



Deoleo S.A., warns that english version of the Consolidated Financial Statements for 2017, had been translated under its exclusive responsibility and do not constitute an official document.

Consolidated Financial Statements for Deoleo and Subsidiaries 2017:

- Independent Auditor's Report.
- Consolidated financial statements position at 31 Dec. 2017.
- Consolidated statement of profit or loss.
- Consolidated statement of comprehensive income.
- Consolidated statement of changes in equity.
- Consolidated statement of cash flows.
- Notes to the consolidated final statements for 2017.
- Consolidated Directors' report for the year ended 31 December 2017.
- Statement of Directors' responsibilities at 31 Dec. 2017

The Annual Corporate Governance report 2017 and Individual Annual Accounts FY 2017 (spanish version) available on CNMV website and Deoleo web site, have not been translated to English.

Link IAGC 2017 (spanish version):

<http://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A48012009>

Link Annual Accounts FY 2017 - 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 2017
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.

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 2017, 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 2017, 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.

Assessment of the recoverability of 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 2017 were EUR 65 million, EUR 705 million and EUR 60 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 Group's strategic plan.

We identified this matter as key in our audit, considering both the magnitude of the amounts affected and the high degree of judgement required of Group management when assessing the potential impairment of the aforementioned assets, as well as the fact that small percentage changes in the key assumptions used for the valuation of the goodwill, intangible assets and property, plant and equipment could give rise to significant changes in the consolidated financial statements.

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 and 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 approved by the directors and the historical information on the Group. Also, a retrospective review was conducted of the predictions 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.

We involved our internal valuation experts, who evaluated the methodology employed by the Group in the impairment test conducted and the reasonableness of the long-term growth rate used and the discount rate considered.

Lastly, we also assessed whether Note 4.5 to the accompanying consolidated financial statements includes all the relevant disclosures required in accordance with the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description

The consolidated statement of financial position as at 31 December 2017 includes deferred tax assets amounting to EUR 56 million, of which EUR 43 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.

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.

Procedures applied in the audit

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. Also, evidence was obtained of the approval of the budgeted results included in the current year's models and an assessment was made of the reasonableness of the projections for future years and the tax legislation applicable where the deferred tax assets are recognised.

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 assessed whether 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.

Recognition of oil sales revenue

Description

Oil sales relate to the goods delivered, net of discounts, VAT and other sales-related taxes.

Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, since it gives rise to accounts receivable that are convertible into cash in a short period of time and with historically immaterial sales returns percentages, it does involve the consideration of specific circumstances associated with the various conditions agreed with distributors and with the taxes and levies applicable in each jurisdiction.

Procedures applied in the audit

Our audit procedures included checking the effectiveness of the relevant controls over the sales-accounts receivable process (including information system controls) which evidence that the transactions recognised as sales in the year actually occurred, as well as the automatic sales invoice accounting and recognition procedure, for which purpose we involved our internal technology and systems experts.

Also, we performed substantive procedures aimed at assessing the reasonableness of the sales volumes and margins for 2017 with respect to the trends in previous years, and

Recognition of oil sales revenue

Description

Accordingly, this matter was an area of significant auditor attention in our audit.

There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, etc.).

Procedures applied in the audit

checked these data against the information furnished by internal Group and external sources; we analysed whether the revenue recognised occurred, taking into account the contractual terms and conditions and obligations vis-à-vis the customers; performed tests of details on a sample of recognised sales; and conducted combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue accounts.

Note 30 to the accompanying consolidated financial statements contains the disclosures and information relating to the Group's oil sales revenue.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, 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 thereof:

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 (ACGR), 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 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee 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 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 located after this report, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 23 March 2018.

Engagement Period

The General Meeting held on 5 June 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

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 uninterrupted 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

23 March 2018

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 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 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 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.

Deoleo, S.A. and Subsidiaries

Consolidated Financial Statements
for 2017 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.

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 2017

(Thousands of Euros)

ASSETS	Notes	31-12-2017	31-12-2016	EQUITY AND LIABILITIES	Notes	31-12-2017	31-12-2016
NON-CURRENT ASSETS:		903.940	914.743	EQUITY:	Note 16	299.831	328.858
Intangible assets-	Note 6	704.549	715.097	Share capital		115.468	438.778
Trademarks		655.310	661.816	Other reserves		57.984	23.801
Computer software		2.643	2.517	Translation differences		(17.497)	(6.795)
Other intangible assets		46.596	50.764	Valuation adjustments		55	(294)
Goodwill	Note 6	64.781	64.781	Prior years' losses		143.821	(126.772)
Property, plant and equipment-	Note 7	59.929	62.758	Equity attributable to shareholders of the Parent		299.831	328.718
Land and buildings		35.657	36.479	Non-controlling interests		-	140
Plant and machinery		20.256	21.873				
Other fixtures, tools and furniture		942	1.033				
Other items of property, plant and equipment		1.293	1.354				
Advances and property, plant and equipment in the course of construction		1.781	2.019				
Investment property	Note 8	11.618	10.318	NON-CURRENT LIABILITIES:		711.248	722.888
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	6.564	6.145	Non-current bank borrowings	Note 18	504.161	501.019
Loans to third parties		5.254	5.076	Other financial liabilities	Note 18	1.215	2.338
Other financial assets		1.310	1.069	Government grants	Note 21	3.921	4.013
Deferred tax assets	Note 14	56.026	55.171	Deferred tax liabilities	Note 14	143.825	151.005
				Provisions	Note 20.1	12.955	18.448
				Other non-current liabilities		2.718	3.612
CURRENT ASSETS:		233.997	223.032				
Inventories	Note 12	109.790	102.794	CURRENT LIABILITIES:		126.858	86.029
Trade and other receivables	Note 13	89.868	75.659	Current bank borrowings	Note 18	30.712	16.785
Current tax assets	Note 14	2.234	2.998	Trade and other payables	Note 19	89.334	67.707
Other current financial assets	Note 10	8.281	6.205	Current tax liabilities	Note 14	541	149
Other current assets		1.610	1.856	Provisions		5.871	327
Cash and cash equivalents-	Note 15	16.831	23.406	Liabilities associated with non-current assets classified as held for sale	Note 5	400	1.061
Cash		16.831	23.406				
Non-current assets classified as held for sale	Note 5	5.383	10.114				
TOTAL ASSETS		1.137.937	1.137.775	TOTAL EQUITY AND LIABILITIES		1.137.937	1.137.775

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of financial position at 31 December 2017.

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 2017

(Thousands of Euros)

	Notes	2017	2016
CONTINUING OPERATIONS:			
Revenue	Note 30	692.332	695.213
Other operating income	Note 23	14.787	8.879
Changes in inventories of finished goods and work in progress	Note 30	5.272	(18.398)
Cost of raw materials and consumables used	Note 30	(544.649)	(500.392)
Staff costs	Note 24	(47.606)	(58.196)
Depreciation and amortisation charge	Notes 5, 6 and 7	(17.988)	(20.236)
Other operating expenses	Note 25	(102.833)	(271.665)
PROFIT (LOSS) FROM OPERATIONS		(685)	(164.795)
Finance income	Note 26	14.063	12.437
Finance costs	Note 26	(39.490)	(46.848)
PROFIT (LOSS) BEFORE TAX		(26.112)	(199.206)
Income tax	Note 14.2	7.756	19.842
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(18.356)	(179.364)
PROFIT (LOSS) FOR THE YEAR		(18.356)	(179.364)
Attributable to:			
Shareholders of the Parent		(18.356)	(179.068)
Non-controlling interests		-	(296)
BASIC EARNINGS PER SHARE (in euros):			
Loss from continuing operations	Note 17	(0,016)	(0,155)
DILUTED EARNINGS PER SHARE (in euros):			
Loss from continuing operations	Note 17	(0,016)	(0,155)

The accompanying Notes 1 to 34 are an integral part of the consolidated income statement for 2017.

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 2017

(Thousands of Euros)

	Notes	2017	2016
PROFIT (LOSS) PER INCOME STATEMENT		(18.356)	(179.364)
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Translation differences	Note 16.4	(10.702)	2.113
Actuarial gains and losses and other adjustments		31	(162)
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		(10.671)	1.951
TOTAL COMPREHENSIVE INCOME		(29.027)	(177.413)
Attributable to:			
Shareholders of the Parent		(28.887)	(177.117)
Non-controlling interests		(140)	(296)

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of comprehensive income for 2017.

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 2017

(Thousands of Euros)

	Share Capital	Other Reserves	Retained Earnings / Losses	Translation Differences	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Balances at 31 December 2015	438.778	23.801	52.495	(8.908)	(331)	505.835	436	506.271
Consolidated comprehensive income for 2016	-	-	(179.068)	2.113	-	(176.955)	(296)	(177.251)
Other changes in equity:								
Other changes	-	-	(199)	-	37	(162)	-	(162)
Balances at 31 December 2016	438.778	23.801	(126.772)	(6.795)	(294)	328.718	140	328.858
Consolidated comprehensive income for 2017	-	-	(18.356)	(10.702)	-	(29.058)	-	(29.058)
Share Capital Reduction	(323.310)	34.183	289.127	-	-	-	-	-
Other changes in equity:								
Other changes	-	-	(178)	-	349	171	(140)	31
Balances at 31 December 2017	115.468	57.984	143.821	(17.497)	55	299.831	-	299.831

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of changes in equity for 2017.

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 2017

(Thousands of Euros)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		(22.738)	(10.339)
Profit/(Loss) for the year before tax		(26.112)	(199.206)
Adjustments for-		50.308	222.518
Depreciation and amortisation charge	Notes 6 and 7	17.988	20.236
Impairment losses	Notes 5, 6, 7 and 8	5.261	154.869
Changes in operating provisions and allowances	Notes 12 and 13	1.106	867
Changes in provisions for contingencies and charges	Note 20	5.901	8.129
Gains/Losses on derecognition and disposal of non-current assets	Note 25	(50)	3.736
Gains/Losses on derecognition and disposal of financial instruments	Note 23	(5.032)	(1.018)
Finance income	Note 26	(55)	644
Finance costs	Note 26	30.983	39.029
Changes in fair value of financial instruments	Note 26	(609)	(5.199)
Exchange differences	Note 26	(5.185)	1.225
Changes in working capital-		(16.483)	2.236
Inventories		(7.862)	36.816
Trade and other receivables		(26.068)	32.702
Other current assets		246	(1.042)
Non-current assets classified as held for sale		(255)	217
Trade and other payables		21.627	(64.468)
Other assets and liabilities		(3.510)	(1.899)
Liabilities associated with non-current assets classified as held for sale		(661)	(90)
Other cash flows from operating activities-		(30.451)	(35.887)
Interest paid		(27.757)	(34.581)
Interest received		55	(644)
Income tax paid		(2.749)	(662)
CASH FLOWS FROM INVESTING ACTIVITIES:		(1.789)	(1.617)
Payments due to investment-		(8.448)	(11.367)
Intangible assets	Note 6	(666)	(2.121)
Property, plant and equipment	Note 7	(6.580)	(7.073)
Investment property		(25)	-
Financial assets		(1.177)	(2.173)
Proceeds from disposal-		6.659	9.750
Property, plant and equipment	Note 7	625	7.000
Investment property		267	-
Non-current assets classified as held for sale	Note 5	5.767	2.750
CASH FLOWS FROM FINANCING ACTIVITIES:		12.767	(6.678)
Proceeds and payments relating to financial liability instruments-		12.767	(6.678)
Proceeds from issue of bank borrowings		22.658	4.873
Finance lease obligations received (paid)		(8.768)	(11.484)
Repayment of other borrowings		(1.123)	(67)
EFFECT OF EXCHANGE RATE CHANGES		5.185	
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(6.575)	(18.634)
Cash and cash equivalents at beginning of year	Note 15	23.406	42.040
Cash and cash equivalents at end of year	Note 15	16.831	23.406

The accompanying Notes 1 to 34 are an integral part of the consolidated statement of cash flows for 2017.

Deoleo, S.A. and Subsidiaries

Notes to the Consolidated
Financial Statements for
the year ended 31 December 2017

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 2017 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 2017, 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 2017, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The 2017 consolidated financial statements of the Group and the 2017 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 2016 were approved by the shareholders at the Annual General Meeting of Deoleo, S.A. on June, 5th 2017 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 2017 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 2017

In 2017 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 01 January 2017:

New Standards, Amendments and Interpretations		Obligatory Application in the Years Beginning on or After:
Amendments and/or interpretations		
Amendment to IAS 7 disclosure initiative (published in January 2016)	Introduces additional disclosure requirements in order to improve information provided to users.	01 January 2017
Amendment to IAS 12: Deferred tax: recovery of underlying assets (published in January 2016)	Classification of the principles set up in relation to the recognition of deferred tax assets for unrealised losses.	

These regulations and amendments have been applied to these consolidated financial statements without significant impacts on either the reported figures or the presentation and breakdown of the information, either because they do not entail relevant changes or because they refer to economic facts that do not affect the Group.

2. New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2017:

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:

New Standards, Amendments and Interpretations		Obligatory Application in the Years Beginning on or After:
Approved for use in the European Union		
IFRS 15 - Revenue from Contracts with Customers	New standard on revenue recognition, replacing IAS 18, IFRIC 15, IFRIC 18 and SIC-31.	01 January 2018
IFRS 9 - Financial Instrument:	It replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	
Amendment to IFRS 4 Insurance contracts	It allows entities under the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or their temporary exemption.	
Improvements to IFRS 2014-2016 cycle	Minor amendments to a series of standards.	
IFRS 16 Leases	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).	01 January 2019
Awaiting approval for use in the European Union as of the date of publication of this document		
Amendment to IFRS 2 Classification and measurement of share-based payment transactions	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
Amendment to IAS 40 Reclassification of real estate investments	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.	
IFRIC 22 Foreign currency transactions and advances	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with foreign currency advances.	
IFRIC 23 Uncertainty over income tax treatments	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.	01 January 2019
Amendment to IFRS 9 Characteristics of early cancellation with negative offset	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.	
Amendment to IAS 28 Long-term interest in associates and joint ventures	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	
Amendment to IAS 19 Amendment, reduction or liquidation of a plan	In accordance with the proposed amendments, when there is a change in a defined benefit plan (due to an amendment, reduction or liquidation), the entity will use updated assumptions to determine the costs of the services and net interest for the period after the change to the plan.	
IFRS 17 Insurance contracts	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.	01 January 2021
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Clarification on the result of these operations if dealing with businesses or assets.	No date set

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

3. 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. 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. As a result of the assessment conducted by the Group, it has been confirmed that it is not necessary to make material adjustments to allowances for doubtful debts recognised in the balance sheet.

4. 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 in accordance with the core principle of IFRS 15 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.

5. 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 2016

As required by IAS 1, the information relating to 2016 contained in these notes to the consolidated financial statements is presented for comparison purposes with the information relating to 2017 and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2017.

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 2017 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 2017 and 2016 is presented in Appendix I, which is an integral part of these notes to the consolidated financial statements.

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

2.6.2 Associates

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

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

The Group's share of the results obtained by the investee in the year is presented under "Share of Results for the Year of Associates" in the consolidated income statement.

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

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

2.6.3 Translation of foreign currency

Foreign operations are translated to euros as follows:

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

2. Income and expenses, including comparative balances, are translated to euros at the exchange rates prevailing at the date of each transaction; and
3. The resulting exchange differences are recognised as translation differences in equity.

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

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

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

2.6.4 Changes in the scope of consolidation

The most significant variations in the scope of consolidation in 2017 and 2016 with an effect on the interyear comparison were as follows:

- Changes in the scope of consolidation (2017):
Liquidation of Deoleo Middle East, DMCC; Shangai Deoleo Trading Co., Ltd; and Carbonell UK, Ltd.
- Changes in the scope of consolidation (2016):
Liquidation of Rústicas Montebranco, S.A.

2.7 Going concern principle

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

Also, as a result of the losses incurred and impairment losses recognised by the Parent in 2016, its equity amounted to EUR 173,451 thousand at 31 December 2016, and its share capital totalled EUR 438,778 thousand. Consequently, Deoleo, S.A. fell within the scope of Article 363 of the Spanish Limited Liability Companies Law, which establishes as one of the grounds for mandatory dissolution a scenario in which losses reduce equity to less than one-half of share capital (i.e. EUR 219,389 thousand), unless capital is sufficiently increased or reduced.

On 5 June 2017, the Parent's General Meeting resolved to reduce capital by EUR 323,309,825.72 by reducing the par value of each of the shares by EUR 0.28 in order to restore the balance between the Parent's share capital and equity, which had been reduced due to the losses and the appropriation to restricted voluntary reserves, subsequent to use of all the Parent's reserves (except the legal reserve) to offset accumulated losses. Once this measure was adopted, Deoleo, S.A. had remedied the situation considered to be grounds for mandatory dissolution in Article 363 of the aforementioned Consolidated Spanish Limited Liability Companies Law.

