates the level of future demand for a particular product or does not replenish the supply of the products most in demand quickly enough, it may suffer a significant reduction in the level of stock of such products, which may lead to unsatisfied demand, increased distribution costs and loss of revenue.
- Risk associated with the continuity of operations: (i) lack of foresight and planned alternatives in the event of business interruptions that threaten the ability of plants to continue production. Interruptions in production at any of the Group's facilities or any significant delay or suspension in the delivery of products through copackers; ii) natural disaster, sabotage or catastrophic loss involving a threat to the Group's ability to continue its normal operations, purchase essential products or recover its operating costs; and iii) interruption or impossibility of gaining access to relevant information from computer systems when necessary, which represents a threat to the management of operations and processes.
- Risk of fraud: i) fraudulent activities carried out by directors, executives, employees, customers, suppliers, agents, brokers or third parties for personal gain that expose the Group to losses; ii) excessive pressure and emphasis on accounting information as a basic management parameter of the Group, which may lead to the manipulation of results in order to achieve the financial objectives at all costs; iii) non-compliance with food regulations and/or the quality parameters established internally by the Group with respect to the marketing of products whose labelling makes quality or identity claims that exceed those of the actual products.

5) Risks associated with people management

- People management risk: i) key personnel responsible for business processes lack or do not exercise their managerial skills to influence, delegate, manage and motivate employees and, therefore, enthusiasm is not generated in the pursuit of goals and objectives. The loss of key personnel, for whatever reason, which cannot be ascertained in advance, whenever suitable replacements are not found; ii) a shortage of personnel with the necessary skills and experience to implement the business objectives; a lack of interest and/or development of the organisation due to the management of talent; iii) non-existent objectives, processes or situations that enable the transfer of knowledge, skills and experience from one person to another within the organisation; iv) the organisational structure is unable to carry out the Group's long-term mission and strategies and is somewhat inefficient, and employees are not properly managed, are incapable of reacting adequately to certain problems or exceed the limits of their authority, because there are no clear guidelines to be followed or they are not aware of them; and v) non-existent and/or ineffective policies, attitudes, culture or communication channels may lead to a lack of coordination between functions, undefined interdepartmental responsibilities, a lack of information and delays in decision-making when various departments are affected.

- Risk of strikes or industrial disputes: possible future strikes or industrial disputes. The Group is exposed to the risk that its organisational and human resources structure may not be able to cover changes in operational needs, business strategy or growth in a flexible and cost-efficient manner.

The Risk Management and Control Policy, applied to Deoleo, S.A. and all of its subsidiaries, is implemented and complemented by specific policies and internal regulations relating to certain units or areas of Deoleo. It requires the involvement of all Group personnel, starting with the Organisation's control environment.

Therefore, in order to mitigate the impact of the various types of risks identified, the following specific guidelines or measures are established for the most relevant external, financial and operational risks, should they occur:

1) In order to manage external risks, it is necessary to highlight the conditioning factors of the environment in which the Group operates; mainly, on those specific to its industry. These scenarios may be pre-empted by means of reliable information from up-to-date sources that allow us to analyse the situation of the countries in which we have commercial interests. In this connection, the most noteworthy would be as follows:

- In relation to the risk of supply of and changes in raw material prices, in 2018, due to difficulties coordinating with the 2017/18 harvest in Spain, the availability of certain qualities of raw materials (olive oil) decreased. In order to mitigate this risk, actions were taken such as the adaptation of supply sources to diversify both the pool of suppliers and the countries of origin for purchasing raw materials, thereby enabling requirements to be covered at the most competitive price possible. Other measures implemented were (i) shortening the supply chain in search of more direct avenues of approach towards, or contact with, producers; (ii) medium-/short-term agreements with suppliers; and (iii) strengthening quality processes.
- The North American market, which is one of our main markets, has experienced a devaluation process, mainly in the most profitable channels, due to the aggressive commercial policies of certain competitors, aimed at generating volume at low prices to the detriment of quality, with the consequent loss of margins. The Group had to invest in promotions and advertising to support our trademarks and turn this situation around.

2) 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 with top-level entities with high credit ratings in some of the Group's main companies, with a coverage percentage of 90% of the loans insured, and (iv) continue to comply with its obligations in relation to financial covenants. In this connection:

- In relation to 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.
- In relation to 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, maintaining reasonable levels of liquidity and providing additional funding through the use of recourse and non-recourse factoring lines and working capital financing facilities.

3) Operational risk management should basically be pre-emptive 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. This risk is managed at Group company level with the support of Deoleo's corporate units.

- In relation to risks associated with regulatory compliance: 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. The Group has taken out insurance policies which, among other risks, cover those associated with food safety and environmental damage, and maintains quality systems with certifications including 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). It has also established certain internal quality parameters which are stricter than those defined in the applicable regulations.
- In relation to tax risks, most of the functions relating to operational compliance with tax obligations have been outsourced to tax advisory firms of recognised prestige in most of the countries in which it operates.

11. Research and Development

Commitment to innovation is the strategic pillar on which the Group relies 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 2018 the R&D team continued its work in developing new products, supporting the industrial area in order to optimize industrial processes, fine-tuning new analytical methods and cooperating with the Marketing Department to find new ways to differentiate our products.

12. Average period of payment to suppliers

The average period of payment to suppliers in 2018 was 53 days (2017: 55 days).

As disclosed in Note 19 to these consolidated financial statements, as a result of the 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 in 2018 was 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	2018	2017
Closing price (EUR)	0.0565	0.175
Period high (EUR)	0.2040	0.295
Date of high	15 Jan.	9 Jan.
Period low (EUR)	0.0525	0.16
Date of low	31 Dic.	4 Apr.
Period average (EUR)	0.1486	0.201
Total volume of shares traded (thousands)	170,127	287,345
Daily volume of shares traded (thousands)	667	1,127
Effective total volume traded (millions of euros)	24,361	61,676
Average effective daily volume traded (thousands of euros)	96	242
Number of shares (millions)	1,405	1,155
Stock market capitalisation at end of period (millions of euros)	79	202

Dividend policy

Pursuant to the terms and conditions of the syndicated loan arranged by the Group in 2018, unless authorisation is received from the creditor banks, dividends may not be distributed until the loan has been repaid in full.

14. Non-Financial Information Statement

In compliance with Article 49 of the Spanish Commercial Code, the non-financial information statement for 2018 is included in the Annual Corporate Responsibility Report attached to this directors' report. This statement was prepared in accordance with the Global Reporting Initiative (GRI) standards and the International Integrated Reporting Council (IIRC) framework. The non-financial information statement included in the Annual Corporate Responsibility Report forms an integral part of the directors' report and was subject to the same approval, filing and publication criteria as the directors' report.

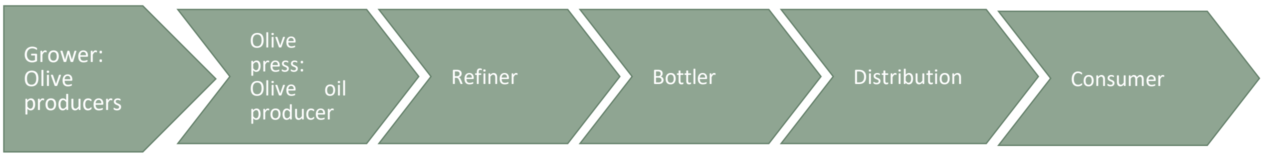
1. *Business model*

- Deoleo

a. Activities, brands, products and services

Deoleo, S.A. and its subsidiaries ("the Company", "Deoleo" or "the Group") together form a Group that operates in a number of countries and engages in the packaging and marketing of vegetable oils, mainly olive oil, as well as olives, sauces and mustards.

The olive oil value chain is as follows:



Deoleo engages solely in packaging, distribution and marketing. It carries on its packaging activity in its own factories or outsources it to third parties.

Deoleo's most important assets are its brands; it has a portfolio of over 40 brands worldwide, some of which are local whilst others are present in several different countries. Thanks to the positioning of the Deoleo brands, the company has become the world's leading seller of bottled olive oil, the leading global olive oil brand being Bertolli. The Italian brands -Bertolli, Carapelli and Sasso- have the greatest international presence. Thanks to its strong presence in Spain and Mexico (and significant penetration in other markets, such as the United States and Australia), the Carbonell brand ranks third globally (in value terms). (Data from Euromonitor and Nielsen)

b. Mission, Vision, Values

Deoleo's mission is to inspire a healthy lifestyle and delight consumers' palates by offering high-quality products produced in a sustainable manner.

Its values are based on quality, health and enjoyment for consumers of its products.

c. Geographic location of its operations and markets served

Deoleo's international vocation lies at the origin of its brands, and this is one of the Group's pillars for growth. Deoleo sells its products in more than 80 countries and has its own factories in Spain and Italy, with sales offices in eleven other countries (see chapter 4.1.3 for further details). The Group is a global leader in a highly fragmented industry, in which most competitors are family-owned SMEs with limited management and financial capabilities. It therefore has a significant competitive edge over its main competitors. Deoleo is not just a leader in traditional olive oil-consuming countries such as Spain and Italy; it has also achieved top-ranking positions in countries such as the United States, Germany, Canada, Mexico, the Netherlands, Saudi Arabia and India. Business diversification and the global scope of the brands enable enhanced profitability and continued growth.

d. Size of the organisation

The Deoleo Group closed 2018 with:

- 650 employees;
- sales totalling EUR 606 million;
- more than 160 million litres of oil sold; and
- capitalisation of 79 million.

e. The olive oil industry

In November 2018, the 108th annual session of the Council of Members of the International Olive Council (IOC) was held. This body provided the latest provisional data, relating to the 2017/18 season, which put global olive oil production and consumption at 3,314,000 tonnes and 3,008,500 tonnes, respectively. This is a considerable increase on the previous season; specifically, a rise of 29.4% and 10.3%, respectively. Global production in the 2017/2018 season once again exceeded 3,000,000 tonnes, which did not occur in the previous season. This is the second highest production figure of the historical series, surpassed only in the 2011/12 season, by 7,000 tonnes.

Despite the fact that this figure does not come close to the production record in Spain, the sound data provided by the IOC in other olive growing countries such as Tunisia, Turkey, Greece, Portugal and Italy have rendered the global availability figure a virtual record.

Global consumption grew with respect to the previous season due, in part, to the fact that the prices of raw materials returned to below those reached in the previous season. According to the projected trend, consumption will remain at the same level in the 2018/19 season. The production/consumption ratio in the 2017/2018 season is 1.10, given that global production surpassed consumption.

e.1. Market performance

Olive oil accounts for approximately 4% of the vegetable fats consumed in the world, and about 3 million tonnes are produced annually.

