Deoleo S.A., warns that English version of the Consolidated Financial Statements for 2019, had been translated under its exclusive responsibility and do not constitute an official document.

Consolidated Financial Statements for Deoleo and Subsidiaries 2019:

- Independent Auditor's Report.
- Consolidated financial statements position at 31 Dec. 2019.
- Consolidated statement of profit or loss.
- Consilidated statement of comprehensive income.
- Consolidated statement of changes in equity.
- Consolidated statement of cash flows.
- Notes to the consolidated financial statements for 2019.
- Consolidated Directors´ report for the year ended 31 December 2019, including the statement of non-financial information.

The Annual Corporate Governance report 2019 and Individual Annual Accounts FY 2019 (spanish version) available on CNMV website and Deoleo web site, have not been translated to English.

Link IAGC 2019 (spanish version):
http://cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A48012009

Link Annual Accounts FY 2019 - Individual & Consolidated (spanish version):
http://www.cnmv.es/portal/Consultas/IFA/ListadoIFA.aspx?id=0&nif=A48012009

Audit Report on the Consolidated Financial Statements
issued by an Independent Auditor

DEOLEO, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
31 December 2019

Building a better
working world

Building a better
working world

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 238
ey.com

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 33)

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 at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at 31 December 2019 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and other provisions in the regulatory framework applicable in Spain.

Basis of opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Recoverability of non-financial non-current assets: goodwill, intangible assets, and property, plant and equipment

Description	The consolidated statement of financial position at 31 December 2019 includes goodwill, intangible assets, and property, plant and equipment with a net value of 22 million euros, 444 million euros, and 59 million euros, respectively. As explained in Note 4.5 to the accompanying consolidated financial statements, at each year-end or whenever it identifies indications of impairment, the Group tests its assets for impairment to determine whether the recoverable amount has been reduced to below their carrying amount. When testing for possible impairment, these assets are attributed to the various cash-generating units (CGUs). The test is performed using discounted cash flow-based valuation techniques, as per cash flow projections aligned with profit and loss projections, investments in non-financial and current assets, as well as assumptions from the new strategic plan prepared by Group management. Other variables which influence the recoverable amount calculation include the applicable discount rate, in addition to the growth rate used to extrapolate projections beyond the budget period. To perform the impairment test, Group management engaged the assistance of an independent expert. In view of the significance of the amounts involved, the high degree of judgment required of Group management to assess potential impairment of the aforementioned assets, and given that small percentage changes in the key assumptions used in the valuation could give rise to significant changes in the consolidated financial statements, we determined this to be a key audit matter.
Our response	Our audit procedures included the following: ▶ Obtaining the "impairment test" performed by Group management at 31 December 2019 based on its new strategic plan, which involved the participation of an independent expert, evaluating the competence, capacity, and objectivity of their work for the purposes of using it as audit evidence. In this regard, we verified, in collaboration with our valuation specialists, that the aforementioned strategic plan served as the basis for preparing the cash flow projections, that the valuation methodology used is reasonably appropriate, that the arithmetical calculations were correct, and that the main assumptions considered (primarily those related to estimates of cash flow projections), as well as the long-term growth rates and the discount rates used were reasonable. In addition, we reviewed the sensitivity analyses carried out by the Group that show the effects that changes in the most significant assumptions used would have on the recoverable amount of CGU assets. ▶ Assessing the consistency of the assumptions applied when estimating future projections used to prepare the "impairment test" for non-financial non-current assets with assumptions used for other estimates, e.g., those related to assessing the recoverability of deferred tax assets or the application of the going concern principle.