In the opinion of the Parent's directors, the losses incurred by the Group in 2016 and 2017 are transitory and non-recurring, and, therefore, they consider that the restructuring plan launched together with the new business plan (explained in Note 24) will allow the Parent and its Group to return to a path of sustainable growth and profits.

Taking these facts into account, the Parent's directors prepared the consolidated financial statements for 2017 in accordance with the going concern principle of accounting and, therefore, assumed that the Parent will be able to continue with its operations normally in the future and to realise its assets and settle its liabilities for the amounts and within the time horizons reflected in the accompanying consolidated statement of financial position as at 31 December 2017.

3. Distribution of profit of the Parent

The proposed distribution of losses of Deoleo, S.A. for 2017, amounting to approximately EUR 37,579 thousand, that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is to be applied to the Prior years' losses.

4. Accounting policies

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

4.1 Intangible assets

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

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

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

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

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

Trademarks and licenses

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

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

The Group's trademarks were classified by the Parent's directors as intangible assets with indefinite useful lives, except for certain trademarks, the cost of which amounts to approximately EUR 125,655 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 2017, "Other Intangible Assets" included mainly approximately EUR 46,596 thousand, net of amortisation (2016: approximately EUR 50,580 thousand) relating to the customer lists acquired in the Bertolli business combination which have an estimated finite life of 19 years for Italy and 20 years for the rest of the world.

4.2 Goodwill

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

In determining the aforementioned fair value the Group:

1. Allocates cost to specific assets and liabilities of the companies acquired, increasing the carrying amount at which they were recognised in the statements of financial position of the companies acquired up to the limit of their market values.
2. If a cost is attributable to specific intangible assets, it is recognised explicitly in the consolidated statement of financial position provided that the fair value at the date of acquisition can be measured reliably.
3. If the costs thus allocated differ from the related tax bases, the corresponding deferred taxes are recognised.

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

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

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

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

4.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

4.4 Investment property

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

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

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

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

Group management performs impairment tests as follows:

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

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

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

- Earnings projections.
- Investment and working capital projections.

Other variables affecting the calculation of the recoverable amount are:

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

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

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

The Group's various cash-generating units ("CGUs"), which have been modified with respect to 2016, are as follows:

Cash-Generating Units 2017

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

In 2017 the impairment tests on the cash-generating units were conducted taking into account the business assumptions, together with other assumptions based on the current macroeconomic and financial climate.

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

Also, the main assumptions used were as follows:

Cash-Generating Units	2017					
	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%
Nothern 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%
Operating	6.50%	8.51%	1.40%	4.40%	7.09%	84.69%

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

In relation with the average future growing rate, the average Group rate has increased until reaching a 1.34% during the fiscal period 2017 (1.5% for the period 2016).

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

Southern Europe CGU – Year 2017

Future Average Growth Rate	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	11,383	(3,706)	(16,441)
Rate used	16,177	172	(13,259)
0.2%	21,348	4,325	(9,869)

Change in Margin	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	280	2,851	5,422
Rate used	(2,386)	172	2,729
(0.5%)	(5,052)	(2,508)	36

Northern Europe CGU – Year 2017

Future Average Growth Rate	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	8,786	(2,631)	(11,562)
Rate used	12,602	138	(9,490)
0.2%	16,885	3,202	(7,225)

Change in Margin	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	169	2,131	4,093
Rate used	(1,813)	138	2,091
(0.5%)	(3,796)	(1,854)	88

North America CGU – Year 2017

Future Average Growth Rate	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	39,489	787	(30,969)
Rate used	53,205	11,567	(22,322)
0.2%	68,223	23,261	(13,015)

Change in Margin	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	11,606	16,065	20,524
Rate used	7,130	11,567	16,003
(0.5%)	2,655	7,069	11,483

International Markets CGU – Year 2017

Future Average Growth Rate	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	35,155	25,577	17,053
Rate used	37,733	27,796	18,977
0.2%	40,441	30,121	20,987

Change in Margin	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Change in Sales Volume		
	(0.5%)	Rate Used	0.5%
0.5%	27,837	29,474	31,110
Rate used	26,169	27,796	29,425
(0.5%)	24,500	26,120	27,740

Operating CGU – Year 2017

Future Average Growth Rate	Thousands of Euros		
	Increase (Decrease) in Recoverable Amount		
Change in Assumption (in Basis Points)	Weighted Average Cost of Capital		
	(0.5%)	Rate Used	0.5%
(0.2%)	6,793	(1,211)	(7,825)
Rate used	9,111	585	(6,410)
0.2%	11,637	2,524	(4,892)

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 is 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

The impairment test performed in 2017 did not disclose any need to recognise impairment losses or reversals on any of the Company's assets. The excess value over the total net assets of the Southern Europe and Northern Europe CGUs is not material. In the case of North America, the excess value is not reversible because the only impairment losses assigned to it in prior years related to goodwill. The international market and operating CGUs had no impairment losses assigned in prior years.

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

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

The detail of the gross impairment losses and the associated deferred tax liabilities recognised in the statement of profit or loss for 2017 is as follows:

	Thousands of Euros		
	Impairment Losses	Impairment Losses	Impairment Losses
Goodwill (Note 6)	29,277	-	29,277
Trademarks (Note 6)	89,140	(22,913)	66,227
Property, plant and equipment (Note 7)	796	-	796
Impairment	119,213	(22,913)	96,300

In this connection, the Parent's directors consider that no significant events have occurred that require the estimates made at 2017 year-end for impairment testing purposes to be changed, and that any possible reasonable change in the key assumptions on which the calculation of the recoverable amount is based would not cause the carrying amount of the assets of the Group's cash-generating units to exceed or be less than recoverable amount.

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

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

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

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

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

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

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

1. Represents a separate major line of business or geographical area of operations;
2. Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
3. Is a subsidiary acquired exclusively with a view to resale.

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

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

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

4.7 Leases

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

Finance leases

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

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

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

At 31 December 2017 the Group holds two finance for an outstanding amount of EUR 768 thousand (2016: EUR 1,479 thousand).

Operating leases

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

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

4.8 Financial instruments

Financial assets

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

1. **Originated loans and receivables:** financial assets originated by the Group companies in exchange for supplying cash, goods or services that have fixed or determinable payments and are not traded in an active market.
2. **Held-for-trading financial assets:** assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. This heading also includes financial derivatives not considered to qualify for hedge accounting.
3. **Held-to-maturity investments:** financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.
4. **Available-for-sale financial assets:** these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories. At 31 December 2017, they included mainly equity instruments that do not have a market price quoted on an active market and whose fair value cannot be estimated reliably. They are recognised at acquisition cost plus the directly attributable acquisition costs.

Loans and receivables are initially recognised at the fair value of the consideration paid, plus any directly attributable transaction costs, and are subsequently measured at amortised cost. The Group has recognised allowances to cater for the risk of uncollectibility. These allowances are calculated on the basis of the probability of recovery of the debt based on the age thereof and the debtor's solvency. At 31 December 2017, the fair value of these assets did not differ significantly from their carrying amount in the consolidated statement of financial position.

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

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

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

Financial liabilities

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

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

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

4.9 Hedge accounting

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

In order for these financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge (at least at the end of each reporting period), that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. In this regard, at 31 December 2017 the Group had no financial instruments that qualified for hedge accounting.

The Group had entered into certain derivative transactions that, although they are basically hedges in nature, are not recognised as hedges since they do not meet the requirements established in the standards for hedge accounting. The effect of recognising these transactions at fair value at 31 December 2017 and 2016 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 2017 and 2016 no purchase positions were closed in the olive oil futures market. At 31 December 2017 and 2016, 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 2017 and 2016 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 2017 and 2016 were not material.

Loyalty bonus

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

The main assumptions used to calculate the provision in 2017 were as follows:

- Effective date: 31 December 2017.
- Mortality tables: PERM/F 2000.
- Disability rates: not considered.
- Turnover rate: not considered.
- CPI growth: 1%.
- Discount rate: 0.95%, based on market returns corresponding to high-quality corporate bond and debenture issues and length of the obligations assumed.

Other obligations

Pursuant to Italian legislation, the subsidiary Carapelli Firenze, S.p.A. has recognised a provision equal to one month's remuneration per year worked for all its employees. This obligation becomes payable when the employee leaves the entity either voluntarily or involuntarily. The application of the new IAS 19 had an impact of approximately EUR 20 thousand (2016: approximately EUR 37 thousand) under "Valuation Adjustments" in equity.

The technical bases for calculating the provision for 2017 were as follows:

- Effective date: 31 December 2017.
- Mortality rate: RG48 mortality table.
- Disability rates: Various tables by age and gender.
- Employee turnover rate: 4%.
- Discount rate: 1.11%.
- *Trattamento di fine rapporto* (TFR) increase rate: 2.625%.
- Early retirement rate: 3%.
- Inflation rate: 1.50%.

At 31 December 2017, in order to meet the cost of these and other obligations to employees described above, including those arising from collective redundancy procedures, the Group had recognised a provision amounting to approximately EUR 2,718 thousand (2016: approximately EUR 3,106 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 2017, the Group had recognized a provision for charges approximately EUR 1,477 thousand (2016: approximately EUR 1,072 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 will be 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.

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 2017 and 2016 is as follows:

2017

	Thousands of Euros					
	Beginning Balance	Additions and Charge for the Year	Disposals and Reversals	Transfers	Translation Differences	Ending Balance
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
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

2016

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

The main changes in non-current assets classified as held for sale recognised in 2017 were as follows:

- The Andújar and Alcolea special product plants were transferred from property, plant and equipment at their carrying amount of EUR 3,227 thousand (see Note 7) since they complied with the requirements for their classification as non-current assets classified as held for sale. In this connection, on the basis of the value of the offers received, the Group recognised an impairment loss of EUR 2,627 thousand under "Other Operating Expenses" in the consolidated statement of profit or loss for 2017 (see Note 25), as well as the related deferred tax asset totalling EUR 657 thousand (see Note 14).

- Two properties were sold located in Villarejo de Salvanés (Madrid), and a loss of EUR 111 thousand was recognised under "Other Operating Expenses" in the consolidated statement of profit or loss for 2017, as a result of that sale (see Note 25).
- In November 2017, the plants and facilities of the subsidiary Deoleo Industrial México, S.A. de C.V. were sold for USD 7,500 thousand (EUR 6,637 thousand); the carrying amount of these items was EUR 1,494 thousand, and, therefore, a gain of EUR 5,143 thousand was recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2017 (see Note 23). Also, in 2017 EUR 325 thousand were recognised in relation to the depreciation of these assets.
- An impairment loss of EUR 5,031 thousand was recognised on the Voghera (Italy) production plant to adjust its carrying amount to the recoverable amount under "Other Operating Expenses" in the consolidated statement of profit or loss for 2017 (see Note 25), as well as the related deferred tax asset amounting to EUR 869 thousand (see Note 14).

At 31 December 2017, the breakdown of "Non-Current Assets Classified as Held for Sale" includes the net assets of Sevilla Rice Company, S.A., the production centre in Voguera (Italy), various buildings held in Villarejo de Salvanés, the items of property, plant and equipment and production plants located in Mexico.

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

6. Intangible assets and goodwill

The detail of "Intangible Assets" and "Goodwill" in the consolidated statement of financial position and of the changes in the main classes of intangible assets and goodwill in 2017 and 2016 is as follows:

2017

	Thousands of Euros			
	Beginning Balance	Additions	Translation Differences and Other Changes	Ending Balance
Intangible assets:				
Cost-				
Trademarks and licences	903,771	-	(5,110)	898,661
Computer software	21,254	666	(4,473)	17,447
Other intangible assets	85,867	-	-	85,867
	1,010,892	666	(9,583)	1,001,975
Accumulated amortisation-				
Trademarks and licences	(25,301)	(6,278)	4,882	(26,697)
Computer software	(18,737)	(796)	4,729	(14,804)
Other intangible assets	(35,103)	(4,212)	44	(39,271)
	(79,141)	(11,286)	9,655	(80,772)
Impairment losses recognised-				
Trademarks	(216,654)	-	-	(216,654)
	(216,654)	-	-	(216,654)
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

2016

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

The translation differences and other changes column includes transfers and other changes that had no effect on the consolidated statement of profit or loss.

The detail of the cost of the fully amortized intangible asset items still in use at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Computer software	13,054	16,237
Other intangible assets	408	408
	13,462	16,645

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	
	2017	2016
Cash generating units:		
Southern Europe	198,365	203,692
Northern Europe	80,476	81,026
North America	321,450	324,740
International markets	101,615	102,938
Others	-	184
	701,906	712,580

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 2017 and 2016.

As indicated in Note 4.5, in 2017 the Parent's directors performed an impairment test on its assets, and as a result there was no need to recognise or reverse impairment losses on assets. Also, at the date of formal preparation of these consolidated financial statements, the Parent's directors consider that there were no events after the reporting period requiring changes in the estimates made at 2017 year-end for the calculation of the impairment test.

In addition, certain trademarks corresponding to the "Southern Europe" cash-generating unit, which had a carrying amount of EUR 139,489 thousand (31 December 2016: EUR 143,452 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	
	2017	2016
Cash generating units:		
North America	43,064	43,064
International Markets	14,805	14,805
Operating	6,912	6,912
	64,781	64,781

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

7. Property, plant and equipment

The detail of "Property, Plant and Equipment" in the consolidated statement of financial position and of the changes therein in 2017 and 2016 is as follows:

2017

	Thousands of Euros							
	Beginning Balance	Additions	Disposals	Transfer to "Non-Current Assets Classified as Held for Sale" and Other (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	(9,993)	-	-	375	-	-	-	(9,618)
Plant and machinery	(21)	-	-	180	-	-	-	159
Other fixtures, tools and furniture	(112)	-	-	-	-	-	-	(112)
	(10,126)	-	-	555	-	-	-	(9,571)
Net balance	62,758	2,247	(2,311)	(3,227)	506	-	(44)	59,929

2016

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

7.1 Additions, transfers and disposals

In 2017 expenditure on property, plant and equipment amounted to approximately EUR 6.6 million, which relates mainly to the modernisation and expansion of facilities and machinery for packaging lines at Alcolea and Tavarnelle.

The main disposal relates to the sale of the vinegar production line facilities on 4 April 2017 for EUR 625 thousand; the carrying amount of these facilities amounted to EUR 604 thousand. The sale gave rise to a gain of EUR 21 thousand, which is recognised under "Other Operating Income" in the statement of profit or loss for 2017 (see Note 23). Also, the other disposals, together with retirements of investment property (see Note 8), gave rise to a net gain of EUR 29 thousand (see Note 23) and a net loss of EUR 1,695 thousand (see Note 25).

In June 2017, the decision was taken to close the Andújar and Alcolea special product plants, and to make them available for sale. As a result, these assets were reclassified at their carrying amount, which totalled EUR 3,227 thousand, under "Non-Current Assets Classified as Held for Sale" (see Note 5).

The transfers from investment property in 2017 for a net amount of EUR 506 thousand relate to the transfer of machinery from the Inveruno plant to Tavarnelle, which is not included in the lease for that plant (see Note 8).

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 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Buildings	8,036	7,853
Plant and machinery	87,406	93,319
Other fixtures, tools and furniture	14,852	8,243
	110,294	109,415

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 2017 the property, plant and equipment were fully insured against these risks.

8. Investment property

The changes in "Investment Property" in 2017 and 2016 were as follows:

	Thousands of Euros
Balance at 31 December 2015	318
Depreciation charge	-
Transfers from Property, Plant and Equipment	45,316
Impairment losses	(35,316)
Balance at 31 December 2016	10,318
Depreciation charge	(2,044)
Transfers from Property, Plant and Equipment (Note 7)	(506)
Additions	25
Disposals	(267)
Reversals Impairment losses (Note 23)	4,092
Balance at 31 December 2017	11.618

The detail of "Investment Property" is as follows:

	Thousands of Euros
	Carrying Amount
Land – Chinchón	318
Real estate assets - Inveruno plant (Italy)	11,300
	11,618

The transfer from property, plant and equipment and the recognition of the related impairment loss in 2016 related to the decision to close the Inveruno plant and to the lease of the plant for a period of four years with a sale option thereon. The reversal of the impairment loss in 2017 relates to the revaluation of the property as a result of the depreciation charged thereon, the transfers of machinery to the Tavarnelle plant (see Note 7) and the new appraisals carried out in the properties not included in the aforementioned lease.

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

At 31 December 2017, 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 2017 was approximately EUR 694 thousand (31 December 2016: EUR 1,190 thousand), the present value of the associated liabilities being approximately EUR 768 thousand at 31 December 2017 (31 December 2016: approximately EUR 1,208 thousand).