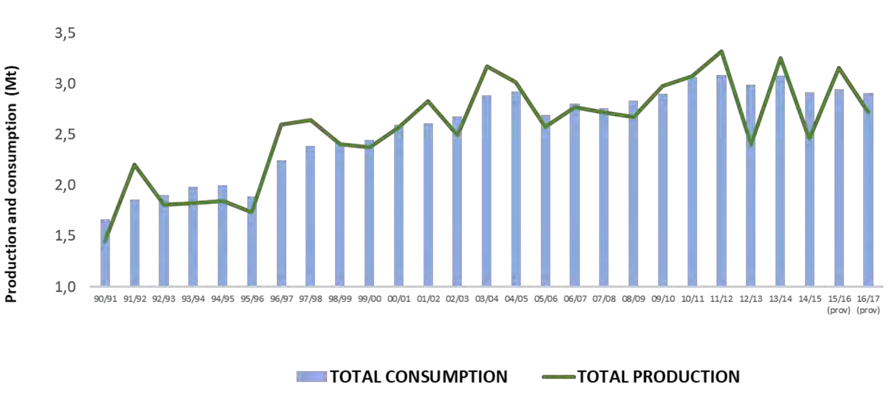
Since 1991, production has grown at an aggregate rate of 2%, and in the last three decades average production has increased at rates close to 40%.

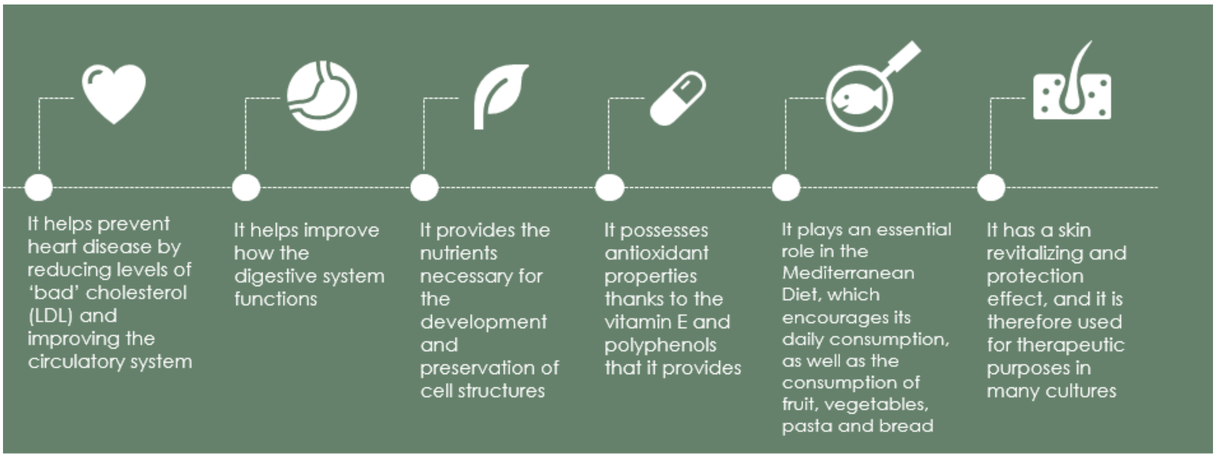
The IOC member countries have an aggregate cultivated area of 10 million hectares, a quarter of which is in Spain, the world's largest producer with almost half of the production.

Most of the cultivated area is located in Mediterranean countries, which are also the main consumers.

e.2. Main demand drivers

According to the scientific community, olive oil is undoubtedly the healthiest vegetable fat, provides multiple benefits and is a source of healthy energy. This is the main demand driver.





f. Groups of interest:

Deoleo has carried out a process, based on the following criteria, in order to identify which groups are most heavily involved in the Company's activities:

• Responsibility: stakeholders with which Deoleo has legal, financial or operational responsibilities.
• Influence: key stakeholders for achieving Deoleo's goals and objectives.
• Closeness: includes stakeholders with which Deoleo interacts, based on daily relationships or physical location.
• Dependency: the stakeholders most dependent on Deoleo's decisions.

The main stakeholders identified by Deoleo based on the above criteria are as follows: shareholders; investors; regulators; the financial community; employees and professionals; customers; consumers; suppliers and the community.

2. Significant non-financial matters

Deoleo's Board of Directors accepts that corporate social responsibility, besides contributing value and boosting the Company's necessary profitability and competitiveness, provides an active, valuable and recognisable contribution to the improvement of the Company and the environment, constituting a means by which to generate confidence and support among our main stakeholders.

Thus, in February 2018 it approved a Corporate Social Responsibility Policy aimed at establishing the basic principles and general framework of action for management of social responsibility practices, and at formalising their integration into its business model and business strategy.

The Corporate Social Responsibility Policy is founded on the following commitments:

- Commitment to nutrition: The heart of our business is olive oil; by boosting its consumption as the basis of the Mediterranean diet, we promote a healthy lifestyle throughout the world.
- Commitment to a quality product: At Deoleo we work with our brands to bring the quality of our products to the table around the world, a goal that is rooted in the tradition and wisdom of the art of producing olive oil which we strive to renew every day through a firm commitment to quality and transparency.
- Commitment to the environment: Deoleo is aware of the impact of its activities and products on the environment and, accordingly, is committed to building a sustainable business, minimising

the impact of its activities on the environment and carrying out its activities to ensure a healthy, prosperous environment for future generations.

- Commitment to the vegetable oil industry, and the olive oil industry in particular: Deoleo is committed to promoting transparency and integrity throughout the olive oil value chain so that the best product reaches the largest number of consumers, seeking strict compliance with the legislation applicable to the products we traded.

The Corporate Social Responsibility Policy is applicable to, and must be complied with, by all the companies and territories in which the Deoleo Group operates, and it is binding on all its personnel, irrespective of their position or function.

The Board of Directors of Deoleo, S.A. is responsible for approving the strategy and ensuring compliance with the Policy, observance of the laws and regulations in Company-stakeholder relations and observance of good practices in the industry in which the Company carries on its activity.

The Appointment and Remuneration Committee is responsible for overseeing the Corporate Social Responsibility Policy, and it is charged with the supervision, assessment, coordination and monitoring of Policy-related activities.

Company management and all Deoleo Group professionals and employees are responsible for developing and implementing the activities necessary in order to guarantee compliance with the Corporate Social Responsibility Policy.

Recognition of the importance of Corporate Responsibility for the organisation led to the performance of a diagnosis of the Corporate Responsibility management situation at Deoleo in 2018, using the advisory services of an external consultancy firm.

In accordance with the AccountAbility principles and the framework provided by the AA1000 standards, Deoleo identified what must primarily be addressed by the organisation by means of the following steps:

- Performance of a stakeholder analysis at the organisation, by preparing a map of relations between Deoleo and its stakeholders.
- Performance of a relevance analysis, by preparing a map of matters of relevance to Deoleo.

In identifying the relevant matters, the following analyses were performed:

1) Internal analysis: Significance for Deoleo.

   The sustainability-related matters that should be taken into consideration were selected taking Project SIGMA and the United Nations Global Compact as a reference. Reflection was encouraged by means of a questionnaire, and the main matters to be considered were reviewed.

2) External analysis:

   - Maturity in the industry.
   - Maturity in the Company. In conducting this analysis, the following was taken into account:
     - Requests made by Deoleo stakeholders through the formal communication channels.
     - Requests for information made by the stakeholders in general, in accordance with the results of the *"Sustainability Topics for Sectors: What do stakeholders want to know?"* study, published by the Global Reporting Initiative (GRI).
     - Requests made by citizens in the 2013 Eurobarometer and the proposals included in the Spanish Strategy for Corporate Social Responsibility.
   - Reporting maturity, with matters to be considered in relation to the preparation of external reports in accordance with the Global Reporting Initiative.

Based on the issues to be considered in respect of the five capitals, the matters relevant to Deoleo, which require particular attention, review and constant adaptation, are the following:

a) Governance, responsibility and integrity:

- Good governance.
- Ethics and integrity.
- Sustainability of the business project.
- Risk and crisis management.

b) Concern for personnel and their development:

- Talent management.
- Stable, quality employment.
- Occupational health and safety.
- Labour practices.

c) Environmental impact management:

- Environmental impact management.
- Climate change.
- Eco-efficiency.
- Supply chain management (responsible procurement).

d) Improvement of relations with the community and stakeholders:

- Product quality:
- Commitment to the community.
- Dialogue with stakeholders.

In addition to the relevance analysis, the company performed an initial diagnosis which gave rise to a series of general recommendations.

A sustainability plan is currently under way, in respect of which the main actions envisaged for 2019 are as follows: definition of the objectives and course of action to be taken for each of the 15 relevant matters indicated; establishment of an action plan for 2019; and establishment of the oversight and control mechanisms for this plan.

3. Information on environmental matters

3.1 Identified risks

Deoleo has determined the internal and external situations that are relevant for its purposes and that affect the ability to achieve the expected results of its Environmental Management System through a SWOT analysis. These situations include the environmental factors that may influence or be influenced by the organisation. In this regard, the organisation's strengths, weaknesses, opportunities and threats were identified. The following main risks were detected:

- Legislative changes.
- Increased energy cost.
- Legionella outbreaks in cooling towers.

On a yearly basis, and at least every four years, the analysis is monitored and updated in case any changes have arisen within the context of the organisation.

Deoleo has taken out a robust insurance policy to enable any environmental damage caused, despite all the measures taken, to be redressed.

By means of its critical aspect assessment procedure, Deoleo has identified the environmental aspects of its activities, products and services that it can control and those that it may influence, and their related environmental impacts.

This analysis takes the following into consideration:

- The site of the establishment;
- The analysis of the activities and environmental aspects; and
- Assessment of the significant impacts.

and it is repeated and updated on an annual basis.

Where possible, the environmental impact assessment criteria will be applied to new projects or facility modifications beforehand.

3.2 Key management and performance indicators

In view of the commitment to continuous improvement in environmental performance and to guaranteeing environmental sustainability with respect to the business and products, measures such as the following have been established:

- Action plan at the factories in Alcolea and Tavarnelle to reduce the environmental impact by decreasing energy consumption, the volume of waste water and the generation of waste that will end up in landfill.
- Maintenance of the ISO 14001 certifications in Alcolea and Tavernelle.
- Reduction of the weight of packaging placed on the market. A 14% reduction in plastic in over 12 million seed oil bottles in Italy.

3.2.1 Pollution

The establishment of the environmental objectives and goals constitutes a specific response to the statements included in the Environmental Policy.

These objectives and goals are reported in the Action Plan and consist of the following:

- Reduction in energy consumption:
    a. Electricity consumption was reduced by 6% across the two factories in 2018 by optimising the stops in the packaging lines.
    b. Investment in energy-efficient and low-carbon technologies.
    c. Participation in national or industry-specific energy-efficient system schemes.
    d. Energy consumption audits and viability studies.
- Reductions in energy requirements of products and services
    a. PACKAGING.
    b. Measures to encourage corporate transportation for employee mobility.
    c. Inclusion and evolution of all the facilities under the Environmental Management Systems in accordance with ISO 14001.
- Reduction in greenhouse gas emissions. Moreover, Deoleo does not generate significant NOx or SOx emissions.