- Reviewing the disclosures included in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

Recoverability of deferred tax assets

Description	The consolidated statement of financial position at 31 December 2019 includes deferred tax assets amounting to 46 million euros. The consolidated statement of financial position at 31 December 2019 includes deferred tax assets amounting to 46 million euros, related primarily to unused tax credits for limitations on the deductibility of finance costs, tax deductions and rebates, as well as unused tax loss carryforwards amounting to 22 million euros, 8 million euros, and 7 million euros, respectively, pertaining mainly to the Spanish tax group, as explained in Note 13.3 to the accompanying consolidated financial statements. At year-end, Group management prepares future taxable income estimates to assess the recoverability of recorded deferred tax assets, taking into account applicable tax regulations and the most recently approved business plan. Given that preparation of these estimates requires a high degree of judgment, primarily with regard to projecting business performance that may affect estimates of the recoverability of deferred tax assets, we determined this to be a key audit matter.
Our response	Our audit procedures included the following: - Reviewing estimates of future taxable income, assessing the reasonableness of the future estimates used in their preparation, as well as their consistency with other estimates, e.g., those related to the impairment of non-financial non-current assets or assessing the application of the going concern principle. - Checking, with the collaboration of our tax experts, that prevailing tax regulations were adequately applied in preparing the estimates. - Reviewing the disclosures included in the notes to the financial statements in conformity with the applicable regulatory financial reporting framework.

Matter-of-emphasis paragraph

We draw attention to the matter described in note 2.7 to the accompanying consolidated financial statements, which explains that on 13 March 2020, the parent signed a binding refinancing agreement with its syndicate of banks, which was judicially approved or *homologated* on 20 March 2020. By virtue of this agreement, the Group will restore its equity, downsize its borrowings and set up a corporate and financial structure that will give it greater flexibility for meeting its financial commitments, while injecting stability in the short and medium term. Our opinion was not modified with respect to this matter.

Other matters

On 5 April 2019 other auditors issued their audit report on the 2018 consolidated financial statements, in which they expressed an unqualified opinion.

Other information: Consolidated Management Report

Other information refers exclusively to the 2019 consolidated management report, the preparation of which is the responsibility of the parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

b. A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with 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 verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent's directors and the audit committee for the consolidated financial statements

The directors of the parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they 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 has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment 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 management.

- 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 are solely responsible for our audit opinion.

We communicate with the audit committee of the parent 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 audit committee of the parent with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters communicated to the parent's audit committee, we determined those that were of greatest significance in the audit of the consolidated financial statements of the current period and therefore constitute the key audit matters.

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

Report on other legally stipulated disclosure requirements

Additional report to the parent's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued for the Parent's audit committee on 8 April 2020.

Term of engagement

During the Ordinary General Shareholders' Meeting held on 3 June 2019, we were appointed auditors for a period of three years, commencing the year ended 31 December 2019.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(signed in the original version)

María del Tránsito Rodríguez Alonso
(Registered in the Official Register of Auditors under No. 20539)

April 8, 2020

Deoleo, S.A.
and subsidiaries

Consolidated financial statements for
the year ended December 31, 2019
Group management report and notes
to the consolidated financial
statements for the year ended
December 31, 2019

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019

(Thousands of euros)