Additionally, the Group holds machinery, equipment, vehicles and facilities under operating leases that lasts until 2018. Operating lease expenses totalled approximately EUR 3,605 thousand in 2017 (2016: approximately EUR 3,261 thousand).

10. Financial assets

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

	Thousands of Euros	
	2017	2016
Non-current:		
Held-to-maturity investments	1,079	695
Available-for-sale financial assets-		
At cost	27	170
Other financial assets	204	204
Loans and other financial assets	5,254	5,076
	6,564	6,145
Current:		
Derivative financial instruments (Note 11)	573	11
Held-to-maturity investments	6,553	6,163
Other financial assets	1,155	31
	8,281	6,205

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

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

"Other Current Financial Assets" includes mainly the amount receivable arising from the sale of the plants and facilities of the subsidiary Deoleo Industrial México, S.A. de C.V., EUR 1,049 thousand (see Note 5).

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 2017 and 2016 is as follows:

	Thousands of Euros			
	2017		2016	
	Financial Assets (Note 10)	Financial Liabilities (Note 18)	Financial Assets	Financial Liabilities
Current:				
Foreign currency	573	222	11	269
Total derivatives recognised	573	222	11	269

All the derivative financial instruments held by the Group 31 December 2017 are considered to be hedges not qualifying for hedge accounting. The effect of the change in the fair value thereof amounting to EUR 609 thousand (31 December 2016: EUR 5,199 thousand) was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss (see Note 26). The credit and counterparty risk adjustment at 31 December 2017 is not significant (31 December 2016: not significant).

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

11.1 Interest rate derivatives

On 20 December 2016, all the interest rate hedging derivatives held by the Company with various banks expired. They were not renewed in 2017.

The Group had not designated hedging relationships at 31 December 2017 (neither did it have hedge accounting relationships at 31 December 2016).

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.

FX Forwards	Euro		Thousands of Dollars		Thousands of Euros			
	Average Exchange Rate		Foreign Currency		Notional Amount		Fair Value	
	2017	2016	2017	2016	2017	2016	2017	2016
US Dollar	1.18	1.07	18,915	9,146	16,082	8,550	329	(126)
Australian Dollar	1.53	1.52	199	298	130	196	-	(8)
Canadian Dollar	1.50	1.41	6,314	6,263	4,212	4,452	22	(128)
Mexican Peso	-	21.63	-	10,817	-	500	-	4
					20,424	13,698	351	(258)

The notional amount of all the foreign exchange forward contracts existing at 31 December 2017 was approximately EUR 20.424 million (2016: EUR 13.698million); these contracts were arranged to hedge the collection and payment flows arising from the Group's activities and/or its financial obligations.

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

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

The effect of a change in the EUR/USD exchange rate of approximately 1% of the value of the hedges at 31 December 2017 would not be material.

12. Inventories

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

	Thousands of Euros	
	2017	2016
Goods held for resale	881	977
Raw materials and other goods held for conversion	25,763	23,533
Work in progress	16,881	12,957
Finished goods	68,258	66,909
	111,783	104,376
Inventory write-downs	(1,993)	(1,582)
	109,790	102,794

The changes in inventory write-downs in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Beginning balance	1,582	1,237
Charge for the year (Note 25)	2,179	3,430
Amounts used and other changes	(455)	(130)
Reversals (Note 23)	(1,313)	(2,955)
Ending balance	1,993	1,582

At 31 December 2017, the Group had raw material purchase commitments amounting to approximately EUR 68,270 thousand (31 December 2016: approximately EUR 29,588 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 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Trade receivables	122,174	109,119
Accounts receivable	237,302	237,020
Advances to suppliers	683	1,340
Advances to employees	24	45
Tax receivables (Note 14)	15,270	9,800
Impairment losses and allowances for uncollectible amounts	(285,585)	(281,665)
	89,868	75,659

13.1 Trade receivables

"Trade Receivables" in the accompanying consolidated statements of financial position at 31 December 2017 and 2016 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 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Less than 30 days	18,492	18,752
From 31 to 60 days	5,334	2,895
From 61 to 120 days	1,426	3,627
More than 120 days	582	953
	25,834	26,227

13.2 Accounts receivable

At 31 December 2017 and 2016, "Accounts Receivable", included approximately EUR 236,579 thousand of receivables from companies related to former directors of the Parent, which were provisioned in full in both years. Additionally, "Advances to Suppliers" and "Customer Advances" includes a balance of approximately EUR 13,849 thousand (31 December 2016: approximately EUR 13,849 thousand) relating to the aforementioned directors, also provisioned in full in both years. In 2009 the Group initiated a process to recover the amounts drawn owed by these companies through complaints filed against the former directors (see Note 20.2).

13.3 Transfer of financial assets

In 2017 the Group entered into various factoring agreements for its accounts receivable amounting to approximately EUR 70,057 thousand (31 December 2016: EUR 74,200 thousand), of which approximately EUR 39,472 thousand had been drawn down at 31 December 2017 (31 December 2016: EUR 23,506 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 12,359 thousand due to the factoring of accounts receivable, since the requirements for derecognition had been met at 31 December 2017 (31 December 2016, approximately EUR 15,392 thousand); EUR 27,113 thousand were recognised under "Bank Borrowings" in this connection (31 December 2016, approximately EUR 8,114 thousand) (see Note 18.3).

13.4 Impairment losses

The changes in impairment losses and allowances for uncollectible amounts in the years ended 31 December 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Balance at 1 January	281,665	280,973
Charge for the year (Note 25)	274	427
Allowances used	(59)	-
Reversals in the year (Note 23)	(34)	(35)
Transfers on long-term provisions (Note 20.1)	902	-
Other movements and transfers without any impact on the result	2,848	-
Translation differences	(11)	300
Balance at 31 December	285,585	281,665

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

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

14. Tax matters

14.1 Tax receivables and payables

The detail of the tax receivables at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Non-current:		
Deferred tax assets	56,026	55,571
	56,026	55,571
Current:		
Current income tax assets	2,234	2,998
Sundry tax receivables-		
VAT receivable	14,858	7,697
Prior years' income tax refundable	398	519
Other	12	1,569
Social security taxes refundable	2	15
	17,504	12,798

The detail of the balances payable to public authorities at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Non-current:		
Deferred tax liabilities	143,825	151,005
	143,825	151,005
Current:		
Current income tax liabilities	541	149
Accrued social security taxes payable	763	1,387
Sundry tax payables-		
VAT payable	511	825
Tax withholdings payable	1,622	1,422
Other tax payables	211	155
	3,648	3,938

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

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

The detail of the income tax expense is as follows:

	Thousands of Euros	
	2017	2016
Current tax	2,956	4,700
Adjustments to prior years' taxes	(815)	156
Deferred taxes:		
Impact of tax rate reduction (Note 14.3)	1,027	(273)
Temporary differences originated and reversed	(10,924)	(24,425)
Total income tax expense	(7,756)	(19,842)

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

	Thousands of Euros	
	2017	2016
Loss for the year before tax	(26,112)	(199,206)
Estimated income tax benefit at the tax rate of the Parent	(6,528)	(49,802)
Effect of difference in tax rate of companies abroad	971	1,342
Net non-deductible expenses	8,368	51,648
Adjustment of deferred tax assets and liabilities	(10,779)	(22,913)
Impact of tax rate reduction	1,027	(273)
Differences arising in prior years	(815)	156
Tax income	(7,756)	(19,842)

With the approval of Royal Decree-Law 3/2016, of 2 December, for Spanish companies, the tax regulations relating to impairment losses on securities representing an equity interest in the investees were amended. Through this amendment, approval was given for the straight-line reversal over a five-year period of the impairment losses on ownership interests that were deductible for tax purposes in tax periods prior to 2013, unless the securities are transferred before the aforementioned period has elapsed, in which case, the amounts not yet reversed will be included in the tax base of the tax period in which the transfer takes place, up to the limit of the income obtained on said transfer. This tax amendment gave rise to a positive adjustment of EUR 10,895 thousand to the tax base for the Parent, leaving EUR 32,684 thousand at 31 December 2017 to be reversed and included in the tax base over the next three years; this amount is included under net non-deductible expenses.

In addition, net non-deductible expenses include unrecognised temporary differences for 2017 arising mainly from the limitation on the deductibility of finance costs, which particularly affects the Parent, with an impact of approximately EUR 7,671 thousand on the tax charge (2016: EUR 8,727 thousand), as well as other net adjustments.

There were no items recognised directly in equity that gave rise to deferred taxes in 2017.

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:

2017

	Thousands of Euros						
	Recognised with a Charge to						
	31/12/2016	Increase	Decrease	Transfer to "Non-Current Assets Classified as Held for Sale" and Other (Note 5)	Results for Upgrade Tax Rate	Translation Differences	31/12/2017
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

2016

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

As a consequence of the results of the tax audit performed by the Spanish state tax agency and completed in 2017 (see Note 14.5) and of the analysis of the recoverability of the tax assets, the Company recognised or reversed certain deferred tax assets and liabilities which, together with those recognised that arose from the tax return for 2017, gave rise to the recognition of income totalling EUR 10,924 thousand in relation to these items.

The Parent tested the recoverability of its tax loss carryforwards and unused tax credits and tax relief, and estimated recoverable amounts of EUR 14,722 thousand and EUR 28,191 thousand, respectively, at 31 December 2017. Also, the tax loss carryforwards of Carapelli Firenze, S.p.A. were included, which amounted to EUR 2,392 thousand. The limit for offsetting tax losses, pursuant to Italian legislation, is up to 80% of the taxable profit.

The increases in deferred tax assets under "Other" relate to: i) the impairment losses recognised in the year on the special product plants amounting to EUR 657 thousand and on the Voghera plant amounting to EUR 869 thousand; ii) the impairment losses on the Inveruno plant totalling EUR 3,447 thousand; and iii) the provision arising from the class action amounting to EUR 1,431 thousand (see Note 20). The deferred tax assets derecognised relate mainly to the changes in the year arising from the differences between the accounting and tax treatment of depreciation and amortisation and other provisions. The transfers relate to the impairment losses on the special product plants and the Voghera plant, reclassified under "Non-Current Assets Classified as Held for Sale" (see Note 5).

The result of the adjustment of the tax rate is the consequence of the regulatory change in the US that reduced the federal tax rate from 35% to 20% as of 1 January 2018.

In relation to the deferred tax liabilities, the net reduction relates to the differences between the tax and accounting treatment of the amortisation of trademarks and other intangible assets. Also, in 2017 a portion of the carrying amount of Hojiblanca's intangible assets (remeasured for accounting purposes in the year of their acquisition), which were acquired from third parties in prior years under the tax neutrality regime, was remeasured for tax purposes as a result of the effective taxation of the business contributor, due to the sale of the shares that it received as a consideration for that contribution. As a result, certain deferred tax liabilities were derecognised due to the recovery of the difference between the carrying amount and the tax bases of the trademark and the goodwill, amounting to EUR 5,514 thousand and EUR 726 thousand, respectively.

At the end of 2017 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	3,443
	561,557

Deductions

Year Generated	Thousands of Euros
2009	19,659
2010	1,330
2011	299
2012	3,534
2013	10,641
2014	4,510
2015	175
2016	121
2017	57
	40,326

The changes with respect to the previous year in tax loss and tax credit carryforwards are the result of the tax audit conducted in 2017. This circumstance gave rise to a decrease in tax loss carryforwards amounting to EUR 118 million and an increase in tax credits amounting to EUR 10 million. Since these items were not previously recognised on the balance sheet, this matter had no impact on the Group's consolidated statement of profit or loss.

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.

The tax loss carryforwards recognised at 31 December 2017 relate mainly to the Parent.

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:

Deferred Tax Assets	Thousands of Euros	
	2017	2016
Temporary differences	53,186	49,760
Tax loss carryforwards	125,667	165,842
Tax credit carryforwards	12,135	11,208
	190,988	226,810

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 audits

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 2017 no significant events took place in this connection. 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. At the date of issue of these consolidated financial statements, various rulings had been handed down in relation to all of the amounts claimed, which upheld the appeals filed by the Group and dismissed the tax assessments open. However, appeals were filed against those rulings. In 2017 no significant events took place in this connection. 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 two notification proceedings in relation to the IPS seeking payment of EUR 3,303 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 464 thousand of the provision were used and suspension of the payment was granted as guarantees were provided. At 31 December 2017, the provision recognised for this claim amounted to EUR 2,839 thousand. The Parent's directors, taking into account the opinion of the advisers engaged in relation to the proceedings, consider that there are valid and sufficient grounds for dismissing the claims of the customs authorities and consider that a decision will be handed down in favour of the Group. Therefore, they do not consider it necessary to recognise an additional provision for these claims.

On 24 September 2015, the Parent received notification from the Spanish tax authorities of the commencement of tax audits of all taxes for 2011 to 2013. These tax audits were completed in 2017, and the assessments arising therefrom were signed on an uncontested basis, resulting in an immaterial payment. These amounts had been fully provisioned in prior years.

Also, in 2017 the Parent was notified of the commencement of a tax inspection for 2015 in relation to import VAT and customs duties (import duties). This inspection concluded favourably for the Group in 2017 and did not result in any payment.

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 2017, the Parent and the subsidiaries had the last four years open for review by the tax authorities for the main tax filings applicable to them.

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	
	2017	2016
Cash on hand and at banks	16,831	23,406
	16,831	23,406

At 31 December 2017 bank accounts and deposits held by the Group, included under "Cash and Cash Equivalents" and "Other Current Financial Assets", amounting to approximately EUR 20,777 thousand had been pledged (2016: EUR 21,986 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 2017 and 2016 were as follows:

	Number of Shares	
	2017	2016
Shares at beginning of year	1,154,677,949	1,154,677,949
Shares at end of year	1,154,677,949	1,154,677,949

On 5 June 2017, in order to restore the Parent's equity position, its shareholders at the Annual General Meeting resolved to reduce the Parent's share capital by EUR 323,309,825.72 through a EUR 0.28 reduction of the par value of each share, in order to restore the balance between the Parent's share capital and equity, which had decreased as a result of losses, and establish restricted voluntary reserves, after all of the Parent's reserves (except the legal reserve) had been used to offset accumulated losses. Once this measure had been taken, Deoleo, S.A. remedied the situation giving grounds for dissolution set out under Article 363 of the aforementioned Consolidated Spanish Limited Liability Companies Law.

At 31 December 2017, the Parent's share capital was represented by 1,154,677,949 fully subscribed and paid shares of EUR 0.10 par value each, represented by book entries.

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

Holder	2017		2016	
	Number of Shares	% of Ownership	Number of Shares	% of Ownership
CVC Capital Partners VI Limited (1)	577,454,442	50.01	577,454,442	50.01
Fundación Bancaria Unicaja (2)	116,145,186	10.06	116,145,186	10.06
Fundación Bancaria Caixa D'Estalvis I Pensions de Barcelona (3)	57,618,350	4.99	57,618,350	4.99
Fundación Bancaria Bilbao Bizcaia Kutxa (4)	55,886,491	4.84	55,886,491	4.84
Daniel Klein (5)	34,080,537	2.95	34,080,537	2.95
Mao Holdings (Cayman) Limited	19,350,000	1.68	19,350,000	1.68

(1) Through Ole Investments, BV.

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

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

(4) Through Kartera 1, S.L..

(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	
	2017	2016
Non-current bank borrowings (Note 18)	504,161	501,019
Current bank borrowings (Note 18)	30,712	16,785
Financial liabilities due to issue of marketable securities (Note 18)	42,453	42,453
Other non-current financial liabilities (Note 18)	1,215	2,338
Total financial debt	578,541	562,595
Less- Cash and cash equivalents (Note 15)	(16,831)	(23,046)
Net debt (a)	561,710	539,549
Equity	299,831	328,858
Total capital	861,541	868,047
Net debt/total capital ratio	65,2%	62,2%

(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 totalled approximately EUR 6,553 thousand at 31 December 2017 (31 December 2016: approximately EUR 6,163 thousand) (see Note 10).

16.2 Other reserves

The detail of "Other Reserves" at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Legal reserve	10,184	10,184
Other reserves	47,800	13,617
	57,984	23,801

Appropriations to the legal reserve were made in accordance with Article 274 of the Consolidated Spanish Limited Liability Companies Law, which establishes that, in any case, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may not be distributed and, if it is used to offset losses, where sufficient other reserves are not available for this purpose, it must be replenished out of future profits. At 31 December 2017, the Parent's legal reserve had not reached 20% of share capital.

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

16.3 Shares of the Parent

At 31 December 2017 and 2016, the Parent does not hold treasury shares.