3.2.2. Circular economy and waste prevention and management

Aware of the nature of the direct and indirect impacts of its activities and products on the environment, Deoleo undertakes to work to ensure the sustainability of the business and products, respecting and preserving the environment in which it operates.

To this end, it has established a number of undertakings or actions:

- Commitment to product life cycle by improving communication with consumers with respect to the principle of NOT discarding oil in a non-environmentally friendly manner.
- Staff awareness and training schemes and initiatives;
- Waste recovery;
- Product and production process innovation, such as the Maestros de Hojiblanca Ecológico limited edition, consisting of three blends that are organic both inside and out, making it possible to create more life by directly planting their labels in the earth and watering them;

- The labels of some products, such as Carbonell and Hojiblanca, have been redesigned to display the symbol of the appropriate collection and recycling container and therefore help consumers to recycle.
- To combat food waste, any products that have been rejected in the production line are recovered so that the entire volume of oil can be reused. There is no food waste.

Waste management plays a fundamental role in the circular economy, since it determines how the EU's waste hierarchy is put into practice. The waste hierarchy establishes an order of priority when it comes to managing the waste generated, from the most favourable option (prevention) to the least favourable option (disposal). In this connection, Deoleo managed to reduce the quantity of non-hazardous waste by almost 10% between 2017 and 2018. The work carried out to improve waste separation, raise awareness among personnel and find new forms of waste recovery at the production plants were key to this improvement. The Group is working on reducing the weight of packaging per product volume. This packaging optimisation is in line with the requirements arising from the irrevocable need to maintain food packaging safety and quality.

In order to comply more fully with the Packaging and Packaging Waste Law, we adhered to the 2018-2020 Corporate Prevention Plan launched by Ecoembes, the main packaging waste manager in Spain. We want the environmental impact of our products to be minimal, even after they reach consumers. Accordingly, the labels of certain products such as Carbonell and Hojiblanca have been redesigned over the years to display the symbol of the appropriate waste container, in order to make collection and recycling of our products easier for consumers.

Our packaging plays a leading role as far as the clear objective of reducing waste generation and promoting the circular economy is concerned, given that the Company uses a growing percentage of recycled material and 100% recyclable packaging.

a. Glass bottles. Our bottles are non-reusable. Once used, they are deposited for recycling. The material can be recycled countless times. Our dark glass bottles are made of approximately 60% recycled glass.
b. Plastic bottles: We have managed to reduce the weight of some of our bottles both in Italy and in Spain. All of them are made of 100% recyclable PET.
c. Cans: Cans can be recycled 100% indefinitely, i.e. their raw materials can be reused as many times as the cans are discarded to produce new cans or to serve other industries such as the construction, automotive, domestic appliance, electronics, decoration, etc. industries. Our cans are made of 20-30% recycled material.

3.2.3 Sustainable use of resources

In recent years, Deoleo has performed well in the sustainable use of resources, as shown in the following table:

Energy consumption kWh	ALCOLEA+TAV 2017	ALCOLEA+TAV 2018	DIFFERENCE %
Natural gas MWh I	8,220	4,904	-40*
Electricity MWh	11,712	11,044	-6
Water consumption (m3)	57,494	33,161	-42*
Production of non-hazardous waste (t)	1,906	1,721	-6
Discharge of purified waste water (m^3)	7,167	6,710	-6

**Refining operations were also performed at the Alcolea plant until March 2017. These discontinued operations entailed significant water and natural gas consumption, and this is the main reason for the reductions in this consumption in 2018.*

At the factory in Alcolea, water is supplied via groundwater collection and the municipal mains network. In Tavarnelle, it is supplied via the municipal mains network. Neighbouring populations are not affected by the water consumption.

Deoleo strives to reduce its consumption in Spain by means of the measures implemented in recent years. Its objective is to continue to do so by optimising processes and through reuse, without affecting product safety and quality, and to improve the quality of the final effluents discharged. Preventive and corrective strategies are adopted for water management at the Group:

a. Preventive strategies: to reduce consumption, volume and pollution level.
b. Corrective strategies: to improve water quality by means of purification processes and fat decantation, and to meet the current legislative requirements.

A Kaizen-based continuous improvement system was implemented at the production plants in 2018. The fundamentals of the commitment to protecting the environment and to sustainable development are specifically:

- Integration of the environmental dimension in the Company’s processes and activities.
- Continuous evolution of the Environmental Management Systems by maintaining the ISO 14001 certification; all the production plants are certified.
- Compliance with legislation in the geographical areas in which we operate: we carry out legal compliance audits each year.
- Optimisation of resource consumption.
- Reduction of waste generation.
- Continuous improvement as a principle of excellence.
- Monitoring and systematic establishment of objectives and plans.

With respect to the raw and ancillary materials consumed according to Deoleo’s performance, the consumption of raw materials has been calculated on the basis of the procurement of packaging, together with other articles for bottling, for the factories in Spain and Italy in 2018. The following table provides a breakdown of the ancillary materials and makes reference to the total purchases made during the reporting period. These data reflect the purchases made, which do not coincide exactly with actual consumption.

ANCILLARY MATERIAL PURCHASES ITALY + SPAIN 2018	
Category	Volume (Un)
Packaging	162,195,341
PET	79,325,983
Glass	61,755,734
Can	21,113,624
Labelling	310,910,226
Label	289,057,620
Sleeve	21,852,606
Lids	184,146,537
Aluminium lid	60,939,441
Plastic lid	102,966,070
Cap	20,241,026
Cardboard	18,322,582
TOTAL	675,574,686

3.2.4 Climate change and protection of biodiversity

Deoleo aims to gradually and constantly reduce its GHG emissions in the short, medium and long term. To this end, the following measures have been implemented:

- Calculation of the environmental footprint for several products in order to inform consumers of the sustainable use that is being made of the resource and of the role of olive groves in the fight against climate change.
- Investment in energy-efficient and low-carbon technologies.
- Participation in national or industry-specific energy-efficient system schemes.
- Energy consumption audits and viability studies.
- Reduction of the weight of packaging placed on the market. Carbonell and Hojiblanca.
- Reduction in energy consumption by encouraging the use of renewable energy and adapting the packaging plant.
- Changes in production models as a result of climate change, promoting enhanced efficiency of the production processes during the packaging process and investing in energy-efficient and low-carbon technologies.

With respect to its supply chain, Deoleo has implemented an ambitious project that will mean that 80% of the Extra Virgin Olive Oil bottled by Deoleo in Spain will have a sustainable growing model with official certifications and audits within five years.

The following table shows greenhouse gas emissions in 2018:

Emissions 2018	tCO2eq
Scope 1	1,002
Scope 2	3,664
TOT	4,666

**The emission factor used to calculate the GHG emissions was as follows: for scope 1, those established by DEFRA 2018, and for scope 2, those designated by TCI 2017 and OCCC 2018.*

4. Information on social and personnel-related matters

4.1 ***The Company's policy***

Through its various policies, Deoleo guarantees the basic principles of people management, as follows:

- Selection and hiring according to the principles of equal opportunities, non-discrimination, respect for diversity and personality and professional skills that are in line with the Company's values.
- Personnel training and development to boost skills and improve internal employability and performance.
- Internal promotion and mobility on the basis of objective criteria such as the person's ability, experience, results and potential.
- Reconciliation of work and personal life to harmonise employees' work lives with their personal and family lives so that they can reach their full potential in both areas.
- Safe and healthy working environment, enabling people to reach their full productive potential.
- Employment relationships based on respect for personal rights, freedom of association and effective recognition of the right to collective bargaining.

Aspects relating to "Health and Safety" and "Social Relations" that are detailed in this report refer exclusively to the company's employees in Spain and Italy, who accounted for approximately 71% of the Group's workforce at 31 December 2018. It is the Group's intention to develop and implement the management policies and systems that it currently has implemented in Spain and Italy in the other countries where it has a significant and stable presence.

4.2 Identified risks

The main labour- and employment-related risks identified by Deoleo are as follows:

Risk relating to people management:

i. The key personnel responsible for business processes lack, or fail to exercise, their management skills to influence, delegate tasks to, manage and motivate the employees. They therefore fail to generate enthusiasm regarding the attainment of goals and objectives. The loss, for any reason, of key personnel cannot be determined beforehand, unless they have been appropriately replaced.

ii. A shortage of personnel with the skills and experience required in order to implement the business objectives; a lack of interest in and/or failure to perform talent management on the part of the organisation.

iii. A lack of objectives, processes or situations that enable knowledge, skills and experience to be transferred from one person to others within the organisation.

iv. The organisational structure is inadequate for the purpose of implementing the Group's mission and strategies in the long term; it is not the most efficient and the employees are not managed properly; they are unable to react appropriately to certain problems or they overstep the bounds of their authority either because there are no clear guidelines to be followed or they are unaware of any such guidelines.

v. Policies, attitudes, culture or communication channels that are non-existent or ineffective may give rise to uncoordinated functions, failure to establish interdepartmental responsibilities, a lack of information and delays in decision-making where several departments are affected.

Risk of strikes or labour disputes: possible strikes or labour disputes in the future. The Group is exposed to the risk that its organisational and human resources structure may not be capable of taking on changes in operational and business or growth strategy needs in a flexible and efficient manner, in terms of costs.

4.3 Main management and performance indicators

4.3.1 Employment

NO. OF EMPLOYEES AT YEAR-END

COMPANY/COUNTRY	Employees at 31/12/17	Employees at 31/12/18
SPAIN	273	299
ITALY	133	163
INDIA	34	79
USA	32	43
GERMANY	16	17
MEXICO	15	15
FRANCE	8	8
AUSTRALIA	6	7
CANADA	6	7
THE NETHERLANDS	5	4
KUALA LUMPUR	2	4
BELGIUM	3	2
COLOMBIA	3	2
General total	536	650
	2017	2018
Average personnel	587	606

Professional	<35		>35<50		>50		TOT gender		
Category	M	F	M	F	M	F	M	F	TOT
Director	2	1	19	9	15	5	36	15	51
Admin. manager	2	8	32	28	16	6	50	42	92
Skilled employee	9	10	19	13	15	1	43	24	67
Sales staff	47	13	59	12	14	2	120	27	147
Admin. staff	28	42	19	51	19	31	66	124	190
Factory	16	1	33	7	43	3	92	11	103
							407	243	650

4.3.1.1 Employees by type of contract

The types of contract used at the Group are permanent, temporary and internship (by law, the hiring of interns must be notified for social security purposes) contracts.