ASSETS	Note	Year-end 2019	Year-end 2018	EQUITY AND LIABILITIES	Note	Year-end 2019	Year-end 2018
		581.431	**583.914**	**EQUITY:**	**Note 15**	**26.506**	**35.310**
Intangible assets:	**Note 6**	**444.261**	**440.657**	**Issued capital**		**2.810**	**140.486**
Trademarks and usage rights		404.311	395.917	**Other reserves**		**13.662**	**57.823**
Other intangible assets		38.172	42.384	**Translation differences**		**(13.687)**	**(15.632)**
Software		1.778	2.356	**Valuation adjustments**		**(44)**	**99**
Goodwill	**Note 6**	**21.717**	**21.717**	**Retained earnings**		**23.765**	**(147.466)**
Property, plant and equipment:	**Note 7**	**59.331**	**56.232**	**Equity attributable to owners of the parent**		**26.506**	**35.310**
Land and buildings		35.269	34.221				
Plant and machinery		20.014	18.897				
Other fixtures, tools and furniture		688	810				
Other items of PP&E		2.259	1.214	**NON-CURRENT LIABILITIES:**		**667.129**	**687.215**
Prepayments and PP&E in progress		1.101	1.090	**Financial liabilities - notes and**			
Investment properties	**Note 8**	**-**	**11.502**	**other marketable securities**	**Note 17**	**42.453**	**42.453**
Investments in associates		**473**	**473**	**Non-current bank borrowings**	**Note 17**	**510.444**	**541.302**
Non-current financial assets	**Note 9**	**9.970**	**10.093**	**Other non-current financial liabilities**	**Note 17**	**2.109**	**735**
Deferred tax assets	**Note 13**	**45.679**	**43.240**	**Government grants**	**Note 20**	**3.921**	**3.921**
				Deferred tax liabilities	**Note 13**	**94.175**	**85.305**
				Provisions	**Note 19.1**	**10.268**	**11.084**
CURRENT ASSETS:		**265.649**	**224.757**	**Other non-current liabilities**	**Note 4.16**	**3.759**	**2.415**
Inventories	**Note 11**	**83.179**	**92.783**				
Trade and other receivables	**Note 12**	**65.521**	**66.552**				
Current tax assets	**Note 13**	**1.839**	**2.791**	**CURRENT LIABILITIES:**		**153.445**	**86.146**
Other current financial assets	**Note 9**	**9.560**	**8.223**	**Current financial borrowings**	**Note 17**	**80.922**	**19.675**
Other current assets		**7.212**	**1.207**	**Trade and other payables**	**Note 18**	**71.014**	**65.572**
Cash and cash equivalents:	**Note 14**	**78.628**	**47.947**	**Current tax liabilities**	**Note 13**	**1.109**	**491**
Cash		78.628	47.947	**Provisions**	**Note 19.1**	**-**	**8**
Non-current assets held for sale	**Note 5**	**19.710**	**5.254**	**Liabilities associated with non-current assets held for sale**	**Note 5**	**400**	**400**
TOTAL ASSETS		**847.080**	**808.671**	**TOTAL EQUITY AND LIABILITIES**		**847.080**	**808.671**

The accompanying notes 1 to 32 are an integral part of the consolidated statement of financial position at December 31, 2019.

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

(Thousands of euros)

	Note Note	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
CONTINUING OPERATIONS:			
Revenue	**Note 29**	**561.953**	**605.557**
Other operating income	**Note 22**	**26.261**	**10.052**
Changes in inventories of finished goods and work in progress	**Note 29**	**(5.910)**	**(15.993)**
Raw materials and other consumables used	**Note 29**	**(393.187)**	**(447.501)**
Employee benefits expense	**Note 23**	**(52.740)**	**(44.078)**
Depreciation and amortization charges	**Notes 6, 7 & 8**	**(14.579)**	**(17.475)**
Other operating expenses	**Note 24**	**(93.939)**	**(389.857)**
OPERATING PROFIT/(LOSS)		**27.859**	**(299.295)**
Finance income	**Note 25**	**4.554**	**9.734**
Finance costs	**Note 25**	**(37.916)**	**(42.197)**
PROFIT/(LOSS) BEFORE TAX		**(5.503)**	**(331.758)**
Income tax	**Note 13.2**	(5.103)	40.693
PROFIT/(LOSS) FOR THE YEAR		**(10.606)**	**(291.065)**
Attributable to:			
Equity holders of the parent		(10.606)	(291.065)
Non-controlling interests		-	-
BASIC EARNINGS PER SHARE (euros):			
Loss from continuing operations	**Note 16**	(0,008)	(0,243)
Profit/(loss) from discontinued operations		-	-
DILUTED EARNINGS PER SHARE (euros):			
Loss from continuing operations	**Note 16**	(0,008)	(0,243)
Profit/(loss) from discontinued operations		-	-

The accompanying notes 1 to 32 are an integral part of the statement of profit or loss for the year ended December 31, 2019

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER

(Thousands of euros)