At June 5th, 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 2017 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 2016	(8,908)
Translation differences arising from financial statements of foreign operations	2,113
Balance at 31 December 2016	(6,795)
Translation differences arising from financial statements of foreign operations	(10,702)
Balance at 31 December 2017	(17,497)

16.5 Valuation adjustments

"Valuation Adjustments" in the accompanying consolidated statement of financial position at 31 December 2017 reflects the revaluation of derivative financial instruments that qualify for hedge accounting. The changes therein were as follows:

	Thousands of Euros
	Actuarial Differences and Gains
Balance at 1 January 2016	(331)
Adjustment due to change in assessment	37
Balance at 31 December 2016	(294)
Adjustment due to change in assessment	349
Balance at 31 December 2017	55

16.6 Dividends and restrictions on the distribution of dividends

In 2017 and 2016 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:

	2017	2016
Loss for the year attributable to holders of equity instruments of the Parent (in euros)	(18,356,000)	(179,068,000)
Weighted average number of ordinary shares outstanding (number of securities)	1,154,677,949	1,154,677,949
Basic loss per share	(0.016)	(0.155)

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

	2017	2016
Ordinary shares outstanding at the beginning of the year	1,154,677,949	1,154,677,949
Weighted average number of ordinary shares outstanding at 31 December	1,154,677,949	1,154,677,949

17.2 Diluted earnings per share

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

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

18. Debentures, loans and other interest-bearing liabilities

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

	Thousands of Euros	
	2017	2016
Financial liabilities due to issue of marketable securities	42,453	42,453
Non-current:		
Measured at amortised cost-		
Loan	515,000	515,000
Loan arrangement expenses	(10,839)	(13,981)
Total loan	504,161	501,019
Total non current bank borrowings	504,161	501,019
Other interest-bearing financial liabilities	1,215	2,338
Total other interest-bearing financial liabilities	1,215	2,338
Current:		
Other bank borrowings	28,121	15,699
Other interest-bearing financial liabilities	2,369	817
Measured at fair value-		
Derivative financial instruments (Note 11)	222	269
Total current bank borrowings	30,712	16,785

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

18.1 Long-term loan

At 31 December 2017, "Loan" includes the loan agreement entered into on 13 June 2014 by the Group and various lenders whereby a new financing package was arranged for a maximum drawable amount of EUR 600 million, composed of the following tranches:

- The first tranche referred to as "First Lien", of EUR 460 million, fully drawn and due and payable in 7 years.
- The second tranche referred to as "Second Lien", of EUR 55 million, fully drawn and due and payable in 8 years.
- A revolving line of credit for a total of EUR 85 million, which no amounts had been drawn down as of December, 2017 and fall due in 6 years.

Bullet repayment applies to all tranches.

Each financing tranche has different interest rate and they are all tied to Libor plus a spread; the weighted average spread is 376 basis points. The financing facility does not require the fulfilment of covenants, except for the revolving line of credit, which requires a Debt/EBITDA ratio that is lower than 7.75 if more than 40% or EUR 35 million is drawn. At 31 December 2017, the abovementioned revolving line was fully available.

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

- Deoleo S.A. and Deoleo USA Inc. shall be the borrowers and Carapelli Firenze, S.p.A. shall be guarantor of the financing facility.
- The First and Second Lien tranches will be covered by first and second collateral agreements, which shall comprise mainly the following:
 1. Pledge of shares of Carapelli Firenze, S.p.A. and Deoleo USA Inc.
 2. Pledge of shares of Deoleo Group companies that represent, at any time, 85% of the Group's EBITDA and assets in the consolidated balance sheet.

3. Mortgage on the Carbonell, Koipe and Koipesol brands.
4. Pledge on Deoleo USA Inc.'s current and future assets (floating charge).
5. Pledge of the cash pooling accounts in the UK and New York, as well as others in Spain, with significant cash surpluses of the Group in Spain.
6. Promise to mortgage the Alcolea factory.

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

According to the Parent Company's Directors, at 31 December 2017, the Group was in compliance with all requirements and they also believe there are no foreseeable aspects that could negatively affect such compliance in the coming twelve months.

18.2 Financial liabilities due to issue of marketable securities

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

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

As a result of the loss obtained, the Group has not recognised a provision for the outstanding interest accrued to the holders of the preference shares (neither at 31 December 2016).

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 2017 and 2016, 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 5,174 thousand had been drawn down at 31 December 2017 (31 December 2016: EUR 4,873 thousand), and the Group's liabilities under factoring agreements arranged with various banks. EUR 21,939 thousand had been drawn down against the factoring lines at 31 December 2017 (31 December 2016: EUR 8,114 thousand) (see Note 13.3). None of the Group's liabilities under factoring agreements were held vis-à-vis shareholders of the Parent (2016: EUR 1,450 thousand) (see Note 27.1).

This line item also includes accrued interest payable amounting to EUR 1,230 thousand (31 December 2016: EUR 1,146 thousand).

19. Trade and other payables

The detail of "Trade and other payables" in the consolidated statements of financial position at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Trade payables	82,692	58,384
Other payables:		
Remuneration payable	3,477	5,392
Accrued social security taxes payable (Note 14)	763	1,387
Payable to public authorities (Note 14)	2,344	2,402
Customer advances	21	-
Accruals and deferred income	37	142
	89,334	67,707

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	
	2017	2016
Average period of payment to suppliers	55	59
Ratio of transactions settled	54	59
Ratio of transactions not yet settled	65	61

	Euros	
	2017	2016
Total payments made	410,202	380,518
Total payments outstanding	55,101	22,160

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 2017 and 2016 were as follows:

	Thousands of Euros
Balance at 1 January 2016	10,089
Provisions recognised	8,754
Provisions used	(1,518)
Reversals of provisions	(625)
Transfers	(1,748)
Total long-term provisions at 31 December 2016	18,488
Provisions recognised	116
Provisions used	(4,654)
Reversals of provisions	(53)
Transfers	(902)
Total long-term provisions at 31 December 2017	12,955

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, and in 2017 provisions of EUR 1,279 thousand were used for the payment of assessments.

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

The 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 2017 and 2016 were as follows:

	Thousands of Euros
Balance at 1 January 2016	325
Provisions recognised	2
Total short-term provisions at 31 December 2016	327
Provisions recognised	5,838
Provisions used	(294)
Total short-term provisions at 31 December 2017	5,871

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.

The Group objected to the claim, as it understood that it lacked substance. The Parent's directors are currently negotiating an out-of-court settlement amounting to USD 7 million (approximately EUR 5.8 million), the resolution of which would definitively conclude the proceeding and any future claim related thereto. The amount subject to negotiation would serve to pay the court costs of the claimant and the individual claims that might be substantiated. It should be taken into consideration that, in accordance with the applicable legislation, the aforementioned out-of-court settlement should, if reached, be ratified by the corresponding judicial body.

However, under no circumstances does the Group admit its culpability with regard to the events subject to claim, nor has a court judgment been issued against it in this connection. Nevertheless, and in keeping with the Group's spirit of negotiation, the consolidated financial statements include a provision of EUR 5.8 million under "Current Liabilities - Provisions" in the consolidated balance sheet (the expense is included under "Other Operating Expenses" (see Note 25)).

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 2017.

20.2.2 Demands for payment by German banks

A full summary of the claims of HSH NORDBANK and LANDESBANK BADEN WÜRTtemberg 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 2017.

21. Government grants

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

	Thousands of Euros
At beginning of year 2016	3,056
Accrued interest	964
Other changes	(7)
At end of year 2016	4,013
Other changes	(92)
At end of year 2017	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.

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 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Grants related to income	25	363
Leases	904	613
Gains on sale of items of property, plant and equipment (Note 7)	50	-
Gains on non-current assets classified as held for sale (Note 5)	5,143	1,018
Reversal of impairment losses:		
Investment property (Note 8)	4,092	-
On inventories and accounts receivable (Notes 12 and 13.4)	1,347	2,990
Other income	3,226	3,895
	14,787	8,879

24. Staff costs

The detail of "Staff Costs" in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expenses	32,304	41,536
Termination benefits	6,354	5,234
Social security contributions and other employee benefit costs	8,948	11,426
	47,606	58,196

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

The average number of employees at the Group in 2017 and 2016, by professional category and gender, was as follows:

	Number of Employees					
	2017			2016		
	Total	Men	Women	Total	Men	Women
Executives	49	36	13	56	40	16
Clerical supervisors	79	43	36	92	59	33
Skilled employees	74	54	20	82	58	24
Sales staff	109	87	22	115	89	26
Clerical staff	147	46	101	170	53	117
Factory staff	129	108	21	223	188	35
	587	374	213	738	487	251

At 31 December 2017, no member of the Board of Directors were women (31 December 2016: Two member of the Board of Directors were women).

The number of employees, by professional category and gender, at the end of 2017 and 2016 was as follows:

	Number of Employees					
	2017			2016		
	Total	Men	Women	Total	Men	Women
Executives	48	35	13	56	39	17
Clerical supervisors	78	42	36	91	59	32
Skilled employees	66	48	18	78	56	22
Sales staff	103	85	18	128	99	29
Clerical staff	142	42	100	161	53	108
Factory staff	99	84	15	168	141	27
	536	336	200	682	447	235

The average number of people employed by the Group's Spanish companies in 2017 and 2016 with a level of disability of 33% or more, by professional category, was as follows:

Category	Number of Employees	
	2017	2016
Clerical supervisors	1	1
Skilled employees and factory staff	2	3
	3	4

25. Other expenses

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

	Thousands of Euros	
	2017	2016
Impairment losses:		
On non-current assets classified as held for sale (Note 5)	7,658	340
On intangible assets (Note 6)	-	118,417
On property, plant and equipment (Note 7)	1,695	796
On investment property (Note 8)	-	35,316
On inventories and accounts receivable (Notes 12 and Note 13.4)	2,453	3,857
Losses on disposals non-current assets as held for sale (Note 5)	111	3,736
Other operating expenses	90,916	109,203
	102,833	271,665

26. Finance income and costs

The detail of "Finance Income" and "Finance Costs" in the years ended 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Finance income:		
Arising from measurement at fair value of derivative instruments (Note 11)	609	5,199
Gains on foreign currency transactions	13,399	6,594
Other finance income	55	644
	14,063	12,437
Finance costs:		
Debt arrangement expenses - syndicated loan (Note 18)	3,142	3,142
On bank borrowings	26,493	26,546
Settlement of IRS	406	6,078
Losses on foreign currency transactions	8,214	7,819
Losses on long-term debt securities	101	-
Loss on disposals of investments in associates	192	-
Other finance costs	942	3,263
	39,490	46,848

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 2017 and 2016 is as follows:

	Thousands of Euros	
	Other Related Parties Shareholders	
	2017	2016
Non-current financial assets:		
Cash and cash equivalents	14	351
Accounts receivable:		
Accounts receivables	1,086	-
Sundry receivables	-	291
Current payables:		
Current payables (Note 18.3)	-	(1,450)
Trade and other payables:		
Payable to suppliers	(185)	(538)

The Group recognised an allowance under several line items for the full amount of the balances (totalling EUR 250,428 thousand at 2017 and 2016 year-end) receivable from companies related to former directors of the Parent.

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

	Thousands of Euros	
	2017	2016
CaixaBank, S.A.	-	1,450
Total loans and other interest-bearing liabilities	-	1,450

27.2 Related party transactions

The detail of the Group's transactions with related parties in 2017 and 2016 is as follows:

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

2016

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

In 2017 the Parent performed all its transactions with related parties on an arm's length basis.

The remuneration of the senior executives of the Parent amounted to approximately EUR 4,585 thousand in 2017 (2016: EUR 4,258 thousand).

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

	Thousands of Euros	
	2017	2016
Salaries	690	1,896
Attendance fees	503	543
	1,193	2,439

At 31 December 2017, the Parent had paid EUR 59 thousand in premiums for the directors' third-party liability insurance (2016: EUR 59 thousand).

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

- Rosalía Portela abstained from the vote on the proposal of criteria for the accrual of the variable remuneration of the Group's senior executives for 2017 under the terms reported by the Appointments Committee, as she was involved in a situation of conflict of interest with respect to the matters affecting her remuneration.
- Pierluigi Tosato abstained from the vote on the proposal of criteria for the accrual of the variable remuneration of the Group's senior executives for 2017 under the terms reported by the Appointments Committee, as he was involved in a situation of conflict of interest with respect to the matters affecting his remuneration.

- Javier de Jaime Guijarro abstained from the vote to create a General Business Department to integrate the growth strategy led by Miguel de Jaime Guijarro, as he was involved in a situation of conflict of interest.
- Pierluigi Tosato abstained from voting in relation to a process to designate and allocate rights in his own favour, under the framework of the long-term incentive plan beginning in 2018 linked to the increase in value of the shares of Deoleo, aimed at the members of the Company's management team (see Note 4.16), as he was involved in a situation of conflict of interest.
- Javier de Jaime Guijarro abstained from voting in relation to a process to designate and allocate rights to Miguel de Jaime Guijarro, under the framework of the long-term incentive plan beginning in 2018 linked to the increase in value of the shares of Deoleo, aimed at the members of the Company's management team (see Note 4.16), 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 2017 and 2016 there were no additions to, or disposals of, environmental investments in the Group's plant. At 31 December 2017, the carrying amount of the environmental investments was EUR 1,992 thousand (31 December 2016: EUR 2,377 thousand).

The ordinary expenses incurred in the year ended 31 December 2017 for the purpose of protecting and enhancing the environment amounted to EUR 988 thousand (2016: EUR 2,623 thousand). These expenses related mainly to costs incurred in relation to packaging recycling, environmental diagnosis work and waste treatment.

At 31 December 2017 and 2016, 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 2017, nor did it have any such grants in 2016, and its consolidated statement of financial position does not include any grants of this nature from prior years.

29. Fees paid to auditors

In 2017 and 2016 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	
	2017	2016
Audit services	312	310
Other attest services	15	7
Total audit and related services	327	317
Other services	12	7
Total professional services	339	324

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

	Thousands of Euros	
	2017	2016
Audit services	275	341
Other attest services	8	1
Total audit and related services	283	342
Tax counselling services	65	67
Total other services	65	67
	348	409

30. Segment reporting

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

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

The geographical areas identified are as follows:

- Southern Europe (Spain and Italy).
- Northern Europe (France, Germany, Belgium, Holland, and the rest of Europe).
- International markets (Latin America, 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	675,190	678,185	17,117	17,006	25	22	692,332	695,213
Other income	13,185	4,085	633	4,794	969	-	14,787	8,879
Cost of raw materials and other consumables used and changes in inventories of finished goods and work in progress	(527,771)	(508,145)	(11,606)	(10,616)	-	(29)	(539,377)	(518,790)
Staff costs	(44,046)	(53,844)	(3,560)	(4,352)	-	-	(47,606)	(58,196)
Depreciation and amortisation charge	(13,943)	(15,685)	(332)	(373)	(3,714)	(4,178)	(17,988)	(20,236)
Intangible assets and Goodwill's Impairment (Note 25)	(9,353)	(153,733)	-	-	-	(1,136)	(9,353)	(154,869)
Other operating expenses	(76,332)	(95,196)	(3,322)	(4,185)	(13,825)	(17,415)	(93,479)	(116,796)
Profit (Loss) from operations	16,930	(144,333)	(1,070)	2,274	(16,545)	(22,736)	(685)	(164,795)
Net financial loss	-	-	-	-	(25,427)	(34,411)	(25,427)	(34,411)
Profit (Loss) for the year before tax	16,930	(144,333)	(1,070)	2,274	(41,972)	(57,147)	(26,112)	(199,206)

Asset:								
Property, plant and equipment and investment property	62,481	60,978	-	-	9,066	12,098	71,547	73,076
Goodwill	64,781	64,781	-	-	-	-	64,781	64,781
Other intangible assets	702,069	712,580	-	-	2,480	2,517	704,549	715,097
Other non-current assets	-	-	-	-	63,063	61,789	63,063	61,789
Total non-current assets	829,331	838,339	-	-	74,609	76,404	903,940	914,743
Inventories	107,072	100,491	2,718	2,303	-	-	109,790	102,794
Trade and other receivables	87,643	73,920	2,225	1,739	-	-	89,868	75,659
Other current asset	-	-	-	-	28,956	34,465	28,956	34,465
Non-current assets held for sale	-	-	-	-	5,383	10,114	5,383	10,114
Total current assets	194,715	174,411	4,943	4,042	34,339	44,579	233,997	223,032
Total assets	1,024,046	1,012,750	4,943	4,042	108,948	120,983	1,137,937	1,137,775

	Thousands of Euros							
	Oils		Other Businesses		Central Services		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Total equity	-	-	-	-	299,831	328,858	299,831	328,858
Interest-bearing liabilities	-	-	-	-	578,541	562,595	578,541	562,595
Trade and other payables	87,412	66,150	1,922	1,557	-	-	89,334	67,707
Other liabilities	-	-	-	-	169,831	177,554	169,831	177,554
Non-current liabilities held for sale	-	-	-	-	400	1,061	400	1,061
Total liabilities	87,412	66,150	1,922	1,557	748,772	741,210	838,106	808,917
Total equity and liabilities	87,412	66,150	1,922	1,557	1,048,603	1,070,068	1,137,937	1,137,775

	Thousands of Euros											
	Southern Europe		Northern Europe		North America		International Markets		Operative		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from non-Group customers	334,808	323,058	83,939	101,786	156,924	164,321	116,661	106,048	-	-	692,332	695,213
Total non-current assets:												
Property, plant and equipment and investment property	2,783	3,709	1,283	1,411	4,008	4,842	1,355	1,569	50,500	51,227	59,929	62,758
Intangible assets and goodwill	201,008	206,378	80,476	81,026	364,514	367,819	116,420	117,743	6,912	6,912	769,330	779,878

Other disclosures

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

EBITDA

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

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

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

EBITDA	Thousands of Euros	
	2017	2016
Profit (Loss) from operations	(685)	(164,795)
Depreciation and amortisation charge (Notes 5, 6 and 7)	17,988	20,236
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)	(1,515)	37,849
Impairment of intangible assets and property, plant and equipment (Notes 25)	1,695	119,213
Non-recurring income and expenses (*)	13,860	33,620
	31,343	46,123

(*) The detail of the non-recurring expenses recognised under each line item in the consolidated statement of profit or loss 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Revenue	-	4,093
Cost of raw materials and other consumables used	-	6,864
Staff costs	6,304	5,248
Other operating expenses	7,556	17,415
	13,860	33,620

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

- Recognition of the collective redundancy procedure in Spain (see Note 24).
- Non-recurring provisions recognised, including the class action lawsuit (see Note 20.1).
- 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	
	2017	2016
Non-current bank borrowings (Note 18)	504,161	501,019
Current bank borrowings (Note 18)	30,712	16,785
Financial liabilities due to issue of marketable securities (Note 18)	42,453	42,453
Other non-current financial liabilities (Note 18)	1,215	2,338
Less- Cash and cash equivalents (Note 15)	(16,831)	(23,406)
Less- deposits recognised as other current financial assets (Note 10)	(6,553)	(6,163)
Total Net financial debt	555,157	533,026

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

Working capital

- Definition: portion of non-financial current assets that is financed with capital funds.
- Reconciliation: Inventories + Trade and other receivables - Trade and other payables.