The details are as follows:

Professional Category	Type of Contract	<35 M	<35 F	>35<50 M	>35<50 F	>50 M	>50 F
Director	Permanent	2	1	19	9	15	5
	Temporary	0	0	0	0	0	0
Admin. Manager	Permanent	2	8	32	28	16	6
	Temporary	0	0	0	0	0	0
Skilled employee	Permanent	8	4	19	12	15	1
	Temporary	1	4	0	0	0	0
	Internship		2		1		
Sales staff	Permanent	44	10	59	12	14	2
	Temporary	1	0	0	0	0	0
	Internship	2	3				
Admin. Staff	Permanent	23	35	18	48	18	31
	Temporary	0	4	1	3	1	0
	Internship	5	3				
Factory	Permanent	7	1	29	6	43	3
	Temporary	9	0	4	1	0	0

	M	F	
Temporary	17	13	30
Permanent	383	222	605
Internship	7	9	16

4.3.1.2 Employees by type of working day

The detail of employees by type of working day is shown below:

Professional Category	Type of Contract	<35 M	<35 F	>35<50 M	>35<50 F	>50 M	>50 F
Director	Full-time	2	1	19	9	15	4
	Part-time	0	0	0	0	0	1
Admin. manager	Full-time	2	8	32	27	16	5
	Part-time	0	0	0	1	0	1
Skilled employee	Full-time	9	10	19	13	15	1
	Part-time	0	0	0	0	0	0
Sales staff	Full-time	47	13	59	10	14	2
	Part-time	0	0	0	2	0	0
Admin. staff	Full-time	28	41	18	43	19	30
	Part-time	0	1	1	8	0	1
Factory	Full-time	16	1	33	7	43	3
	Part-time	0	0	0	0	0	0

	TOT gender M	TOT gender F	TOT type of working day
Part-time	1	15	16
Full-time	406	228	634

4.3.1.3 Dismissals in 2018

Professional category	<35		35–50		>50		TOT – Professional category
	M	F	M	F	M	F	
Manager	0	0	4	1	0	1	6
Admin. manager	0	0	0	0	4	0	4
Skilled employee	0	0	1	0	0	0	1
Sales staff	0	1	0	0	4	0	5
Admin. staff	0	0	2	7	0	1	10
Factory staff	0	0	0	0	0	0	0
TOT – age	1		15		10		26

	M	F
TOT – gender	15	11

A total of 73 employees left in 2018, 26 of whom were dismissed. This translates to a turnover of 11.23%.

4.3.1.4 Average remuneration

All the Group companies were included in the average remuneration calculation. Given the different currencies involved, the euro was set as the standard currency, with the local currencies translated to euros at the 2018 average exchange rate.

The calculation takes into account fixed salaries and bonuses as well as remuneration in kind. It does not include the directors and senior executives, whose average remuneration is covered in section 4.3.1.7., or interns, whose stipends are not considered to be salary and, therefore, are not comparable to the remuneration of the rest of the staff.

By gender:

	MALE	FEMALE
2017	€55,836	€47,403
2018	€52,775	€49,046

By age bracket:

	<35	35–50	>50
2017	€37,139	€57,943	€54,025
2018	€35,803	€56,581	€58,256

By professional category:

	Manager	Administrative manager	Skilled employee	Sales staff	Administrative staff	Factory staff
2017	€148,456	€77,518	€37,125	€57,375	€37,097	€31,361
2018	€164,724	€71,003	€34,134	€47,336	€38,784	€29,872

4.3.1.5. Gender pay gap

Gender	Average salary Total
Male	€43,962
Female	€42,466
Average	€43,407
Difference in average salary	€1,496
Gender pay gap	3.40%

4.3.1.6. Remuneration for equal positions and average remuneration

Deoleo hires in line with its principles of equal opportunities, non-discrimination and respect for diversity and personality, and ensures that the starting salary of all its employees does not fall below the national minimum wage or the minimum established in the collective agreement, regardless of position and professional category. Furthermore, in countries in which the salary for each category is defined by the collective agreement (Spain, Italy and Belgium), Deoleo ensures that the basic remuneration for equal positions in the same professional category is similar and that any differences that occur are based solely on seniority or performance.

In the other countries in which Deoleo operates, its employees hold sales or director positions and negotiate their salary conditions and corporate benefits individually. Deoleo ensures that their conditions never fall below the country's national minimum wage, where there is one.

In Spain, the lowest starting salary at Deoleo –as defined for each salary band in the collective agreement– is 44% higher than the national minimum wage.

4.3.1.7. Average remuneration of the directors and senior executives

The average remuneration of the directors and senior executives in 2018 was as follows (in thousands of euros):

	Male	Female
Average remuneration of directors	74	0
Number of senior executives	7	4
Amounts	302	163

External directors are remunerated primarily through fees for attending the meetings of the Board of Directors and its committees. These fees range from EUR 1,500 to EUR 3,500. In any case, the total remuneration of the directors in their capacity as such may not exceed the maximum remuneration of EUR 750,000 per year.

The shareholders at Deoleo's Annual General Meeting of 5 June 2017 approved the Directors' Remuneration Policy for 2017 and the following three years (2018, 2019 and 2020). This policy is available on Deoleo's website (www.deoleo.com).

The CEO is remunerated primarily through a contractually agreed annual fixed salary and a bonus that may not exceed 50% of the fixed salary. He does not receive attendance fees or other additional remuneration for exercising his function as a director.

The approved Directors' Remuneration Policy includes a bonus scheme based on stock appreciation rights for various members of the executive team, including the CEO, which involves the assignment of a certain number of rights that provide the holder with a long-term bonus, in cash or shares, calculated according to the increase in the minimum value of an equal number of shares in the Company on the date on which the Company's current majority shareholder transfers its shares in the Company.

Regarding directors' average remuneration, the table above includes directors' average annual fixed salary under their contracts, the amount of the bonus under their contracts (assuming that all targets are met) and other items of remuneration in kind. In 2018 there were seven male and four female senior executives.

The senior executives' average remuneration disclosed in the table above corresponds to the maximum amounts that they can theoretically receive under their contracts and due to items of remuneration in kind. The actual remuneration earned by all the senior executives in 2018 was EUR 1,974 thousand. The targets for the annual bonus were not met and, accordingly, none of the senior executives earned any variable remuneration in 2018.

For more details on governance matters, we recommend the Annual Directors' Remuneration Report and Annual Corporate Governance Report, which can be found on Deoleo's website (www.deoleo.com) or on the website of the Spanish National Securities Market Commission (www.cnmv.es).

Deoleo has not yet launched a specific plan to address the right to disconnect from work, but this right is respected in Deoleo's various codes and principles.

4.3.1.8. Employees with a disability

In the countries where the majority of the Group's employees work (Spain and Italy), the legal requirements related to hiring people with disabilities (whether through direct hires or by subcontracting services from special employment centres) are met by means of the certificate of exemption and the adoption of alternative measures to meet the minimum share of jobs reserved for workers with disabilities.

The Group had the following employees with a disability at the end of 2018:

	Female	Male	Total
ITALY	2	5	7
SPAIN	1	2	3
TOTAL	3	7	10

4.3.2 Work organisation

4.3.2.1 Organisation of working time

Working time includes working hours, breaks, holiday time and paid leave, and is set in accordance with the legal requirements in the countries in which Deoleo has workplaces or is defined in the collective agreements signed with employees, which may be nationally applicable or specific to a workplace. The Company's production centres have a special shift system under which the allotted annual working hours are distributed differently than usual, which allows production to be organised to meet customer demand. The table below shows how working time is organised in the Group's workplaces in each country, except Colombia and Malaysia.

Organisation of working time	Spain	Italy	France	Netherlands	Germany	Belgium	USA	Canada	Mexico	Australia	India
Weekly working days	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday	Monday–Friday
Weekly days off	2	2	2	2	2	2	2	2	2	2	2
Daily working hours	8	8	7	8	8	8	8	8	8	7.5	8.5
Weekly working hours	40	39	35	40	40	40	40	40	40	37.5	42.5
Annual working hours	1756.5	1808	1607	1928	1864	1848	1928	1904	1896	1717	1896
Annual paid holiday days	22.5	26	14	13	18	20	12	12	12	16	19
Paid leave days	1	4	6	-	-	-	-	-	7	1	21

4.3.2.2 Absenteeism figures

The Company's activity is not considered to be high risk. The number of occupational accidents fell in 2018 year on year, and all were minor. No occupational diseases occurred in the year.

The table below shows the working hours lost over the year. It only includes Spain and Italy since they are the countries where significant operations are carried out and the where the production centres are located.

	Spain	Italy
Working hours lost due to absences.	16,128	9,932

Working hours lost include illnesses, accidents, paid leave and unjustified absences. They do not include paternity or maternity leave or paid time off for workers' representatives.

The method used to convert calendar days into working hours is as follows: (Calendar days of absence × contractual annual hours) / 365

4.3.2.3 Measures to foster a good work-life balance and shared parental responsibility

Year after year, the Group continues to place a particular emphasis on adopting further measures to foster a good work-life balance and the personal development of its employees.

With a view to fostering a good work-life balance and shared parental responsibility, it provides its employees with the following:

- Paid leave for illness, death or doctor's appointments of relatives up to second-degree kinship or affinity, beyond that established by law.
- Leave for urgent medical services, both for employees themselves and for first-degree dependants.
- Leave to accompany first-degree relatives who are under 16 years of age or dependent to doctor's appointments.
- Leave for physiotherapy sessions.
- In 2018 negotiations were commenced for a telecommuting plan to allow employees to work from home one day per month.
- One hour's flexibility at the start of the working day.
- Flexible hours and shifts for employees who are single parents, divorced parents with sole custody of children or who have dependent relatives with a recognised disability.
- Access to the services of Alares. The Alares Foundation is registered in the Spanish Ministry of Health's Registry of Carer Foundations, and was established to consolidate and continue activities that Alares had been carrying out due to its dedication to balancing people's welfare needs with both a charitable and an institutional approach. Its purpose is to drive and participate in initiatives to generally improve people's living conditions and foster their economic, business and institutional competitiveness. With Alares, employees have access to assistance with paperwork and procedures, family care, holiday advice, finding teachers for private classes, and more. Deoleo was given the Alares Seal award. The companies that receive this award are assessed by a committee of outside experts on the basis of the services they provide to employees and their relatives (workforce responsibility) or, in certain cases, to each and every one of their customers (social responsibility).
- Annual leave of 32 hours for family illness.

Eleven employees (seven male and four female) in Spain took paternity/maternity leave in 2018. They all rejoined the workforce at the end of the leave period.

4.3.3 Health and safety

Deoleo management is aware of the importance of health and safety to its employees and, accordingly, undertakes to meet all legal requirements related to occupational risk prevention. One of the Company's goals is to continuously improve the working conditions of all its employees in every one of its workplaces.

The organisation of prevention in Spain and Italy are described below as the Company's production centres are located in these countries.

In Spain, prevention is managed in accordance with Occupational Risk Prevention Law 31/1995, of 8 November. New hires receive training in occupational health and safety.