	Thousands of Euros	
	2017	2016
Inventories (Note 12)	109,790	102,794
Trade and other receivables (Note 13)	89,868	75,659
Trade and other payables (Note 19)	(89,334)	(67,707)
Current provisions (Note 20.1)	(5,871)	(327)
Total working capital	104,453	110,419

- 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 2017. In addition, the agreement establishes a series of limits on the transactions that the Group can perform (see Note 18.1).

Exposure to foreign currency risk

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

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

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

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

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

Following is the detail of the Group's exposure to foreign currency risk at 31 December 2017 and 2016. The tables below reflect the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currency.

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

2016

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

Credit risk

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

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

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

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

In 2017 Deoleo's and Carapelli's percentage of sales cover was over 90% in both cases, while the credit loss levels were 0.03% of sales. In addition, the Group has policies to ensure that wholesale sales of products are made to customers with an adequate credit history. In addition, the Group has policies to ensure that wholesale sales of products are made to customers with an adequate credit history.

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 2017 and 2016. The tables below reflect the analysis of the maturities of the financial assets not impaired at 31 December 2017 and 2016.

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: <i>Of which, fixed-rate (Note 10)</i>	-	-	-	1,079	1,079
Available-for-sale financial assets measured at cost: <i>Of which, fixed-rate (Note 10)</i>	-	-	-	27	27
Derivative financial instruments (Note 10)	573	-	-	-	573
Trade and other receivables: <i>Of which, fixed-rate (Notes 13 and 14)</i>	89,456	-	412	-	89,868
<i>Of which, floating-rate (Note 10)</i>	-	-	-	5,254	5,254
Other financial assets (Note 10)	6,576	-	1,132	204	
Total assets	96,605	-	544	4,564	101,713

2016

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

Liquidity risk

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

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

Following is the detail of the Group's exposure to liquidity risk at 31 December 2017 and 2016. The tables below reflect the analysis, by contractual terms to maturity at those dates, of the financial liabilities.

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: <i>Of which, floating-rate (Note 18)</i>	-	-	-	-	42,453	42,453
Financial liabilities with banks: <i>Of which, floating-rate (Note 18)</i>	-	-	28,121	504,161	-	532,282
Trade and other payables: <i>Of which, fixed-rate (Note 19)</i>	49,950	31,122	8,262	-	-	89,334
<i>Other financial liabilities (Note 18)</i>	-	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

2016

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

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 2017, 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 23,970 thousand (2016: approximately EUR 19,077 thousand) for which no contingency or loss is expected to arise.

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

33. Events after the reporting period

At the date of authorisation for issue of these consolidated financial statements, no significant events other than those disclosed in the notes to the consolidated financial statements had taken place.

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 2017 and 2016

Denominación Social	Domicilio Social	Actividad	Auditor	Sociedad Titular de la Participación	% Participación
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
		Purchase and sale, import, export, processing, preparation and marketing of rice and other food and agricultural products	Deloitte (México)		
Deoleo Industrial México, S.A. de C.V.	Córdoba. Veracruz (México)	Marketing and distribution of food and agricultural products	-	Deoleo, S.A.	100
Mercadeo de Productos Alimenticios, S.A. de C.V.	México D.F.(México)	Marketing. distribution and export of food products	-	Deoleo Industrial México, S.A. de C.V.	100
Deoleo Antilles Guyane, S.A.	Mana (Guyana Francesa)	Oil production and marketing	-	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 Firenze, S.p.A. (39.36%), Carapelli Firenze USA Inc. (11.64%) y Deoleo USA Inc. (49%)	100
Carapelli USA LLC	Delaware (USA)	Marketing of bottled oil	-	Deoleo, S.A.	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
		Purchase and sale. Processing, preparation and marketing of rice and other food and agricultural products	-		
Sevilla Rice Company, S.A.	Rivas Vaciamadrid (Madrid)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Carbonell UK, Ltd. (2)	East Molesley_Surrey (U.K.)	Marketing and distribution of food products	-	Deoleo, S.A.	100
Shanghai Deoleo Trading Co., Ltd. (2)	China	Oil production and marketing	Shanghai Pengfu TGS Koya Chartered Accountants	Deoleo, S.A.	100
Deoleo Middle East DMCC (2)	Dubai	Oil production and marketing	-	Deoleo, S.A.	100
Rústicas Monte Branco, S.A. (1)	Beja (Portugal)	Agricultural exploitation	-	Deoleo, S.A.	100

(1) Liquidated in 2016. (2) Liquidated in 2017

This Appendix is an integral part of Note 2.6.1. to the consolidated financial statements for 2017, 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

2017 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 2017, 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 2017 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.

Regarding the composition of the managing bodies and the related executive committees, from 31 December 2017 to the date of authorisation for issue of these consolidated financial statements no changes took place.

(*) Reference to the **Annual Corporate Governance Report** for 2017, published on the CNMV website (www.cnmv.es) and on the Deoleo website (www.deoleo.com).

2. Investment performance

In 2017 the investments in property, plant and equipment for the oil business related mainly to the extension and modernisation of machinery on the packaging lines at the Alcolea (Córdoba) and Tarnelle (Italy) plants.

3. Business performance

The International Olive Council (IOC) confirmed a 6% decrease in worldwide oil consumption in the 2016/2017 season. It was a global fall that affected both producer nations such as Spain (-6%) and Greece, and major consumer nations such as the US (-2%) and Canada.

2017 was marked by:

- Poor harvests and high prices. The average price of extra virgin olive oil in Spain was EUR 3.8/kg.
- Unfavourable US dollar/euro exchange rates due to a +13.8% appreciation of the euro, which caused a decrease in sales volumes as a result of an increase in sales prices in US dollars. The impact on EBITDA was approximately EUR 7 million.
- Completion of the process to reshape the industrial footprint, and launch of projects to foster excellence in the supply chain and savings throughout the Company's value chain.
- Relaunch of the Bertolli brand with its new features.
- A new marketing and sales structure.
- The strengthening of the Quality and R+D division.

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		
	2017	%	2016
Consolidated statement of profit or loss:			
Sales	692,332	(0.4%)	695,213
Gross margin	101,750	(15.2%)	120,038
Other operating expenses	(70,407)	(4.7%)	(73,915)
EBITDA	31,343	(32.0%)	46,123
EBITDA/Sales	4.5%		6.6%
Loss for the year	(18,356)	89.8%	(179,364)

The net loss fell by 90% on 2016 and break-even point was practically achieved in EBIT, in comparison with a loss from operations of EUR 165 million in 2016. This improvement was due mainly to the following:

- Sales remained in line with 2016, despite the slight fall in volumes sold (-4%). Around 38% of total sales are made in international markets outside the European Union.
- Gross margin decreased by 15.2%, due to the negative impact of the increase in raw material prices and the unfavourable performance of the US dollar/euro exchange rate (gross margin is defined as the difference between revenue and the changes in inventories of finished goods and work in progress and procurements).

The year-on-year change from 2016 to 2017 in prices in Spain was as follows:

Raw materials	Olive oil prices - Spain (EUR/t)		
	Dec-17	Dec-16	Year-on-year % change
Extra virgin	3,643	3,504	4.0%
Virgin	3,512	3,283	7.0%
Lampante	3,440	3,199	7.6%

Average prices taken from POOLRed

- Operating expenses fell by -4.7% as a result of the adjustment and efficiency plans implemented in 2017.
- The decrease in EBITDA was due mainly to the impact of the gradual increase in raw material prices and the difficulty of transferring the full impact thereof to sales prices.
- Non-recurring expenses decreased by almost 60%, from 34 million of euros in 2016 to 14 million in 2017 (see Note 30 – Segment reporting – EBITDA in the Consolidated Statements for 2017).
- The net financial loss was down by 26% in 2017.
- Absence of extraordinary impairment on intangible assets and investment property (EUR 95.5 million and EUR 35.3 million, respectively, in 2016).
- Absence of the extraordinary effect of the tax adjustments introduced by Royal Decree-Law 3/2016, of 2 December.

By business unit, performance was uneven at EBITDA level:

- In Southern Europe, and particularly Spain, performance in 2017 was positive in a complex environment in which volumes were maintained despite the fall in consumption, and market share increases were achieved. Profitability also increased with respect to 2016.
- International Markets also performed positively, both in terms of sales and profitability, driven by good performance in India, the Middle East and Mexico.
- The retail revenue levels were not recovered in Northern Europe in 2017 due to high prices. However, this situation is expected to be reversed from 2018 as a result of the measures being implemented.
- Presence in the Club channel was recovered in North America in the fourth quarter, marked by high prices and the impact of the foreign exchange rates.
- The Corporate Unit recorded an increase in general costs associated with restructuring processes, as well as provision expenses that are extraordinary and non-recurring and had a negative impact on EBITDA in 2017.

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		
	31/12/17	31/12/16	Change
Non-current assets	903,940	914,743	-1.2%
Working capital	104,453	110,746	-5.7%
Equity	299,831	328,858	-8.8%
Net financial debt	555,157	533,026	4.2%

- Net financial debt increased by 4.2% with respect to 2016, due to shrinking business margins and the need to buy oil in season at higher prices than in 2016.
- Management of working capital, which improved for yet another year, maintained debt growth at reasonable levels.
- The Company's levels of cash and use of revolving credit lines and factoring arrangements ensure sufficient liquidity and enable it to broaden its supplier base.

5. Equity

On 5 June 2017, in order to restore the Parent's equity position, the shareholders at the Annual General Meeting resolved to reduce share capital by EUR 323,309,825.72 through a EUR 0.28 reduction of the par value of each share in order to restore the balance between the Parent's share capital and equity, which had decreased as a result of losses, and fund restricted voluntary reserves, once all of the Parent's reserves (except the legal reserve) have been used to offset accumulated losses. Once this measure had been taken, Deoleo, S.A. remedied the situation giving grounds for dissolution set out under Article 363 of the Consolidated Spanish Limited Liability Companies Law.

At 31 December 2017, the Parent's share capital was represented by 1,154,677,949 fully subscribed and paid shares of EUR 0.10 par value each, represented by book entries.

6. Treasury shares

No transactions involving treasury shares were performed in 2017.

At 31 December 2017, the Parent did not have any treasury shares.

7. Group performance and outlook

Yet another year of high raw material prices meant that the increase in the cost of sales could not be passed on in full to customers, with this factor exacerbated by a lethargy in certain markets affecting consumption, which all occurred together with unfavourable fluctuations in exchange rates.

We have improved operating expenses and finance costs, and substantially reduced non-recurring expenses, a line item which we expect to be scanty material in 2018.

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 (UPA - the Small Farmers' Union) and advancing in other agreements in order to achieve integration in the value chain and align interests.

We have recently experienced several seasons of volatility and high prices which are serving as the ideal breeding ground for a short-term business concept which seeks volume over value. This trend towards own and lowest-price brands are trivialising a product as noble as olive oil and which offers so many opportunities. At Deoleo, we are committed to doing just the opposite, 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.

In 2017 we made significant efforts to ascertain consumer tastes, seek the best oil and develop our blending expertise. These efforts were recognised in the contests at which we presented our oils, where we were awarded 27 medals for our Carapelli (15) and Bertolli (12) extra virgin olive oils. We are convinced that the recognition of experts will have a knock-on effect on the consumer and that it reinforces our commitment to quality and a job well done.

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 2017.

9. Events after the reporting period

At the date of authorisation for issue of these consolidated financial statement, no significant events other than those disclosed in the notes to the consolidated financial statement had taken place.

10. Main risks to the Group

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

1. Compliance risks:

Regulatory compliance risk: breach of food quality and safety, customs, employment, third-party liability, criminal, environmental and competition regulations in the various countries in which the Group operates, at international, domestic, regional and local level.

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.

Tax risks: these arise from potential changes in tax legislation, the corporate structure and its implications for international taxation, the proper application of the transfer pricing policy or errors in compliance with tax obligations.

The Group has outsourced management of most of the functions relating to operational compliance with tax obligations to tax advisory firms of recognised prestige in most of the countries in which it operates, which are also requested to provide advisory services when the circumstances so require.

2. Operational risks:

Image and reputational risk: loss of image, reputation and/or negative publicity due to fake news relating to the Group's business or malicious external attacks on information systems that may affect the Group's relevant and/or strategic data.

Raw material supply and price change risk: there is a risk of shortages of oils of certain qualities in the final periods of the season, due to an envisaged short convergence with the following season,

which may lead to market shortages, which would give rise to difficulties and/or make it impossible to purchase the raw materials required to meet production estimates and ultimately serve the orders placed by the Group's customers. Also, these raw materials may register sharp upward or downward changes and have a material impact on the price of finished products.

This risk is minimised by the opening-up of new supply channels to diversify the pool of raw material suppliers in order to obtain the most competitive price possible. Other measures that have been carried out 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; (iii) strengthening quality processes; and (iii) applying a new demand planning model that directly affects optimisation of all the purchasing processes and their coverage.

Brand risk: inadequate positioning or inability to make clients aware of the differentiation of the Group's products compared with those of competitors and distributor brands (own brands), with the concomitant loss of market share.

3. Financial risks:

Cash flow and fair value interest rate risk: long-term borrowings bearing floating interest rates can entail a risk of significant rises in interest rates, which expose the Group to higher borrowing costs, lower returns on investments and decreases in the value of assets (effects on fair value). The Group's interest rate risk arises from the Parent's financing through non-current borrowings. Debt issued at floating rates exposes the Group to cash flow interest rate risk. The Company regularly analyses the arrangement of hedges (derivatives) to hedge against interest rate risk.

Foreign currency risk: changes in exchange rates can expose the Group to significant financial and accounting losses (future commercial transactions, recognised assets and liabilities and net investments in foreign operations in currencies other than the euro). The Group operates on an international stage and, therefore, is exposed to foreign currency risk on the transactions performed by it in foreign currencies, mainly in US dollars. 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.

At Group level, external foreign currency forwards are entered into to hedge the foreign currency risk on certain assets, liabilities or future transactions. Wherever possible the Group closes transactions with third parties in euros, mainly raw material purchases, and these are the most significant transactions within the Group.

Liquidity risk: potential situation in which the Group does not have sufficient liquidity when required to meet its payment obligations. The Group manages liquidity risk prudently by maintaining sufficient cash for the ordinary operations of the Group within the scope and limitations of the financing agreement. 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.

The Group entered into a financing agreement with lender banks that grouped together most of the Group's borrowings in a single obligation. As a result, the Group maintains reasonable levels of liquidity and has additional available funding through the use of recourse and non-recourse factoring lines and working capital financing facilities.

Breach of covenants: the financing arranged requires the achievement of a single financial ratio, solely when the drawing of funds with a charge thereto exceeds certain parameters. The financing agreement also establishes certain limits on the transactions that the Group may perform.

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

The Credit Department, which forms part of the Group's Treasury Department, periodically implements analytical and monitoring procedures on customer credit limits.

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 2017 the R&D team continued its work in developing new products, supporting the industrial area in order to optimise industrial processes, fine-tuning new analytical methods and cooperating with the Marketing Department to find new ways to differentiate our products.

12. Average period of payment to suppliers

The average period of payment to suppliers in 2017 was 55 days (2016: 59 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 2017 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	2017	2016
Closing price (EUR)	0.175	0.23
Period high (EUR)	0.295	0.26
Date of high	9 Jan.	12 Dec.
Period low (EUR)	0.16	0.155
Date of low	4 Apr.	24 Jun.
Period average (EUR)	0.201	0.205
Total volume of shares traded (thousands)	287,345	331,624
Daily volume of shares traded (thousands)	1,127	1,290
Effective total volume traded (millions of euros)	61,676	68,808
Average effective daily volume traded (thousands of euros)	242	268
Number of shares (millions)	1,155	1,155
Stock market capitalisation at end of period (millions of euros)	202	266

Dividend policy

Pursuant to the terms and conditions of the syndicated loan arranged by the Group in 2017, 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

This non-financial report was prepared with reference to the Global Reporting Initiative Standards (GRI Standards)

1. Organisational Profile

DE oleo, S.A., ("the Company") is a Spanish public limited liability company, with registered office at Cordoba and is the masthead of a business group with interests in several countries in the world.

The main business of the Company and of its Group companies (the "Deleo Group or the Group") is the bottling of vegetable oils, mainly olive oil, which makes up over 85% of its sales, with factories in Spain (Cordoba) and Italy (Tavarnelle).

The Deleo Group has a portfolio of more than 40 brands in the world, some of them with a global reach and presence in different countries and others with a local presence.

The positioning of the Deleo Group brands has made the company to be a world leader in commercialisation of bottled olive oil (data value) with a 10% global share.

The Italian brands -Bertolli, Carapelli and Sasso- are those with the greatest international presence.

The Company is listed on the Spanish stock markets through the Spanish Stock Market Interconnection System (SIBE) and is majority owned by the private equity fund CVC Capital Partners VI Limited.

The most significant shareholders are as follows:

Company Name	2017		2016	
	Shares	% of Ownership	Shares	% of Ownership
CVC Capital Partners VI Limited ⁽¹⁾	577,454,442	50.01	577,454,442	50.01
Fundación Bancaria Unicaja ⁽²⁾	116,145,186	10.06	116,145,186	10.06
Fundación Bancaria Caixa D' Estalvis I Pensions de Barcelona ⁽³⁾	57,618,350	4.99	57,618,350	4.99
Bilbao Bizkaia Kutxa Fundación Bancaria ⁽⁴⁾	55,886,491	4.84	55,886,491	4.84
Daniel Klein ⁽⁵⁾	34,080,537	2.95	34,080,537	2.95
Mao Holdings (Cayman) Limited	19,350,000	1.68	19,350,000	1.68

⁽¹⁾ Through Ole Investments, BV

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

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

⁽⁴⁾ Through Kartera1, S.L.

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

According to the data available to the Company, the rest of the capital is distributed among more than 13,000 shareholders.

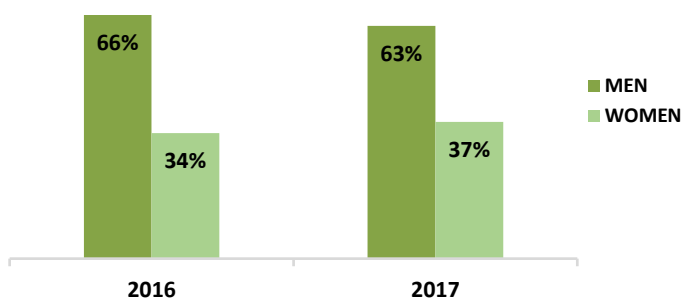
The Company is governed by a Board of Directors comprised of twelve members and has two committees:

- Audit and Control
- Nomination and Remuneration

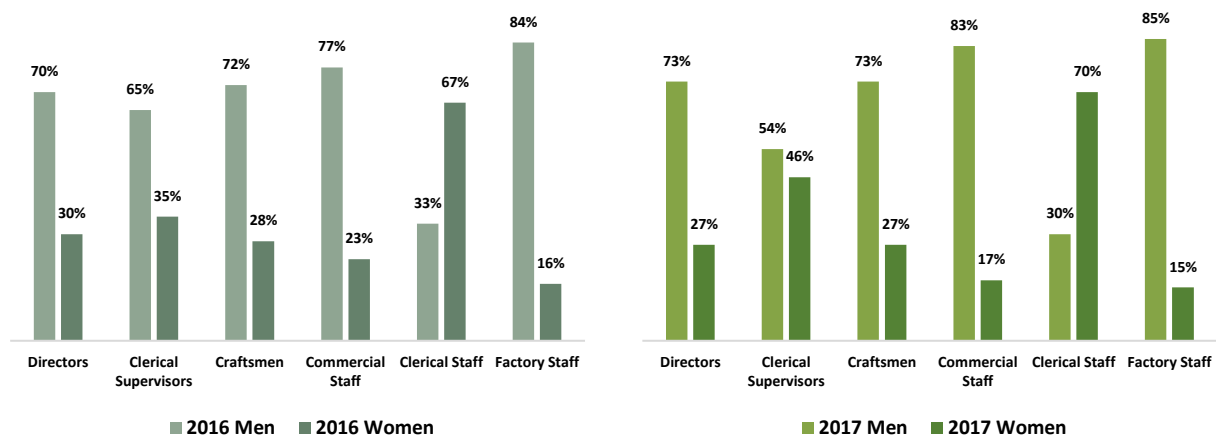
The Nomination and Remuneration Committee, is responsible for matters relating to corporate social responsibility.

Deoleo Group's workforce is comprised of:

- **682** employees at 31 December 2016.
- **536** employees at 31 December 2017.



Although, given the industrial activity, the percentage of men is higher than that of women. Women account for almost 46% of middle management and 70% of clerical positions, with a very residual percentage of female factory workers of 15% in 2017.



As of December 31, 2017, the total number of temporary workforce was quite low, around 3%. Male employees were more affected, 61% of temporary contracts are held by men and 35% by women.

Also, currently, the Group has more than 26 different nationalities, located in the five continents. The Spanish and Italian nationalities, with 56% and 30% of the total respectively, are the most relevant.

The olive oil value chain is as follows:

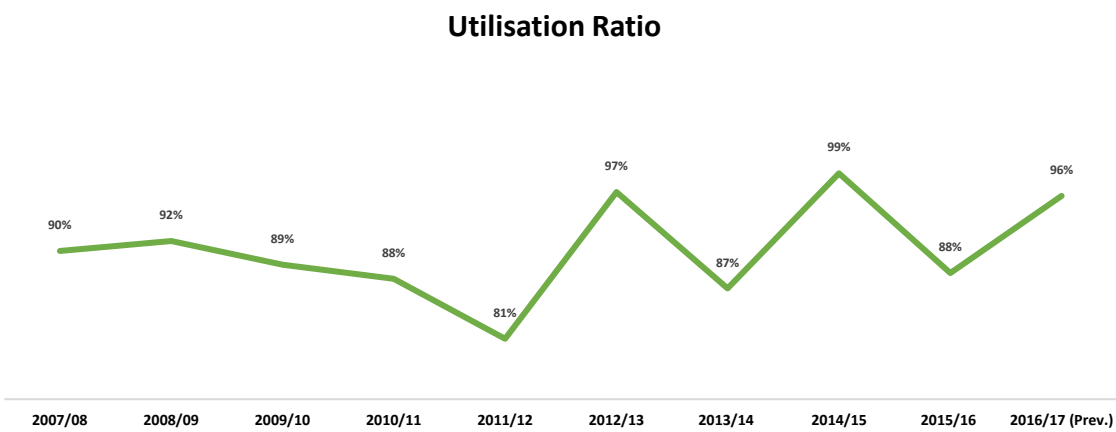
- Production, harvest.
- Crushed in presses to obtain virgin olive oils suitable for consumption or lampante olive oils that require a refining process in order to be consumed.
- Refining
- Filtering and Bottling

The Deoleo Group factories filter and bottle.

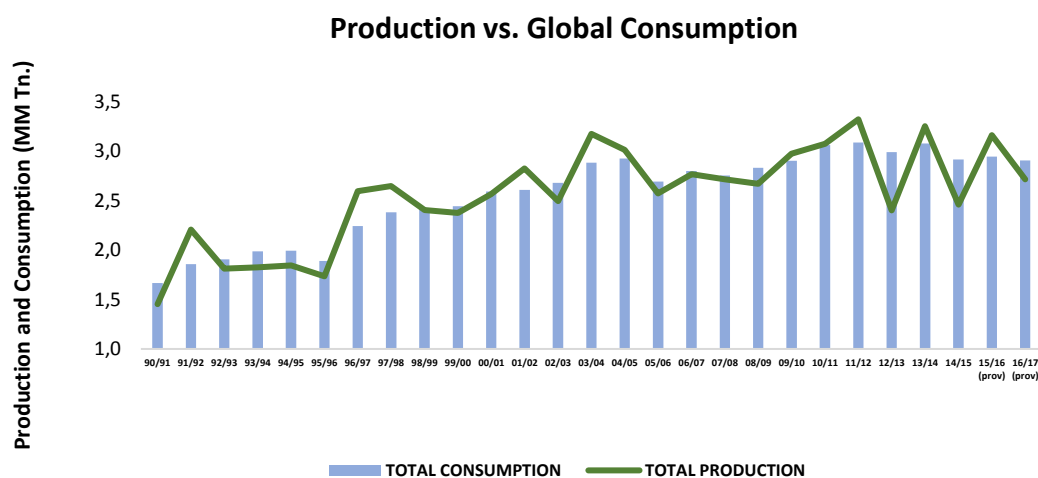
Olive oil accounts for approximately 4% of the vegetable fats consumed in the world and about 3 million tonnes are produced annually.

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

Similarly, consumption grew by 2%, and accordingly, the utilisation ratio (annual consumption/availability) is practically 100%. In the last three decades average consumption increased by around 54%.



Source: IOOC data and in-house data.



Source: IOOC data and in-house data.

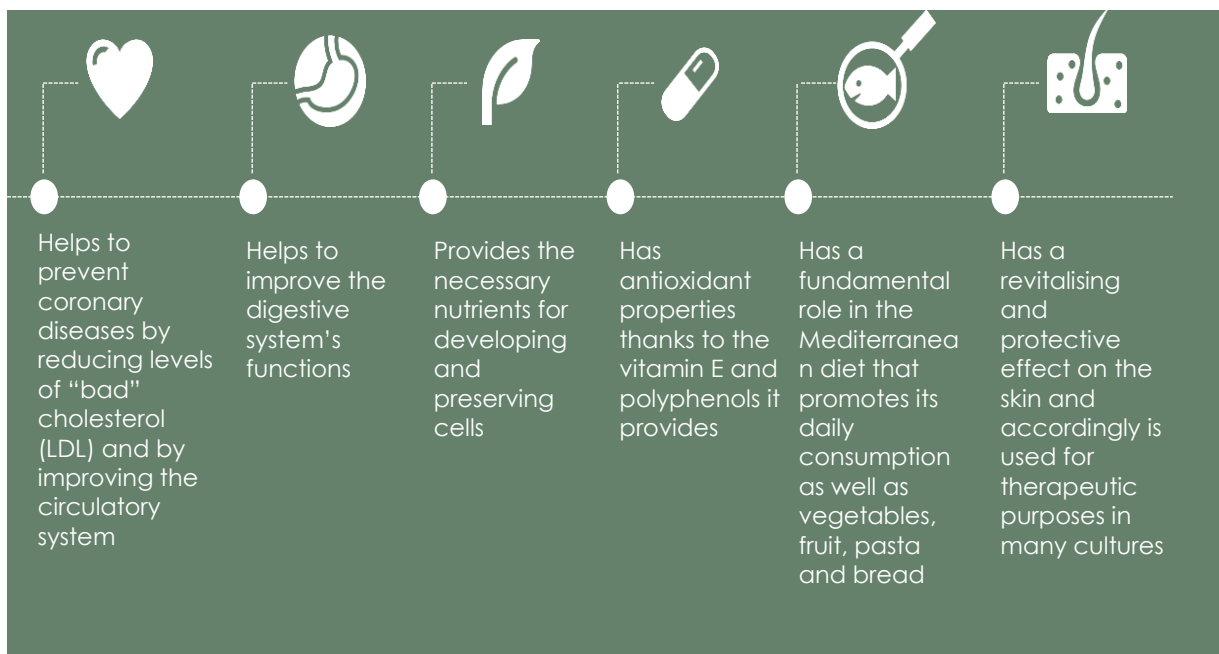
In the countries associated to the IOOC, there is a cultivated area of 10 million hectares, a quarter of which is in Spain, which is the principal world producer with almost half of the production.

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

SURFACE AREAS OF IOOC MEMBER COUNTRIES

Country	Area (Ha.)
Spain	2,584,564
Tunisia	1,839,600
Italy	1,350,000
Greece	1,160,000
Morocco	1,020,000
Turkey	798,493
Portugal	358,513
Algeria	330,000
Iran	136,619
Jordan	132,582
Argentina	100,000
Lebanon	53,646
Albania	47,152
Israel	33,000
Uruguay	10,000
TOTAL	9,954,169

According to the scientific community, olive oil is undoubtedly the healthiest vegetable fat, providing multiple benefits and is a source of healthy energy.



2. Management focus

At the date of preparation of this report, Deoleo has a Corporate Social Responsibility Policy that aims to establish the basic principles and general framework of action for management of social responsibility practices, and to formalise their integration into its business model and business strategy.

For the purpose of identifying its interest groups, Deoleo applies the following criteria:

- **By responsibility:** stakeholders with whom it has legal, financial or operational responsibilities.
- **By influence:** key stakeholders for the achievement of Deoleo's goals and objectives.
- **By proximity:** including the stakeholders with whom Deoleo interacts, based on daily relationships or physical location.
- **By dependency:** those stakeholders most dependent on Deoleo's decisions.

Deoleo has identified its main stakeholders based on the criteria as follows: **shareholders, investors, regulators, the financial community, employees and professionals, customers, consumers, suppliers and the community.**

Based on our activity, the commitments on which the Corporate Social Responsibility Policy is founded are as follows:

- **Commitment to nutrition:** The heart of our business is olive oil; by strengthening its consumption as the basis of the Mediterranean diet, we promote a healthy lifestyle throughout the world.
- **Commitment to a quality product:** In the Deoleo Group we work with our brands to bring the quality of our products to the tables around the world, a goal that has its roots in the tradition and wisdom of the art of olive oil production that we strive to renew every day through a firm commitment to quality and transparency.
- **Commitment to the environment:** The Deoleo Group is aware of the impact of its activities and products on the environment, and accordingly, is committed to working to ensure sustainable business development, minimising the impact of its activities on the environment and carrying out its activities to ensure a prosperous and healthy environment for future generations.
- **The commitment to the vegetable oil sector and, in particular, to olive oil:** The Deoleo Group is committed to promoting the transparency and integrity of the entire olive oil value chain so that the best product reaches the greatest number of consumers, ensuring scrupulous compliance with legal provisions with respect to the products we market.

Objectives of the Corporate Social Responsibility Policy

1. Produce products of the highest quality, healthy and adapted to the needs of our consumers.
 - Consider quality and food safety as key factors for the competitiveness and sustainability of the business.
 - Assure our customers and consumers of our production processes' quality and our product control.
 - Develop innovative and healthy products that are not limited to launching new products or improving existing ones, but also include the study of industrial processes and synergies that result in cost savings.
2. Promote the consumption of olive oil in the world as a basis for a healthy diet with high added value, which improves people's well-being.
 - Support projects that contribute to generate scientific knowledge on the nutritional qualities of olive oil.
 - Participate in initiatives for the spread of health-promoting properties as part of a balanced and healthy diet.
3. Perform our business activities with a sustainable business model that, in the medium and long term, provides value, profitability and competitiveness, in order to achieve results that meet the expectations of our different stakeholders in an integrated way.
 - Promote the achievement of the Group's objectives and decision-making through responsible practices.