The prevention system in the workplaces in Spain is managed by a duly accredited external prevention service. The specialist services engaged are as follows:

- Occupational safety
- Industrial hygiene
- Ergonomics and applied psychosociology
- Health surveillance

The Company has an occupational risk prevention plan available to all employees, which provides the following information:

- The occupational health and safety risks in each position, the preventive measures to be taken and employees' rights and obligations.
- Ground rules for emergencies and first aid.
- Employees' prevention duties and responsibilities.

In Italy, the Company has implemented the requirements of Legislative Decree 81/2008 on occupational health and safety. This includes an organisation, management and control model as defined in Legislative Decree 231/2001. The Company has appointed a supervisory body, which conducts systematic audits of the implementation of the measures required to protect employees' health and safety. The most recent audit, carried out on 28 May 2018, confirmed that the legal requirements had been implemented correctly. The supervisory body also carries out quarterly reviews.

In 2018 safety training was provided to new hires (an average of nine hours per employee).

The workplaces in Spain have health and safety committees, which are collective bodies representing employees and are responsible for regular oversight of the Company's risk prevention activity.

The committees are made up of an equal number of prevention delegates and the employer/employer's representatives. They meet every three months or at the request of any of their members, and set their own operating rules.

The prevention and protection service (Italy's health and safety committee) meets annually.

Its competencies and powers include participating in the drafting, implementation and assessment of the Company's risk prevention plans and programmes and running initiatives to promote effective risk prevention methods and practices, proposing to the Company improvements to conditions or the correction of deficiencies.

The composition of the health and safety committees in Spain is as follows:

	Alcolea centre	Rivas centre
PREVENTION DELEGATES	3	3
COMPANY REPRESENTATIVES	3	3

In Spain, 416 hours of occupational health and safety training were imparted in 2018.

The composition of the prevention and protection service in Italy is as follows:

COMPANY REPRESENTATIVE	1
COMPANY DOCTOR	1
HEAD OF THE PREVENTION, PROTECTION AND EMERGENCY COORDINATION SERVICE	1
SAFETY DELEGATE	1

In Italy, 800 hours of occupational health and safety training were given in 2018.

Both the accident rate and the number of accidents fell year on year.

The accident rates in the workplaces with the most employees are presented below.

Occupational accidents in Italy: 1

	Male	Female
Frequency rate (1)	0	4.01
Severity rate (2)	0	0.04
Occupational diseases	0	0
Number of deaths	0	0

Occupational accidents in Spain: 11

	Male	Female
Frequency rate (1)	20.9	0
Severity rate (2)	0.34	0
Occupational diseases	0	0
Number of deaths	0	0

(1) Frequency rate = (no. of work-related accidents resulting in sick leave / (no. of employees × hours worked in the period)) × 1,000,000
(2) Severity rate = (working days lost due to accidents in the period / (no. of employees × hours worked in the period)) × 1,000

4.3.4 Labour relations

Labour relations are handled at the Company through works councils. The Company has three works councils (two in the Spain workplaces and one in the Italy workplace).

The last elections to the works councils in Spain were in 2015 and 2017. Before those elections, the workers' representatives belonged to the UGT and CCOO trade unions. As a result of the elections, the representatives' membership became fragmented, with some of them elected as CSIF union members.

The table below shows the total workers' representatives in the two Spain workplaces:

	UNION		
	CCOO	UGT	CSIF
NO. OF REPRESENTATIVES	11	3	3

In Spain, there are two collective agreements applicable to the workplaces. These collective agreements were negotiated in 2018 and are valid for four years.

The last elections to the works councils in Italy were in 2014. The workers' representatives belong to the FLAI CGIL and CISL trade unions.

The table below shows the workers' representatives in Italy:

	UNION	
	FLAI CGIL	CISL
NO. OF REPRESENTATIVES	2	1

The collective agreement in Italy is applicable to the olive oil industry at national level, and is valid for four years.

The Company's labour relations are handled mainly through bargaining committees made up of Company and workers' representatives as well as advisers to both parties. There are also frequent meetings between the Company and workers' representatives, in addition to personal and direct contact with employees.

The workers' representatives can call assemblies to keep employees up to date on any collective bargaining under way.

The Company is aware of the importance of labour relations with its employees, and promotes informative and consultation procedures. For these purposes, it provides employees with notice boards, video screens displaying information related to the Company and the corporate intranet, where it publishes corporate news, new hires, advertising campaigns, and events and news featured in magazines and on television programmes.

The percentage of the workforce covered by collective agreements in countries with collective bargaining is as follows:

DEOLEO, S.A.	65.89%
ITALY	93.87%

4.3.5 Training

For Deoleo, training is a strategic pillar in the development of all its employees and a lever for increasing its competitive advantage.

In 2018 the language skills training programmes were stepped up due to the Company's growing presence in emerging markets. The Company's employees received advanced English, Italian, Spanish, French, German, Portuguese, Japanese and Chinese classes.

- Training in continuous improvement systems (Kaizen) for factory floor workers and middle management is ongoing, and we have launched other supply chain projects. This led to the Kaizen Institute awarding us the Kaizen Lean Award in the Excellence in Productivity category for our North America Container Optimisation project.

- Another supply chain improvement was achieved through training in customer service skills.

- The Quality, Regulatory and R&D departments have received training and refresher courses on technical and regulatory matters, with an emphasis on sustainable models.

- With the sales department, the Company focused on strengthening commercial skills in both account management and maximisation of returns on negotiations with retailers in Spain.

- Training was stepped up in tasting, extending it to all employees through introductory sessions for all the Rivas workers and all the sales teams around the world.

- The sales teams were also provided with various training sessions on the world of olive farming and olive oil production, linking it to sustainable business models.

- A training programme was launched for managers to improve their people management skills and leadership competencies.

- The Company introduced Office 365 to allows users in any location to create and share content on any device.

- Lastly, the Company continues to strive to improve various IT skills among certain groups.

The number of hours of training given across the Group are shown in the table below:

Professional category	Total
Administrative staff	4,491.00
Administrative manager	2,558.50
Sales staff	1,823.50
Manager	1,413.50
Skilled employee	1,392.30
Factory staff	1,091.50
Average	12,770.30

4.3.6 Accessibility

The Group places a special emphasis on improving accessibility and integration for people with different abilities. For this reason, we engage and work with companies and associations that include people with different abilities in their workforce.

The Company's employees with disabilities work mainly in the Spain and Italy workplaces. These facilities are accessible for people with disabilities.

4.3.7 Equality

The Company continues to make strides in expanding its measures to promote and bolster equal treatment and opportunities for men and women.

It has included articles in the two collective agreements adopted this year that include commitments to the equality of men and women.

Moreover, in December 2018 negotiations commenced in relation to the Equality Plan for the workplaces in Spain.

The Company also has a protocol in place for dealing with harassment, which allows employees to report any psychological, sexual or gender-based harassment in the workplace. No cases of gender-based discrimination have been reported.

Another interesting aspect in the Company's HR policies relates to talent attraction and retention; we work closely with universities, business schools and higher education institutes to improve young people's access to work.

We have around 50 agreements signed with these institutions.

Some 75% of interns whose internship ended in 2018 went on to join the Company, a high rate of incorporation.

We are registered with the ICEX internship programme, through which we attract participants for our High Talent Programme.

These internship programmes are designed to produce young professionals specialised in providing internationalisation services.

ICEX interns receive a solid theoretical grounding in international trade in Spain, followed by specialised practical training in the various offices of the State Secretariat for Trade's international network, and then join Spanish companies with an international presence like Deoleo.

5. Information respect for human rights

5.1 Company policy

One of the goals of the Corporate Social Responsibility Policy approved by the Board of Directors in February 2018 is to promote honest conduct among all the people who make up the Group and who interact with it, and to foster integrity and ethical behaviour.

The human rights principles that the Deoleo Group lives by are as follows:

- The rejection of all forms of forced labour, child labour or any other type of labour that violates human rights.
- The adoption of the practices established in the Group's Code of Conduct (available at www.deoleo.com) and policies on human rights, among others.
- Respect for and promotion of the right to organise and collective bargaining.

This policy is broadened and complemented by the principles established in the following documents:

- Code of Conduct:
    a. Deoleo rejects all forms of forced labour, slavery, child labour or any other type of labour that violates human rights. The Deoleo Group's business must be carried on with respect for and promotion of the right to organise and collective bargaining.
    b. The Deoleo Group emphatically forbids discrimination or harassment in or outside the workplace. No discrimination will be tolerated, whether related to gender, race, ideology, religion, culture, nationality, marital status, age, sexual orientation or any other aspect.
    c. The Deoleo Group expressly forbids sexual, psychological or any other type of harassment or discrimination that is intended to humiliate, torment, intimidate or infringe upon the dignity of an employee or anyone else.

- Procurement Policy: Deoleo undertakes to ensure that suppliers are selected and engaged in line with its corporate values, management style and code of conduct for employees, engaging only those that meet the legislation in force and respect human and labour rights.
- Risk Control and Management Policy: sets outs the basic principles for the management and regular assessment of the risks that may arise due to the nature of the Group's activities, the volume of its transactions and the countries in which it operates.
- Protocol to address psychological, sexual and gender-based harassment in the workplace: formalises the declaration that psychological, sexual, gender-based, political, religious, racial or disability-related harassment is not permitted, will not be tolerated, and will be addressed internally and severely punished.
- Diversity Charter: formalises the commitment to observe the equal opportunities and anti-discrimination law in force, undertaking to:
  - *a.* Raise awareness of the principles of equal opportunities and respect for diversity
  - *b.* Make headway in building a diverse workforce
  - *c.* Promote inclusion
  - *d.* Include diversity in our HR policies
  - *e.* Foster a good work-life balance
  - *f.* Recognise diversity in customers, suppliers and business partners
  - *g.* Convey these commitments and instil them in all its social stakeholders

5.2 Risks identified

The primary risks identified in relation to human rights are as follows:

- Compliance risks: violation of human rights regulations in the countries in which the Group operates.
- Subcontracting risks: the risk of outsourced activities not meeting service or quality standards, or of the subcontractor not operating in accordance with the strategies and objectives of the policies set out in section 4.1.
- Corporate criminal liability risks: inadequate crime prevention control model or lack of specific human rights training.

5.3 Key management and performance indicators

The main measures taken to prevent behaviour that infringes on human rights are as follows:

- Zero-tolerance policy with respect to:
  - a. All forms of forced labour, child labour or any other type of labour that violates human rights.
  - b. Any discrimination or harassment in or outside the workplace.
- Confidential, non-anonymous whistleblowing and ethics channel for employees to report any infringement of the Code of Conduct or irregularity. This communication channel is available through the following means:
  - *a.* Intranet
  - *b.* Email
  - *c.* Post

- Protocol to address psychological, sexual and gender-based harassment in the workplace, which includes guidelines to create a workplace free of harassment of all kinds, as well as the procedure for addressing, investigating and resolving reports of harassment.

In 2018 one report of harassment was received through the ethics channel.