- Promote a culture of responsible management with compliance with current legislation and with the control and responsible management of business risks.
4. Adopt an attitude of service to identify, understand and prioritise the needs of internal and external customers, with the aim of meeting their needs effectively, anticipating and adding value to their requirements.
 - Ensure that communications with shareholders, customers, consumers, suppliers, analysts, regulators and other stakeholders are transparent and honest.
 - Provide employees with a safe working environment and maintain and improve occupational risk prevention measures on a daily basis.
 - Aim to for work-life balance, encouraging individual and professional development of our employees.
 - Respect the individual and collective workers' rights.
 - Ensure that the Group's practices include the adequate treatment of information, respect for the principles and rules of free competition and intellectual and industrial property rights.
 5. Contribute to a better management of natural resources and care for the environment through energy efficiency, innovation and awareness to minimise the negative environmental impacts of our business activity.
 - Develop productive activities minimising the impact on the environment and ensuring environmental protection.
 - Adopt best environmental practices.
 6. Promote honest behaviour in all the people who make up the Group and who interact with it, promoting integrity and ethical behaviour.
 - Any type of discrimination, harassment or workplace violence, forced labour, child labour or any other form of work that could be contrary to human rights is not tolerated.
 - Ensure the prevention of any action of corruption, bribery, money laundering or irregular payments in the performance of our business activities, establishing clear guidelines of zero tolerance for this type of conduct.

The Corporate Social Responsibility Policy is developed and complemented by the principles established in the Code of Conduct and the Internal Regulations on Conduct in the Securities Markets and the various corporate policies and internal manuals of Deoleo, which form the main element of support for the achievement of its objectives.

3. Risk management

Policies and Due Diligence on environmental, social, employee, human rights, anti-corruption and bribery issues:

In relation to environmental, social, employee, human rights and anti-corruption and bribery issues, the Deoleo Group has identified the following risks:

- Image and reputational risk.
- Regulatory compliance risk.
- Subcontracting risk.
- Food quality and safety risk.
- Procurement risk.
- Criminal liability of legal entities risk.
- Environmental risk.
- Occupational health and safety risk.
- Leadership and work environment risk.
- Qualification and expertise of employees risk.
- Knowledge management risk.

In order to mitigate the impact of these identified risks, should they arise, policies, guidelines and procedures for controlling these risks are established and communicated, and the following are in force:

- Mission, Vision, Values
- Code of Conduct
- Whistle-Blowing Procedure
- Related-Party Transactions Procedure
- Spanish Securities Market Internal Code of Conduct
- Criminal Risk Prevention Manual and Appendix
- Anti-Corruption Best Practices Adherence Policy
- Risk Control and Management Policy
- Food Quality and Safety Policy
- Environmental Policy
- Procurements Policy
- Environmental Emergency Procedure
- Occupational Risk Prevention Policy
- Harassment Action Procedure

This list of internal policies and procedures, is continuously updated by those responsible for them and includes all those deemed appropriate and/or necessary.

A. Main risks and their management

Risks relating to environmental, social, employee, human rights, anti-corruption and bribery issues:

- *Image and reputational risk*: loss of image, reputation and/or negative publicity due to false information ("fake news") relating to Deoleo's business or malicious external attacks on information systems that affect Deoleo's relevant and/or strategic data.
- *Regulatory compliance risk*: non-compliance with food quality and safety regulations, customs, labour, civil, criminal, environmental and competition law in the various countries in which the Group operates, at international, national, state and local levels.
- *Subcontracting risk*: operational activities outsourced to third parties (bottled seed oil, copackers, process outsourcing, product storage, transport, etc.) that do not meet the Group's service level or quality requirements, or that do not act consistently with the Group's strategies and objectives.
- *Food quality and safety risk*: products of inadequate quality involving customer complaints and returns, complaints by different authorities or bodies, penalties, litigation and loss of revenue with loss of market share and damage to reputation.
- *Raw material volatility risk*: Inadequate purchasing strategy when determining timing.
- *Criminal liability of legal entities risk*: inadequate control model for prevention of offences, lack of specific training for employees, inadequate monitoring of the model's effectiveness.
- *Environmental risk*: performing business activities that are harmful to the environment.
- *Occupational health and safety risk*: Failure to provide a safe working environment for workers.
- *Leadership and work environment risk*: key employees responsible for business processes lack or do not exercise their managerial skills to influence, delegate, manage and motivate employees.
- *Qualification and expertise of employees risk*: shortage of employees with the skills and experience required to develop business objectives.

As regards risk management, it includes identification, evaluation, response, monitoring or follow-up and reporting of these risks in accordance with the procedures established for this purpose. The Deoleo Group has the following general procedures:

- a) Continuous identification of relevant risks and threats in terms of their potential impact on business objectives, financial statements, sustainability and business continuity.
- b) The analysis of these risks, taking into consideration the acceptable level of risk, both in each of the businesses or corporate functions, and in terms of their integrated effect on the Deoleo Group as a whole.
- c) The impact assessment, probability and degree of control establishing a corporate risk map that is regularly reviewed so that the Deoleo Group is in a position to take steps that mitigate, transfer, share and/or avoid risks and enhance the achievement of opportunities.
- d) Establishment of a structure of policies, guidelines and limits, and mechanisms for their approval and implementation.

- e) Measurement and control of risks in line with homogeneous and common procedures to the whole Group.
- f) Determination of the appropriate measures to mitigate the impact of identified risks, should they occur.
- g) Adoption of processes for information, monitoring and control that allow for periodic and transparent evaluation and communication of the results of risk control and management monitoring.
- h) Monitoring the effectiveness of risk management and control systems.

B. GOVERNANCE, RESPONSABILITY AND INTEGRITY

For governance-related issues, we recommend reviewing the various Corporate Governance Reports, Directors' Remuneration Reports and various codes of conduct available on the Company's website www.deoleo.com, and the Spanish National Securities Market Commission, www.cnmv.es

1. Human Rights

The Deoleo Group is committed to the protection of human rights in all its business activities and the impact they have on society.

The pillar of our action principles is the Code of Conduct, which expressly establishes that Deoleo rejects all forms of forced labour, slavery, child labour and any other form of work that may be contrary to the rights of individuals.

Also the Procurement Policy implemented at Deoleo, which aims to establish a framework for cooperation between Deoleo and its suppliers in order to promote solid and lasting commercial relations, mutual benefits and compliance with corporate social responsibility, establishes the obligation to contract with suppliers who comply with current legislation at all times, respect human and labour rights and the environment, and ensure that the selection and contracting of suppliers is in line with corporate values and culture and the Code of Conduct.

The action principles established in this area are therefore, mainly, the development of relationships with suppliers under criteria of honesty, respect for people and social and environmental values, and compliance at all times with the provisions of the Deoleo Group's Code of Conduct.

2. Issues relating to combating corruption and bribery

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 formalisation of this commitment is evidenced in the following ways:

- 1) The Deoleo Code of Conduct, which is mandatory for all employees and professionals of the Group, and includes a specific section on "Prevention of Corruption" with the following rules of conduct:
 - The acceptance/delivery of gifts and hospitality from/to customers, suppliers and third parties is limited to promotional gifts or courtesies of immaterial value.
 - The acceptance/delivery of gifts and entertainment, regardless of the amount, which are intended to improperly influence the recipient's decision-making process or relationship with the recipient is prohibited.

- It is not permitted to give, offer or promise gifts or hospitality to those persons who participate in the exercise of public functions, including authorities and officials, whether they are Spanish or from third countries.
 - 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 criteria.
 - The procedures for contracting with third parties and promoting employees and executives must guarantee the highest ethical standards among employees without exception.
- 2) 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 that making corruption an offence in both the public and private sectors; (iii) Organic Law 1/2014, of 13 March, amending Law 6/1985, of 1 July, of the Organic Judiciary Law relating to universal justice; and (iv) the provisions of foreign legislation that may be considered as enhancing anticorruption best practice, such as The *Foreign Corrupt Practice Act* (United States) and The *Bribery Act* (United Kingdom).

This Policy, which transcribes the Group's standards of conduct for combatting corruption, was approved by the Deoleo S.A.'s Board of Directors on 17 December 2015.

- 3) Appendix to the Criminal Risk Prevention Manual, which, as part of the model for the prevention of offences relating to corruption in business, reinforces the criteria for lines of action of all employees and professionals of the Deoleo Group to minimise the possibilities of this risk materialising.

Accordingly, in addition to the standards established in the Code of Conduct and in the aforementioned Anti-Corruption Best Practices Adherence Policy, the following performance criteria are included for all employees and professionals of the Deoleo Group:

- In the area of agency or distribution agreements, the standard agreement models available within the Group will be used. Any modification of this type of agreement must be previously approved by the Legal Department.
- Payments shall be made at all times in accordance with the procedures established for their execution, in accordance with correct accounting and monitoring.

All these documents are published on the corporate intranet under the heading "Regulatory Compliance" to facilitate access and consultation by any employee. All employees are obliged to attend training courses for the prevention of criminal risks, as well as specific courses for the prevention of corruption.

Also, the Deoleo Group has implemented a Procurement Policy and a Code of Ethics for Procurement, which reinforce the obligation that no Group employee should engage in acts of corruption, and that suppliers should be governed in their actions in accordance with the Deoleo Code of Conduct.

The Deoleo Group regularly assesses the risks related to corruption that may arise depending on the nature of its activities, business with government entities, use of agents and other intermediaries, volume of transactions and countries in which it operates.

Moreover, it has identified the policies and implemented the necessary controls to mitigate the risk of corruption within the Group, and has designed and implemented a compliance verification programme within the framework of criminal risk prevention.

The Code of Conduct and various internal communication actions encourage employees to report any violations of the Code of Conduct and to report potential irregularities within the company. Accordingly,

the Deoleo Group has implemented a confidential and non-anonymous communication channel ("Whistle-Blowing Channel"), which is available through the following:

- (i) On the company intranet.
- (ii) By e-mail (canal.etico@deoleo.com or denuncia@deoleo.com).
- (iii) By post: Apartado de Correos, 99 - 28521 Rivas Vaciamadrid (Madrid).

Deoleo will ensure the confidentiality of the process of communication, analysis and investigation of complaints at all stages, and will not allow reprisals against those who report a complaint in good faith. In order to guarantee the complainant's indemnity, Deoleo will monitor their professional career's development, ensuring that they are never the victim of any kind of injury as a result of the complaint filed.

During 2017, no complaints were received by the Whistle-Blowing Channel regarding potential corruption or bribery in the course of its business activities.

The Deoleo Group has not opened any legal action for corruption or bribery, nor has it been sued in the past for this type of conduct.

3. INTERNAL SOCIAL RESPONSIBILITY

The Deoleo Group, in relation to its diversity objective in a broad sense, attempts to ensure that diversity extends to the concepts of gender, experience, knowledge, age, length of service, etc. and aims to apply policies and procedures that guarantee a reasonable balance and diversity throughout the organisation, which reflects the Company's concern for diversity and equality in the pursuit of a balance of competencies within the Board of Directors and at the organisation as a whole.

The proposed appointments of directors are based on a preliminary analysis of the needs of the Board, the Audit and Control Committee and the Appointments and Remuneration Committee. Specifically, the Company's corporate governance rules and the actions of the governing bodies are inspired by the objective of integrating differing types of experience and professional and management competencies (including, among others, those specifically related to the businesses carried on by the Company and economic and financial, accounting, audit, internal control and risk management areas).

More information on this matter can be found in the Corporate Governance Report.

The Group pays special attention to people with differing abilities in order to facilitate their accessibility and integration. To this end, we also hire and cooperate with entities and associations that include people from this social group on their payroll.

In 2017 1.96% of the people making up Deoleo's headcount were disabled.

All the Group's business activities are performed with complete respect for people's personal and collective rights, promoting freedom of association and participation.

The union relationship is carried on through the works councils, on which three different syndicates operate in Spain and two in Italy.

Three agreements are in place at the two workplaces with the greatest number of employees:

- In Spain, they are collective agreements implemented by the workplaces themselves.
- In Italy, it is the agreement relating to the olive oil sector.

The Company experienced a restructuring process as a result of the rightsizing of its industrial footprint, which gave rise to the termination of 88 employees in Italy (2016), 65 in Spain (2017) and 14 in the United States (2017). In Italy and Spain, these terminations were carried out through agreements reached

with union representatives, maintaining a peaceful corporate environment. In the US, the terminations were negotiated on an individual basis.

Another essential matter is that related to occupational risk prevention throughout the Company, especially at the production centres, for which purpose we not only comply with current legislation in Spain and Italy but also raise the awareness of and train all employees.

The Company's activities do not include any activity considered to be high-risk, and the average numbers of workplace accidents and/or cases of sick leave are very low, with 14 accidents occurring in 2017.

Similarly, the Company prohibits and does not tolerate any psychological and/or sexual harassment and, in order to prevent it, has made a further effort by establishing a specific procedure for this risk.

Along these lines, the Company also provides all employees with a whistleblowing channel so that they can report any irregularity they might notice that may affect rules, policies and internal procedures, financial information or product quality.

Training represents a strategic pillar in the development of all Deoleo Group employees and it also serves to increase competitive advantage; for this reason, we implement training actions for all groups, placing special emphasis on:

- Improvement of language skills, given the growing presence in emerging markets. We have incorporated, together with the traditional advanced English, Italian and Spanish classes, other languages such as French, German and Japanese.
- Continuous improvement systems such as Kaizen, which enables the people who perform the various phases of the production process to become involved and empowered.
- Training and retraining on technical and regulatory matters.
- Specific olive oil tasting and sensory analysis courses to consolidate the knowledge of the people who participate in this activity and for other positions associated with the activity.

The training ratio, expressed in hours, amounted to 20.72 hours/employee at 31 December 2017.

4. EXTERNAL SOCIAL RESPONSIBILITY

4.1 ORGANISATION

The Deoleo Group is committed to the environment, conserving natural resources and improving the management of both its waste and the other areas involved in its activities. This commitment is completely integrated in the Company's strategy, for which purpose it undertakes the Deoleo Environmental Policy.

The Group has been working on minimising the impact of its activities and efficiently managing available resources, aiming for a safe, healthy and sustainable industry.

Aware of the direct and indirect impact of its activities and products on the environment, the Deoleo Group undertakes to work to ensure the sustainability of the business, respecting and caring for the environment in which it carries on its activities. To do this, it focuses on the design and development of those activities, incorporating therein environmental criteria relating to the prevention of pollution.

Continuous improvement is a commitment for the Group which goes beyond strictly complying with legislation and other requirements to which it has subscribed in relation to environmental issues, and takes the form of the implementation of a structured and documented environmental management system.

4.2 ENVIRONMENTAL MANAGEMENT SYSTEM

In order to fulfil our commitment to protecting the environment, we implement an environmental policy and an environmental management system, define responsibilities and ensure the correct functioning thereof.

The Environmental Management System applies to the processes of our two production centres (Alcolea and Tavarnelle). The two plants have consolidated the ISO14.001 management system.

The Environmental Management System is based on a set of documents which define and describe methods and systems for ensuring appropriate environmental behaviour in the area of the Deoleo Group's activities.

a) Environmental issues

The basis for developing an effective environmental management system is correctly identifying, firstly, all the areas of our activities that may interact with the environment, i.e. "environmental issues". Subsequently, an assessment must be performed of the impact generated by these issues on the environment and, lastly, control measures must be put in place for those issues which produce a significant negative impact. Environmental issues are assessed both for normal operating conditions and accidental situations. Environmental issues are direct if we directly control management thereof, while indirect environmental issues are those arising from activities that take place at the facilities and are performed by suppliers and subcontractors, on which the organisation does not have sufficient information to perform an assessment.

The significance of the environmental issues generated under normal operating conditions and in accidental situations is assessed on a yearly basis.

Environmental issues may include, among others:

- Emissions of gases and particles into the atmosphere.
- Effluent spills.
- Waste: hazardous and non-hazardous.
- Noise and vibrations.
- Consumption of natural resources.

The actions implemented in 2017 were as follows:

- Reduction of energy consumption.
- Reduction of the volume of waste water.
- Reduction of the quantity of non-hazardous waste to be sent to landfills.

The activities envisaged for 2018 are:

- Reduction of the weight of containers placed on the market.
- Reduction of energy consumption.
- Reduction of the quantity of waste generated.

b) Emissions and climate change

One of the most significant challenges currently facing the Company is the phenomenon of climate change and its adverse effect on the planet. Human activity has substantially increased the concentrations of greenhouse gases in the atmosphere, which has led to additional warming of the Earth's surface and atmosphere, which negatively affects natural ecosystems.

Greenhouse gases (GHGs) are certain gases, both natural and anthropogenic (arising from human activity), that are present in the Earth's atmosphere and which, when absorbing and re-emitting infrared radiation, contribute to global warming.

The most significant GHGs are: water vapour, carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), chlorofluorocarbons (CFCs) and ozone (O₃).

Companies play an important role in the fight against climate change. The Deoleo Group sets as one of its priority objectives the improvement of the efficiency of processes and the mitigation of climate change, investing in efficient technologies with low carbon emissions, participating in national or sectorial programmes relating to efficient energy systems, energy consumption audits and viability studies, thus achieving both economic and environmental benefits. This will enable climate change to be managed as a challenge which offers development and business opportunities. Accordingly, it should be noted that the Group has a bus to transport its employees to the plant in Spain, also contributing with this measure to reduce atmospheric emissions caused by transporting its staff.

Through its environmental issue identification and assessment procedure, the organisation compiles an inventory of emission hotspots and/or diffuse emissions of each plant, the types thereof and documents the need to measure the emissions or not.

The emission parameters (gases, volatile organic compounds, particles) and the limits will be stipulated by the environmental legislation applicable to each plant, based on the type of production activity, location and quantity of product packaged per day.

c) Water

Water is a fundamental element for life on the planet. An essential part of the ecosystems and living beings, water also acts as a means by which a multitude of biological and physiochemical processes develop, as well as being essential for regulating the climate, among many other things.

The availability of water for human consumption depends to a great extent on the situation and the stage of the water cycle at which the water is found.

Furthermore, it plays a specially significant role in the production of steam and cleaning and disinfection operations, to maintain the highest levels of hygiene.

The Deoleo Group managed to reduce its annual water consumption in Spain by around 38% between 2015 and 2017 thanks to the measures implemented recently. Its objective is to continue to reduce it by optimising processes and through reuse, without affecting the quality and safety of products, and to improve the quality of the ultimate effluent spills.

Preventive and corrective strategies are adopted for water management at the Group:

- Preventive strategies: these are aimed at reducing consumption, as well as the volume and level of pollution of the waste water produced, through changes to raw materials, processes, production procedures and teams.
- Corrective strategies: these are focused on treating water to improve its quality and meet the current legislative requirements prior to its ultimate disposal.

d) Waste

The traditional economy, based on a lineal system of extraction - production - use - disposal, is reaching its limit. The depletion of natural resources and fossil fuels, associated with a growing and increasingly demanding population, require a change in the economic model that will use available resources more efficiently, optimising flows of materials, energy consumption and waste management. The circular economy is an environmental and economic concept the objective of which is the production of goods and services together with a reduction in the consumption and waste of raw materials, water and energy sources. The circular economy is about implementing a new model, based on the principle of "closing the life cycle" of products, services, waste, materials, water and energy.

Waste management plays a fundamental role in the circular economy, since it determines the manner in which the EU's waste hierarchy is put into practice. The waste hierarchy establishes an order of priority when managing generated waste, from the most favourable option (prevention) to the least favourable option (disposal).

In this connection, the Deoleo Group managed to reduce the quantity of non-hazardous waste by 23.7% in 2017. The work performed to improve the segregation of waste and raise awareness among staff led to this waste not being sent to landfills. The work to seek new waste recovery channels at the production centres was key to this improvement.

The Group works on reducing the weight of containers per volume of product. This container optimisation is compatible with the requirements arising from the irrevocable need to maintain food quality and safety. In order to comply more fully with the Packaging and Packaging Waste Law, we adhere to the 2018-2020 Corporate Prevention Plan, prepared by Ecoembes, the main packaging waste management company in Spain.

We want the environmental impact of our products to be minimal, even after they have reached the consumers and, accordingly, in 2016 and 2017 the labels of certain products such as CARBONELL and HOJIBLANCA were redesigned, indicating the symbol of the destination container, in order to facilitate the collection and recycling processes of our products by our consumers.



e) Continuous improvement Pollution prevention











In 2017 the system of continuous improvement based on the KAIZEN technique was implemented at the production centres.

The fundamental aspects 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.
- The continuous evolution of the Environmental Management Systems by maintaining the ISO14001 certification, with all the production centres being certified.
- Compliance with legislation in the geographical areas in which we carry on our activities, with legal compliance audits being carried out each year.
- Optimisation of resource consumption.
- Reduction of waste generation.
- Continuous improvement as a principle of self-improvement.
- The monitoring and systematic establishment of objectives and plans.

f) Environmental behaviour (Indicators).

Environmental indicators gather the most significant data relating to the use of resources and waste management. Following are the main environmental indicators of the Deoleo Group at its different centres, together with the monitoring of these indicators enabling work to be carried out on ongoing improvement:

		Cum. fav/(unfav) change	
Environment: Alcolea	2017	2016	Vs LY
Environmental information			
Total electricity consumption kWh/l packaging	0.127	0.135	 6,1%
Total natural gas consumption kWh/l packaging	0.064	0.263	 75,8%
Kg NON-hazardous waste/l packaging	0.015	0.027	 44,4%
kg hazardous waste/l packaging	0.00038	0.00037	 (2,7) %
t CO2	891	3257	 72,6 %
No. Incidents	8	7	 (14,3) %
Total electricity consumption kWh	8.780.834	8.901.922	 1,4 %
Total natural gas consumption kWh	4.896.908	17.364.471	 71,8%
Kg NON-hazardous waste	1.016.340	1.579.536	 35,7%
M3 waste water	7.077	27.398	 74,2%

Cum. fav/(unfav) change

Environment: Tavnelle	2017	2016	Vs LY
Datos Ambientales			
Total electricity consumption kWh/l packaging	0.066	0.07	 5,7%
Total natural gas consumption kWh/l packaging	0.081	0.133	 39,2%
Kg NON-hazardous waste/l packaging	0.02	0.031	 37,0%
kg hazardous waste/l packaging	0.00024	0.00038	 37,5%
t CO2	610	675	 9,6%
No. Incidents	0	0	
Total electricity consumption kWh	2.930.900	2.070.747	 (41,5) %
Total natural gas consumption kWh	3.323.313	3.677.215	 9,6%
Kg NON-hazardous waste	889.251	917.675	 3,1%
M3 waste water	96	89	 (7,9)%

g) Communication/Awareness-raising. Stakeholders

The environmental awareness-raising or training actions aimed at the human team at the workplaces are a fundamental part of the Environmental Management System and are aimed at improving knowledge and management of environmental issues at the workplaces, as well as improving results in relation to the consumption of natural resources and waste management. To this end, the Deoleo Group's training programme incorporates environmental training for employees each year.

One of the fundamental pillars of the Environmental Management System is communication. The actions in this area, focused on disseminating our courses of action and raising environmental awareness, are aimed both at employees and other public audiences outside the Company, but who are associated with its activities: official bodies, associations, the media, customers, consumers and the general public. All of these collectives are known as stakeholders, and for such parties the Group has an email address enabled to deal with environmental queries: medioambiente@deoleo.com

As a result of environmental management, information is exchanged between the production centres and public authorities. These communications are recorded and have greatly increased in total number, as a consequence of the obligations established in the applicable authorisations and legislation.

The Deoleo Group has an active relationship with certain of these stakeholders:

- Suppliers: Environmental criteria are included in the supplier certification and selection process.
- Subcontracts: Procedures are established indicating the type of work in order to minimise the environmental risks.
- Employees: Environmental training and awareness-raising campaigns are provided.
- Consumers: Communication is improved for the management of waste after the product has been used.
- Associations and forums: The Group actively participates in olive oil sector associations and forums.

Also, it should be noted that in 2017 no charges or complaints were brought against the Group by any stakeholders and that no environmental enforcement proceedings were initiated against it.

h) Environmental expenses and investments

The environmental investments in the last two years consisted mainly of the installation of solar PV power, air conditioning improvements at the packaging plant and conditioning of the recycling facility for the management of waste, all totalling around EUR 200,000.

The environmental control and management activity expenses at the Italian and Spanish facilities totalled EUR 577 thousand in 2016 and EUR 416 thousand in 2017. These expenses include:

- Environmental dues and fees, such as those relating to solid waste disposal and the effluent charge, among others.
- All expenses generated by the handling of internal and external waste.
- Waste water purification.
- Gas emission control.
- Analyses conducted.
- Salaries and remuneration payable to staff assigned to environmental activities.

The decrease in expenses in 2017 was due basically to the discontinuation of activities related to refining and special products in Spain and the elimination of the Inveruno plant from the scope of the Group.

4.3 SUPPLIERS

The Deoleo Group has an active relationship with certain of its suppliers:

a) Suppliers

In order to be a Group supplier, whether as packager or copacker, a company must first complete a supplier certification process, described in the corresponding procedure. The supplier management life cycle begins with the selection of a potential supplier. Once selected, the request to open a certification process is sent from Purchases to Quality.

The supplier certification process begins with the request for the suppliers to approve the Deoleo Group's general requirements, complete the requested surveys and provide all the documentation sought.

Once the supplier has been certified, the performance assessment of the supplier is a continuous process which provides the Deoleo Group with the confidence that the suppliers are applying the requirements of the Group.

As from 2017, environmental criteria were included in the assessment process for the supplier selection process. Questions were included in the survey in relation to correct compliance with environmental legislation and possession of an environmental management system.

The system implemented at the Group is to only purchase from certified suppliers. There are 261 certified raw material suppliers (oils) and 26 certified copackers. There are 77 packaging suppliers.

b) Subcontracts

For the service providers that perform work at our facilities that may generate an environmental impact, the actions established in the procedure implemented for such purpose are carried out. All the activities performed by the contractors at the Deoleo Group's facilities must meet the requirements established by the Prevention and Safety area in the corresponding procedures.

The Environmental Management System requirements that must be met by the contractors shall be applicable to the companies the activities of which may generate an environmental impact. For this purpose, they are required to comply with the Basic Environmental Plan for contractors.

The objective of this plan is to promote, and cooperate in, appropriately managing the environmental issues that may arise from the activities, works and services performed by the Group's contractors and that may have an environmental impact.

The plan contains the set of rules, obligations and responsibilities that the Deoleo Group's contractors MUST fulfil in any activity they perform for the Group.

As indicated, the Group has established an environmental commitment through its Environmental Policy, and it wants the contractors that work at its facilities to also undertake this commitment.

4.4 CUSTOMERS/CONSUMERS

In order to meet the highest food quality and safety requirements that the Deoleo Group wants to offer and which our customers and consumers deserve, the Group has put in place a food quality and safety policy and a system to manage it, which is detailed below:

"QUALITY, FOOD SAFETY AND INVULNERABILITY POLICY"

The heart of our business is olive oil; by promoting its consumption as the basis of the Mediterranean diet, we promote healthy lifestyles worldwide.

At Deoleo we work with our brands to bring the quality of our products to everyone's tables. This is an objective that has its roots in tradition and the wisdom of the art of olive oil production, which we strive to renew on a daily basis through a deep-seated commitment to quality and transparency.

As leaders in this sector, we are responsible for applying the highest production and quality control standards in order to maintain the food industry's positive reputation throughout the world.

In order to maintain a consistent and effective policy, Deoleo has developed and implemented a quality management, food safety and invulnerability system based on the following principles:

- *Considering **Quality and Food Safety as a key factor** for the competitiveness and sustainability of the business, involving all employees. The priority for Deoleo is to apply our quality and food safety system and its certification in accordance with the requirements of the GFSI standards.*
- ***Satisfying the needs and expectations of our customers and consumers** in relation to the products we prepare, attaining and maintaining a positive reputation for product quality and service, focused on our consumers.*
- ***Continuously improving the quality of products and services** by training and motivating Deoleo's staff and strengthening planning, preventive actions and measures for improvement.*
- ***Risk analysis and control over critical points** form the basis of our work processes.*
- ***Ensuring transparency for our clients and consumers** in our product production and control processes. Accordingly, Deoleo has undertaken to ensure the internal traceability of all our products. We pay special attention to the traceability of extra virgin olive oil from Italy or from other sources, through a specific control system implemented on our supply chain.*
- ***Compliance with current legislation** and internationally recognised food quality and safety standards, as a basis for the aforementioned points.*
- ***Considering the safety** of our customers, our operators and facilities to be a priority.*

Deoleo has commercial branches to sell our vegetable oils, vinegars and sauces worldwide. The products manufactured at our plants in Italy and Spain and at the facilities of our subcontracted partners support the Company's commercial strategy.

Deoleo's Board of Directors, together with the management team, ensures that all the Company's employees comply with the quality and safety policies and standards."

The Company ensures compliance with both of these aspects by:

- **Applying a quality management system**, which is certified under the requirements of standard ISO 9001, and **implementing the GFSI's food safety standards**.
- **Performing a risk analysis of production processes that enables the Company to identify risks at every stage and implement preventive controls** in the various processes of the supply chain (receipt of goods, prior to packaging, during production, in the final product, in supplementary products, etc.).

Also, useful life analyses are performed in all product categories to ensure that the products remain stable and are of the highest quality until their best before date.

- **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, pertinent customer and stakeholder satisfaction information, compliance with quality objectives, the performance of processes, results of monitoring and measurement and the performance of suppliers.
- **The daily work of the regulatory department**, to ensure compliance with current legislation and food quality and safety standards in each of the countries in which the Group operates.
- **Applying security safeguards** to prevent unwelcome staff from entering our facilities with the intention of manipulating our ingredients or products or carrying out other malicious, criminal or terrorist-related acts.
- Lastly, the Deoleo Group has implemented a process to **identify and manage the withdrawal or recovery of products not fit for market**. This applies to all of the organisation's plants and its subcontracted production centres.

This process would be initiated in the following cases: If there is a product that does not comply with legislation 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-conformance could result in withdrawal from the public market. No significant incidents were recorded in the last two years.

Each year a crisis simulation is performed at the Group's two production centres to ensure that the process functions correctly.

4.5 RESULTS OF THE QUALITY CONTROL SYSTEM IN 2017

a) Certifications

In 2017 the FDA audit took place in Alcolea and the highest result was achieved, enabling the Deoleo Group to continue selling products in the US market.

The Tavarnelle plant achieved a score of 100% in the ISO 22005 certification in relation to the traceability of Italian olive oil.

The Group designed an internal traceability protocol to enable the traceability of harvests and the province of origin for all extra virgin olive oils.

Lastly, the GFSI and ISO 9001:2008 certifications were maintained and very positive results were obtained.

b) Measurement of customer satisfaction

No products were withdrawn from the market in 2017.

The main reason behind the complaints made was the bitterness of the extra virgin olive oil. The bitterness is due to the presence of polyphenols and was particularly high in the 2016/2017 harvest. Bitterness is a positive attribute, but it is not always perceived positively by consumers in certain countries.

Complaints in the United States, one of our main markets, halved in 2017.

All the complaints were attended to through the Deoleo Group's customer/consumer care process and were resolved through a causal analysis and the implementation of the appropriate corrective measures.

The number of complaints was not high and they did not have a significant impact on the Company.

c) Suppliers

Each year the Group's Quality department assesses its suppliers, considering the number of cases of non-compliance divided by the number of deliveries per supplier.

In accordance with the outcome of the indicator, suppliers are categorised in four types, which range from "excellent" to "must be reviewed", the latter being the lowest category.

In 2017, following the yearly assessment, 87% of the suppliers were categorised as "excellent" and only 5% as "must be reviewed". This is a very positive result and indicates the effectiveness of the supplier certification process.

4.6 COMPANY

The Deoleo Group attempts to interact with society as much as it can. It contributes to food banks and various NGOs.

It promotes the development and knowledge of olive oil through the Carapelli Institute, and also publishes a yearly sectorial report on the worldwide production and consumption of olive oil: the Deoleo Report.

PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS REPORT AS OF 31 DECEMBER 2017

The Secretary of the Board of Directors of Deoleo, SA, Manuel Pacheco Manchado, states that the members of the Board of Directors detailed below subscribe to this document, containing (i) the consolidated financial statements, consolidated income statement, consolidated statements of changes in equity, consolidated statement of cash flows and the consolidated Directors' report for the year ended 31 December 2017, prepared by the Board of Directors, which comprises 100 single-sided pages, and (ii) the annual corporate governance report (Spanish version), presented on 60 single-sided pages, all of them signed by the Secretary and with the signature of all Board members on this page and the following.

Madrid, 22 March 2018

Fdo.: Manuel Pacheco Manchado

D. Pierluigi Tosato
(President)

D. Manuel Atencia Robledo
(Vicepresident)

D. Ángel Rodríguez de Gracia

D. José López Vargas

Sinpa Holding, S.A.
D. Daniel Klein

D. Pedro Barato Triguero

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

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

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

D. Fernando Valdés Bueno

D. Francisco Javier López García Asenjo

D. Gianluca Bolla

**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 2017, 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, 22 March 2018

Fdo.: Manuel Pacheco Manchado

D. Pierluigi Tosato
(President)

D. Manuel Atencia Robledo
(Vicepresident)

D. Ángel Rodríguez de Gracia

D. José López Vargas

Sinpa Holding, S.A.
D. Daniel Klein

D. Pedro Barato Triguero

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

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

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

D. Fernando Valdés Bueno

D. Francisco Javier López García Asenjo

D. Gianluca Bolla