The Deoleo Group is not involved in any legal proceedings relating to conduct that infringes human rights, and has never been sued for such conduct in the past.

6. Information relating to anti-corruption and bribery issues

6.1 Company policy

The Deoleo Group maintains an express commitment to zero tolerance of bribery and corruption and seeks to prevent irregular payments or money laundering arising from illegal or criminal activities in the performance of its business activities.

The corporate social responsibility policy approved by the Board of Directors in February 2018 establishes that one of its objectives is to promote honest behaviour by all the people who make up the Group and interact with it, fostering integrity and ethical behaviour. Accordingly, Deoleo must ensure that any acts involving corruption, bribery, money laundering or irregular payments in the performance of its business activities are prevented, and it has established clear guidelines of zero tolerance of bribery and corruption.

This policy is implemented and supplemented using the principles established in:

- The Code of Conduct, which includes a specific "Anticorruption" section with the following rules of conduct:
  - The acceptance/delivery of gifts and courtesies from/to customers, suppliers and third parties is limited to promotional gifts or courtesies of immaterial value.
  - The acceptance/delivery of gifts and courtesies, regardless of the amount, which are intended to improperly influence the recipient's decision-making or the relationship with the recipient is prohibited.
  - Giving, offering or promising gifts or courtesies to persons who participate in the exercise of public functions, including authorities and officials, whether Spanish or from other countries, is not permitted.
  - No donations or contributions may be made on behalf of the Company to political parties, federations, coalitions or groups of electors.
  - The selection of suppliers requires the application of the principles of impartiality, transparency and objectivity throughout the process, so that the most suitable offer for Deoleo is selected exclusively on the basis of cost and quality.
  - The procedures for hiring and advancing employees and executives must guarantee the highest ethical standards among employees without exception.
- The Anti-Corruption Best Practices Adherence Policy, drawn up in accordance with (i) the OECD Convention on Combating Corruption of Foreign Public Officials in International Business Transactions; (ii) the articles of the Spanish Criminal Code making corruption an offence in both the public and private sectors; (iii) Organic Law 1/2014, of 13 March, amending Judiciary Organic Law 6/1985, of 1 July, relating to universal justice; and (iv) the provisions of foreign legislation that may be considered as enhancing anticorruption best practices, such as The Foreign Corrupt Practice Act (United States) and The Bribery Act (United Kingdom).

  This Policy, approved in December 2015 by Deoleo, S.A.'s Board of Directors, establishes the mandatory guidelines to prevent instances of corruption.
- The Criminal Risk Prevention Manual, as part of the model for the prevention of corruption in business, includes the following criteria that all Deoleo employees and professionals must follow to minimise the possibility of corruption and bribery risks arising:
  a. The order and invoice authorisation process establishes a methodology for authorisation based on the type and amount, and ensures at all times the segregation of duties and an appropriate approval hierarchy.
  b. Payments must be made in accordance with the established procedures so that they may be accounted for and monitored correctly.
  c. Travel expenses and invites to third parties must be duly justified and evidenced.

- The Procurement Policy and the Procurement Code of Ethics reinforce the obligation that no Deoleo employee or associate should engage in acts of corruption, include the commitment to conduct relations with suppliers in accordance with the law, and to ensure that supplier selection processes are transparent, fair and based on objective criteria.
- The Risk Control and Management Policy: Includes the core principles of risk management and the periodic assessment of the risks that could occur due to the nature of the activity, the volume of transactions and the countries in which the Group operates.

6.2 Identified risks

The main risks identified at the Company related to corruption and bribery are as follows:

- Acceptance and/or giving of gifts and courtesies from/to customers, suppliers and third parties.
- Acceptance and/or giving of gifts and courtesies for the purpose of improperly influencing the recipient`s decision making.
- Giving, offer or promise of gifts or courtesies to persons who participate in the exercise of public functions.
- Giving of donations or contributions on behalf of the Company to political parties, federations, coalitions or groups of electors.
- Authorisation or execution of an illegal payment in a third party's favour, as consideration for an unjustified benefit or advantage received by Deoleo.
- Selection of suitable suppliers for Deoleo without regard for objective criteria of cost and quality.
- Selection and hiring of personnel related to customers or suppliers as a consideration for giving the entity an undue advantage.
- Receipt of customer funds from illegal sources and assistance in the commission of a money laundering offence by the customer or a third party.

6.3 Principle *management and performance indicators*

The principle measures adopted to prevent corruption, bribery and money laundering are as follows:

- Policy of zero tolerance of bribery and corruption related to irregular payments or money laundering arising from illegal or criminal activities.
- Confidential, non-anonymous whistleblowing and ethics channel for employees to report any infringement of the Code of Conduct or irregularity. This communication channel is available through the following means:
    - *a.* Intranet
    - *b.* Email
    - *c.* Post
- Gifts and courtesies: limited to promotional gifts or courtesies of immaterial value.
- Relations with public authorities: will be governed by the principles of respect for the law, cooperation and transparency. Deoleo will cooperate with the authorities or checks performed on the business processes or activities. Giving, offering or promising gifts and courtesies to persons who exercise a public function, as well as donations or contributions to political parties, federations, coalitions or groups of electors, is also not permitted.
- Use of a standardised model distribution agreement for the entire Group.
- Supplier selection*:* application of the principles of impartiality, transparency and objectivity throughout the process.
- Hiring and promotion of employees and executives: procedures that ensure ethical and objective assessment criteria and equal opportunities for all the candidates.
- Approval of orders and invoices: participation in the process of at least two persons and other additional persons based on the invoice amounts.

- Approval of payments: joint signatories and approval of payments by two persons.
- Compliance verification programme within the framework of criminal risk prevention so as to mitigate the risk of corruption within the Group.

In 2018 no complaints were received through the Ethical Channel regarding potential corruption or bribery in the course of the Group's business activities.

The Deoleo Group is not involved in any legal action for unlawful activities, except for the legal proceedings brought against former directors as described in Note 20.2.1. to the consolidated financial statements for 2018.

The Deoleo Code of Conduct does not permit donations or contributions to be made on behalf of the Company to political parties, federations, coalitions or groups of electors. There have been no cases of infringement in this connection.

Conversely, in 2018, Deoleo donated EUR 53,692 to foundations and NGOs.

7. Information on social impact

7.1 Company policy

The Deoleo social impact action principles are determined by a series of codes, policies and procedures:

- Code of Conduct
- Ethical Channel Procedure
- Related-Party Transactions Procedure
- Anti-Corruption Best Practices Adherence Policy
- Risk Control and Management Policy
- Food Safety and Quality Policy
- Environmental Policy

7.2 Identified risks

The main risks that the Group has identified in relation to the social impact of its activity are:

- Food safety, quality and production chain risks: products with a substandard quality that could result in complaints, litigation or a reduction of revenue with loss of market share and/or reputational damage.
    a. Control risks: legal requirements
    b. Critical control risks:
        - Olive oil: pesticide control
        - Glass bottles: control of the glass blowing process to avoid any foreign bodies in the packaged bottles.
- Regulatory compliance risk: non-compliance with regulations on food quality and safety, employment, civil and environmental legislation of the various countries where Deoleo operates.
- Subcontractor risk: operations outsourced to third parties that do not meet the Group's service level or quality requirements, or that are not aligned with the Deoleo Group's strategies and objectives.
- Raw material volatility risk: inappropriate procurement strategy.

7.3 Main management and performance indicators

7.3.1. **The Company’s commitment to sustainable development**

7.3.1.1 ***Impact of the Company's activity on employment, local development,*** *local population and region*

Deoleo is committed to its environment, it stimulates employment in the areas where it carries on its activity, mainly manufacturing, and promotes best practices among its suppliers, the majority from agricultural areas, in pursuit of quality products in the context of an environmentally friendly and socially sustainable framework.

It also collaborates with NGOs (as indicated in Section 6.3), either through donations or by implementing specific activities, the scope of which goes beyond the financial.

The Company promotes development and knowledge of olive oil through the Carapelli Institute.

It also promotes awareness of the world of olive oil through the annual publication of an industry report on global olive oil production and consumption: the Deoleo Report.

7.3.1.2. Relationships and dialogue with local communities

In a marketing and sales campaign, the Group launched a special edition bottle of Carbonell olive oil in support of the "Action against Hunger" charity to alleviate child malnutrition which, for the first time in 150 years, did not include a picture of the Carbonell brand's Andalusian woman on its label. In the campaign a photograph of three women from Mali, Mauritania and Syria fighting against hunger replaced the iconic Andalusian woman and became the protagonists on the front of 200,000 bottles.

This first solidarity edition in the olive oil brand's history was to support the "Action against Hunger" charity to which Carbonell donated 50% of the profit obtained from their sale.

In 2018, Deoleo also implemented an ambitious project to obtain a significant percentage of olive oil supplied with the sustainable quality seal granted by Intertek.

To this end it entered into agreements with growers in Spain and Italy, including notably the agreement entered into with the Spanish Viñaoliva cooperative. In April, both organisations entered into an agreement to design a sustainable production model, focused on quality, traceability and sustainability.

The effects of the agreement are socially very significant as it involves more than 25,000 hectares of olive groves through eleven cooperatives on which more than 3,800 families depend.

The partnership is implemented under the terms of the Deoleo Sustainability Protocol, which is based on the United Nations Sustainable Development Goals.

The partnership framework covers aspects that are essential for obtaining quality olive oil in a sustainable way, such as:

- Encouraging bird nesting
- Encouraging insects that are beneficial for the olive grove
- Encouraging vegetation cover
- Working groups to share experiences
- Good food safety practices
- Good environmental management practices

In light of the above, a product with value added is obtained that respects the environment as well as the olive grove’s indigenous species and also encourages people to stay in rural areas.

Lastly, it should be noted that the Group belongs to various associations, all of which are of an industry specific or commercial nature. It does not belong to any political, religious or ideological organisations.

7.3.2 Outsourcing and suppliers

7.3.2.1 Inclusion of social, gender equality and environmental issues in the procurement policy

Deoleo’s procurement policy, set forth in codes of ethics and conduct, establishes respect for human, employment and environmental rights in the engagement of suppliers.

Suppliers must also comply at all times with the provisions of Deoleo’s Code of Conduct and relationships with them will be conducted in accordance with criteria of honesty, respect for people and social and environmental values.

Deoleo's relationships with its suppliers are conducted in line with the following elements:

- Procurement Policy: this establishes a framework for cooperation between Deoleo and the suppliers it works with, in order to establish sound and long-lasting commercial relationships, obtain mutual benefits and comply with Deoleo’s and its suppliers’ corporate social responsibility policies.
    a. Relationships with suppliers will be conducted in accordance with criteria of honesty, respect for people and social and environmental values.
    b. Contracts for goods or services in line with the principles of need, suitability, functionality and good price - quality ratio.
- Procurement Code of Ethics: helps to determine correct behaviour in commercial activities.
- Code of Conduct
- Environmental Management Systems: Deoleo has implemented ISO 14001 in its two production facilities, Alcolea and Tavarnelle.
- Basic environmental plan for subcontractors

7.3.2.2 Consideration of social and environmental responsibilities in supplier and subcontractor relationships.

As indicated above, Deoleo has a procurement policy and in accordance with that policy, Deoleo is committed to conducting commercial relationships with suppliers that operate in accordance with the criteria of honesty, respect for people and social and environmental values which are inherent to Deoleo's policies and principles.

At Deoleo we consider that the involvement of suppliers is fundamental to achieve a sustainable and responsible performance. In our supply chain we continue to incorporate sustainability, ethics and human rights. We want to convey to the supplier that they too are responsible for their own supply chain. Sustainability should be a shared commitment which begins through our suppliers.

Deoleo's suppliers must undergo a certification process in order to form part of the supply chain. The supplier certification process begins with a questionnaire, which includes a section on environmental matters where suppliers must detail environmental issues such as proper waste disposal management.

They undergo an audit based on the replies obtained. The aforementioned questionnaire also includes the delivery of the relevant supporting documentation.

Also, the service suppliers that work with Deoleo must follow all the policies and procedures that Deoleo has implemented internally. Furthermore, subcontractors must fulfil the requirements established by the Prevention and Safety Area.

Subcontractors must comply with Environmental Management Systems requirements when their activities could have an environmental impact. To this end, they are required to comply with the "Basic Environmental Plan" (see Section 7.3.2.1).

The supplier management life cycle begins with the selection of a potential supplier. Once selected, the request to open a certification process is sent by Procurement to Quality. The supplier certification process begins with the request for the suppliers to approve Deoleo's general requirements, complete the requested questionnaires and provide all the documentation sought. Once a supplier has been certified, the supplier performance assessment is a continuous process which provides Deoleo with the confidence that the suppliers are complying with Group requirements. Since 2017, as part of the assessment process, environmental criteria were included in the assessment process for supplier selection. Questions were included in the questionnaires in relation to correct compliance with environmental legislation and the existence of an environmental management system. The system implemented at the Group is to purchase solely from certified suppliers. There are 381 certified raw material suppliers (olive oil), 30 certified co-packers and 49 packaging suppliers.

Deoleo is working to ensure that the raw materials are from sustainable sources for the sustainable production model with the objective of providing the global consumer with the best olive oils obtained through the most environmentally sustainable and respectful methods. To this end, in 2018, partnerships were entered into or are in the process of being finalised with growers, associations or cooperatives from Spain, Greece, Italy and Portugal.

7.3.2.3 Supervisory systems, audits and their findings.

The Quality Department regularly audits suppliers. The frequency of the audits depends on a risk map developed by the Quality Department.

7.3.3 Consumers

7.3.3.1 Consumer health and safety measures

At Deoleo, measures are implemented in order to ensure consumers' health and safety. They cover the raw materials used and the correct distribution of our products through the production chain.

The food safety system is based on the implementation of the Hazard Analysis and Critical Control Points System (HACCP), whereby each point of the process is analysed and any possible risks that could exist at each point are identified. Controls are implemented, limits established and the corrective measures relating to each identified control point or critical control point are defined. This controlled system guarantees food safety compliance in our processes, is reviewed on an ongoing basis, checked at least once a year by the multidisciplinary team that configured it and audited by external entities each year.

As well as implementing the HACCP system, the Company applies GFSI Standards that cover food safety management and food production quality, such as BRC and IFS.

In order to ensure the standardisation and normalisation of processes and documentation, the International Standards Organisation ISO 9001:2015 standard is implemented.

Deoleo has obtained ecological certification to ensure that our organic or bio products can be labelled as such.

In order to ensure compliance with all the implemented requirements relating to the rules and standards under which we work, these rules are audited each year by external entities, although the processes and requirements of the implemented standards are also audited internally.

Continually improving the Group's processes and products. These improvements arise from the annual review of the quality management system, when reviews are performed of the outcomes of internal and external audits, non-conformance and corrective/preventive actions, relevant customer and stakeholder satisfaction information, compliance with quality objectives, the process performance, monitoring and measurement results and supplier performance.

- Periodic inspections of the production and quality management systems.
- A tool that gathers daily data on the critical points mentioned in section 6.2, identified in the risk analysis. The manager analyses and revises this data on a weekly basis to identify possible anomalies.
- GFSI food safety standards.
- Risk analysis of the production processes with the aim of identifying the risks in each stage of the production chain and implementing preventative controls in the various processes.
- Useful life analysis in all product categories to ensure that the products remain stable and are of the highest quality.
- Implementation of security safeguards to prevent the entry of intruders who may engage in product tampering or criminal or malicious acts.
- Procedure for withdrawal of recall of products not fit for market. This applies to all of the organisation's plants and its subcontracted production plants.

Deoleo has implemented a process to identify and handle the recall or recovery of products not fit for market. This applies to all of the organisation's plants and its subcontracted production plants. This process would be initiated in the following cases: if there is a product that does not comply with the law or is unsafe for consumers; if the non-conformance affects more than one batch of products; when the Company's reputation is at risk and when the non-compliance could result in a public recall. No significant incidents were recorded in the last two years. A crisis drill is held yearly at the Group's two production plants to ensure their smooth operation.

Also, Deoleo has a Corporate Responsibility Certificate from AUTOCONTROL (Spanish independent advertising self-regulatory organisation), which is a non-profit association established in 1995 to manage advertising self-regulation in Spain. It is comprised of leading advertisers, advertising agencies, media outlets and professional associations and its goal is to contribute to making advertising an especially useful tool in the economic process, while ensuring respect for advertising ethics and the rights of consumers and excluding the defence of private interests.

7.3.3.2 *Claim systems, complaints received and their resolution*

Deoleo has systems that measure consumer and customer satisfaction by managing their complaints. Each negative report received from outside the organisation, whether warranted or not, is input that we take as a point for improving our processes.

Complaints are managed using a tool (Salesforce) which gathers all the reports from consumers and customers in every country to which Deoleo sells. Once the information is received, an analysis is then made in order to find the root cause and be able to implement corrective measures. Once all the information from the investigation process is in the tool, a response is given to the relevant party on the input in question.

Consumer complaints are sent to Deoleo by e-mail. Each country has its own independent email address for these complaints. They are reported to the central area, where all the data are gathered and compiled for correct and orderly management. Once the claim has been resolved, it is transferred to the country manager so that the appropriate action may be taken.

In 2019, consumer complaints will be collated in a tool (Salesforce) developed by Deoleo, so that the root cause of the complaint can be analysed in a more centralised way.

These complaints are monitored monthly.

7.3.4 Tax information

The income tax paid in each of the countries where the Deoleo Group has tax residence, as well as the profit or loss, as the case may be, on which it has paid this tax in 2018, are detailed in the table below.

The grants received from various public authorities are also detailed.

Thousands of euros

COUNTRY	Profit / (loss) before tax	Income tax paid in 2018	Government grants received in 2018
SPAIN	-110,596	180	28
GERMANY	915	-560	0
BELGIUM	127	66	0
THE NETHERLANDS	557	0	0
ITALY	-83,791	0	0
FRANCE	-1,951	54	0
US	1,596	5,212	0
CANADA	1,029	749	0
AUSTRALIA	250	0	0
MEXICO	485	0	0
COLOMBIA	98	15	0
MALAYSIA	12	12	0
INDIA	557	256	0
BRAZIL	-5	0	0
TOTAL	-190,717	5,985	28

8. Non-financial information statement contents

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Business model			
Description of the Group's business model	Brief description of the Group's business model which will include its business environment, organisation and structure, the markets in which it operates, its objectives and strategies and the main factors and trends that could affect its future development.	GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-9, GRI 102-15, GRI 102-7	Chapter 1, 2
Information on environmental matters			
Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI103-2, GRI 103-3	Chapter 3.1
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15, GRI 102-11	Chapter 3.2

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
General	Current and foreseeable effects of the Group's activities on the environment and, where applicable, health and safety	GRI 102-15, GRI 102-11	Chapter 3.2
	- Environmental certification or assessment procedures		Chapter 3.2
	- Resources used to prevent environmental risks		Nota 28 to the financial statements
	- Application of the precautionary principle		Chapter 3.2
	- Provisions and guarantees for environmental risks		Chapter 3.2
Pollution	Measures to prevent, reduce or redress carbon emissions that seriously affect the environment and taking into account any type of activity-specific atmospheric pollutants including noise and light pollution.	GRI 103-2, GRI 302-4	Chapter 3.3.1, 3.2.3
Circular economy and waste prevention and management	Prevention measures, recycling, reuse, other forms of recovery and elimination of waste. Activities to fight food waste.	GRI 103-2	Chapter 3.2.2
Sustainable use of resources	Water consumption and supply in accordance with local limitations.	GRI 303-1, GRI 306-1	Chapter 3.2.3
	Consumption of raw materials and measures adopted in order to improve the efficiency of their use.	GRI 103-2, GRI 301-1	Chapter 3.2.3
	Energy: Direct and indirect consumption: Measures adopted to improve energy efficiency and use of renewable energies.	GRI 103-2, GRI 302-1	Chapter 3.2.3

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Climate change	Greenhouse gas emissions.	GRI 305-1, 305-2	Chapter 3.3.4
	Measures adopted to adapt to the consequences of climate change.	GRI 102-15, GRI 103-2	Chapter 3.3.4
	Medium- and long-term voluntary targets to reduce greenhouse gas emissions and measures implemented to that end.	GRI 103-2	Chapter 3.3.4
Protection of biodiversity	Measures taken in order to conserve or restore biodiversity.	GRI 103-2, GRI 304-2	- At industrial facilities: a. Neither of the two factories are located in nature reserves or parks, ZEPA (special bird protection area), ZEPVN (special nature protection area), LIC (special community area), or wetlands of international importance according to the Ramsar Convention, steppe areas, etc. b. The applicable environmental legislation is followed in waste disposal management both in Italy and in Spain. - In the supply chain: a. Deoleo ensures that its suppliers comply with the environmental questionnaire for their certification which sets forth all environmental best practices included in the Deoleo environmental policy-
Information on labour and personnel-related matters			
Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI103-2, GRI 103-3	Chapter 4.1

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area.. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15	Chapter 4.2
Employment	Total number of employees by gender, age, country and professional category.	GRI 102-7, GRI 102-8, GRI 401-1, GRI 405-1	Chapter 4.3.1
	Total number and distribution of employment contracts by type.		Chapter 4.3.1.2
	Annual average of indefinite-term, short-term and part-time employment contracts by gender, age and professional category.		Chapter 4.3.1.2
	Number of terminations by gender, age and professional category.		Chapter 4.3.1.3
	Average remuneration and differences in remuneration by gender, age and professional category.	GRI 405-2, GRI 202-1	Chapter 4.3.1.4
	Gender pay gap		Chapter 4.3.1.5
	Remuneration of identical job positions or average positions at the company.		Chapter 4.3.1.6
	Average remuneration of directors and executives, including variable remuneration, expenses, termination benefits, payments to long-term savings schemes and any other benefits, disaggregated by sex.		Chapter 4.3.1.7
	Implementation of measures in relation to the right to disconnect from work.	GRI 103-2	Due to the nature of Deoleo's business, corporate culture and the values it attempts to convey to employees, as well as the principles of its human resources management policies, no significant risk was identified in this connection. Also, Deoleo employees have not expressed concerns in this connection and, therefore, it was not considered necessary to implement any specific disconnection from work measures.
	Employees with a disability.	GRI 405-1	Chapter 4.3.1.8 Note (1)

Note (1): Reports on Spain and Italy

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Organisation of the engagement	Organisation of working time.	GRI 102-8, GRI 103-2	Chapter 4.3.2.1
	Absence from work.	GRI 403-2	Chapter 4.3.2.2 Note (1)
	Measures to facilitate work-life balance and shared parental responsibility.	GRI 103-2, GRI 401-3	Chapter 4.3.2.3 Note (1)
Health and safety	Healthy and safe working conditions.	GRI 103-2	Chapter 4.3.3 Note (1)
	Industrial accidents (frequency and seriousness) disaggregated by sex.	GRI 403-2, GRI 403-3	Chapter 4.3.3 Note (1)
	Occupational diseases (frequency and seriousness) disaggregated by sex.	GRI 403-2, GRI 403-3	Chapter 4.3.3 Note (1)
Labour relations	Organisation of social dialogue, including the procedures for informing and consulting the personnel and negotiating with them.	GRI 102-43, GRI 403-1	Chapter 4.3.4 Note (2)
	Percentage of employees covered by collective agreements by country.	GRI 102-41	Chapter 4.3.4 Note (1)
	Assessment of collective agreements, particularly in the occupational health and safety area.	GRI 403-1, GRI 403-3	Chapter 4.3.4 Note (1)
Training	Training policies implemented.	GRI 103-2, GRI 404-2	Chapter 4.3.5
	Total amount of training hours by professional category.	GRI 404-1	Chapter 4.3.5

Note (1): Reports on Spain and Italy
Note (2): No data available for Colombia and Malaysia.

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Information on social and personnel-related matters			
Accessibility	Universal accessibility for people with disabilities.	GRI 103-2	Chapter 4.3.6
Equality	Measures adopted to promote equal treatment and opportunities between men and women.		Chapter 4.3.7
	Equality plans.		
	Measures adopted to promote employment.		
	Protocols against sexual and gender harassment.		
	The integration of, and universal accessibility for, people with disabilities.		
	Anti-discrimination and diversity management policy.		
Respect for human rights			
Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI103-2	Chapter 5.1
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15	Chapter 5.2

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Human rights	Application of due diligence procedures in human rights matters.	GRI 103-2	Chapter 5.3
	Prevention of risks of human rights violations and, if any, measures to mitigate, manage and redress possible abuses committed.		
	Complaints of violations of human rights.		
	Promotion and fulfilment of the provisions of the fundamental conventions of the ILO in relation to respect for freedom of association and the right to collective bargaining, elimination of discrimination in employment and work, elimination of forced or compulsory labour and abolition of child labour.		
Information relating to anti-corruption and bribery issues			
Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2	Chapter 6.1
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15	Chapter 6.2

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Corruption and bribery	Measures adopted to prevent corruption and bribery.	GRI 103-2	Chapter 6.3
	Measures to fight money laundering.		
	Contributions to foundations and not-for-profit entities.	GRI 103-2, GRI 415-1	Chapter 6.3
Information on the Company.			
Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2	Chapter 7.1
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15	Chapter 7.2
The Company's commitment to sustainable development	Impact of the Company's activity on employment and local development.	GRI 103-2	Chapter 7.3.1.1
	Impact of the Company's activity on local populations and on the territory.		
	Relationships and dialogue with local communities	GRI 102-43, GRI 413-1	Chapter 7.3.1.2
	Association or sponsorship activities.	GRI 102-13	Chapter 7.3.1.2

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report
Subcontracts and suppliers	Inclusion of social, gender equality and environmental issues in the procurement policy.	GRI 102-9, GRI 103-3, GRI 308-1, GRI 414-1	Chapter 7.3.2.1
	Consideration of social and environmental responsibilities in supplier and subcontractor relationships.		Chapter 7.3.2.2
	Supervisory systems, audits and their findings.		Chapter 7.3.2.3
Consumers	Consumer health and safety measures.	GRI 103-2, GRI 416-1, GRI 417-1	Chapter 7.3.3.1
	Claim systems, complaints received and their resolution.	GRI 102-17, GRI 103-2	Chapter 7.3.3.2
Tax information	Profit/loss by country.	GRI 201-1	Chapter 7.3.4
	Income tax paid		
	Government grants received.	GRI 201-4	Chapter 7.3.4

Deoleo, S.A. and Subsidiaries

Independent Assurance Report on the Consolidated Non-financial Information Statement 2018 of Deoleo, S.A. and Subsidiaries

April 5, 2019

Deloitte.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT ASSURANCE REPORT

To the Shareholders of Deoleo, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement (NFIS) for the year ended 31 December 2018 of Deoleo, S.A. and subsidiaries (hereinafter "Deoleo"), which forms part of the Consolidated Directors' Report of Deoleo.

The NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in chapter 8 "Non-financial information statement contents".

Responsibilities of the Directors

The preparation and content of the NFIS are the responsibility of the Board of Directors of Deoleo. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation, and with the criteria of the selected Global Reporting Initiative Standards for sustainability reporting (hereinafter "GRI Standards"), as well as other criteria described as indicated for each matter in the chapter "Non-financial information statement contents" of the NFIS.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Deoleo are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

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.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2018. The information relating to previous years was not subject to the verification provided for in current Spanish corporate legislation.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work consisted in requesting information from management and the various units of Deoleo that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Deoleo personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the 2018 NFIS, based on the business, sector and nature of Deoleo's operations, considering the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the data presented in the 2018 NFIS.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters identified in the NFIS.

- Verification, by means of sample-based tests, of the non-financial information relating to the contents included in the NFIS for 2018 and the appropriate compilation thereof based on the data furnished by Deoleo's information sources.

- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained, no matter has come to our attention that causes us to believe that the NFIS of Deoleo for the year ended 31 December 2018 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in chapter 8 "Non-financial information statement contents" of the aforementioned NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Helena Redondo
April 5, 2019

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS REPORT AS OF 31 DECEMBER 2018

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 annual accounts (balance sheet, income statement, statements of changes in equity, statement of cash flows and consolidated report), the statement of non-financial information and Directors' report of Deoleo, S.A. and subsidiaries for the year ended 31 December 2018, prepared by the Board of Directors, which comprises 129, excluding this one and the immediately following, on one side only, and (ii) the annual corporate governance report (Spanish version), presented on 73 single-sided pages, also issued by the aforementioned Board of Directors. To this effect, the Directors sign the present diligence, all the sheets of the document being endorsed by the Secretary of the Board of Directors.

Madrid, 29 March 2019

Signed: Manuel Pacheco Manchado

Mr. Manuel Atencia Robledo (Vicepresident)	Mr. Ángel Rodríguez de Gracia, represented by Mr. Manuel Atencia Robledo
Mr. Pierluigi Tosato, represented by Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz)	Mr. José López Vargas, represented by Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)
Sinpa Holding, S.A. (D. Daniel Klein), represented by Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)	Mr. Pedro Barato Triguero, represented by Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz)
Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)	Theatre Directorship Services Gama, S.a.r.l (Mr. Santiago Ramírez Larrauri)
Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz)	Mr. Fernando Valdés Bueno, represented by Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)
Mr. Francisco Javier López García Asenjo	Mr. Gianluca Bolla, represented by Mr. Francisco Javier López García Asenjo

DILIGENCE issued by the Secretary of the Board of Directors at the place and date indicated to certify that the directors Sinpa Holding, S.A (Mr. Daniel Klein), Mr. Fernando Valdés Bueno and Mr. Pierluigi Tosato do not sign this document as they are absent, having delegated their representation to Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro), the first two, and Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz), the third. The represented parties have expressly declared their agreement with the documentation referred to in the preceding signature diligence.

Likewise, the Secretary states that the directors Mr. Jose López Vargas, Mr. Gianluca Bolla, Mr. Ángel Rodríguez de Gracia and Mr. Pedro Barato Triguero do not sign this document because they attended the Board meeting by telephone, having voted in favour of its approval and having delegated their representation for the subscription of the documentation referred to in the preceding signature diligence to Mr. Javier de Jaime Guijarro, Mr. Francisco Javier López García Asenjo, Mr. Manuel Atencia Robledo and Mr. Pablo Costi Ruiz, respectively.

Signed: Manuel Pacheco Manchado

STATEMENT OF RESPONSABILITY OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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 2018, 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, 29 March 2019.

Signed.: Manuel Pacheco Manchado

Mr. Manuel Atencia Robledo
(Vicepresident)

Mr. Ángel Rodríguez de Gracia, represented by Mr. Manuel Atencia Robledo

Mr. Pierluigi Tosato, represented by Theatre Directorship Services Delta, S.a.r.l (MR. Pablo Costi Ruiz)

Mr. José López Vargas, represented by Theatre Directorship Services Beta, S.a.r.l. (MR. Javier de Jaime Guijarro)

Sinpa Holding, S.A. (Mr. Daniel Klein), represented by Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)

Mr. Pedro Barato Triguero, represented by Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz)

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

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

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

Mr. Fernando Valdés Bueno, represented by Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro)

Mr. Francisco Javier López García Asenjo

Mr. Gianluca Bolla, represented by Mr. Francisco Javier López García Asenjo

DILIGENCE issued by the Secretary of the Board of Directors at the place and date indicated to certify that the directors Sinpa Holding, S.A (Mr. Daniel Klein), Mr. Fernando Valdés Bueno and Mr. Pierluigi Tosato do not sign this document as they are absent, having delegated their representation to Theatre Directorship Services Beta, S.a.r.l. (Mr. Javier de Jaime Guijarro), the first two, and Theatre Directorship Services Delta, S.a.r.l (Mr. Pablo Costi Ruiz), the third. The represented parties have expressly declared their agreement with the documentation referred to in the preceding signat
ure diligence.

Likewise, the Secretary states that the directors Mr. Jose López Vargas, Mr. Gianluca Bolla, Mr. Ángel Rodríguez de Gracia and Mr. Pedro Barato Triguero do not sign this document because they attended the Board meeting by telephone, having voted in favour of its approval and having delegated their representation for the subscription of the documentation referred to in the preceding signature diligence to Mr. Javier de Jaime Guijarro, Mr. Francisco Javier López García Asenjo, Mr. Manuel Atencia Robledo and Mr. Pablo Costi Ruiz, respectively.

Signed: Manuel Pacheco Manchado