	Note	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
PROFIT/(LOSS) FOR THE YEAR		**(10.606)**	**(291.065)**
OTHER COMPREHENSIVE INCOME:			
Income and expense recognized directly in equity			
Translation differences	**Note 16.4**	1.945	1.865
Actuarial gains and losses and other adjustments		(143)	(117)
OTHER COMPREHENSIVE INCOME RECOGNIZED DIRECTLY IN EQUITY		**1.802**	**1.748**
TOTAL COMPREHENSIVE INCOME		**(8.804)**	**(289.317)**
Attributable to:			
Equity holders of the parent		(8.804)	(289.317)
Non-controlling interests		-	-

The accompanying notes 1 to 32 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2019

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

	Share capital	Other reserves	Retained earnings	Translation differences	Valuation adjustments	Total	Total equity
CLOSING BALANCE AT DECEMBER 31, 2017	**115.468**	**57.984**	**143.821**	**(17.497)**	**55**	**299.831**	**299.831**
Restatement for application of IFRS 9 (note 2.2.1)	-	-	(222)	-	-	(222)	(222)
RESTATED OPENING BALANCE AT JANUARY 1, 2018	**115.468**	**57.984**	**143.599**	**(17.497)**	**55**	**299.609**	**299.609**
Total comprehensive income for the year ended December 31, 2018	-	(161)	(291.065)	1.865	44	(289.317)	(289.317)
Issue of share capital	25.018	-	-	-	-	25.018	25.018
CLOSING BALANCE AT DECEMBER 31, 2018	**140.486**	**57.823**	**(147.466)**	**(15.632)**	**99**	**35.310**	**35.310**
Total comprehensive income for the year ended December 31, 2019	-	-	(10.606)	1.945	(143)	(8.804)	(8.804)
Reduction in share capital (note 16)	(137.676)	(44.161)	181.837	-	-	-	-
CLOSING BALANCE AT DECEMBER 31, 2019	**2.810**	**13.662**	**23.765**	**(13.687)**	**(44)**	**26.506**	**26.506**

The accompanying notes 1 to 32 are an integral part of the
consolidated statement of changes in equity for the year ended December 31, 2019

DEOLEO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(Thousands of euros)

	Note	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:		**11.632**	**(11.893)**
Profit/(loss) before tax		**(5.503)**	**(331.758)**
Adjustments to reconcile profit before tax to net cash flows:		**23.929**	**345.718**
Depreciation and amortization	**Notes 6, 7 & 8**	14.580	17.475
Impairment	**Notes 23 & 25**	(12.127)	296.400
Change in current provisions	**Notes 23 & 25**	(12.590)	862
Change in provisions for contingencies and charges	**Note 20**	(1.641)	(698)
Gains/losses on derecognition and disposal of fixed assets	**Note 23**	179	(784)
Gains/losses on derecognition of financial instruments	**Note 23**	485	-
Finance income	**Note 26**	(102)	(1.055)
Finance costs	**Note 26**	32.046	31.964
Change in fair value of financial instruments	**Note 26**	(165)	538
Net foreign exchange differences	**Note 26**	1.098	1.016
Other gains/losses		2.166	
Working capital adjustments:		**21.864**	**6.491**
Inventories		11.168	17.128
Trade and other receivables		12.898	23.553
Other current assets		(7.358)	(116)
Non-current assets held for sale			-
Trade and other payables		5.591	(23.208)
Other assets and liabilities		(435)	(10.866)
Other cash flows from operating activities:		**(28.658)**	**(32.344)**
Interest paid		(28.554)	(27.414)
Interest received		102	1.055
Income tax paid		(206)	(5.985)
NET CASH FLOWS USED IN INVESTING ACTIVITIES:		**(6.419)**	**(3.085)**
Payments for investments:		**(6.486)**	**(4.096)**
Intangible assets	**Note 6**	(329)	(589)
Property, plant and equipment	**Note 7**	(6.082)	(3.373)
Investment properties			-
Financial assets		(75)	(134)
Proceeds from disposals:		**67**	**1.011**
Property, plant and equipment		67	175
Investment properties			-
Non-current assets held for sale	**Note 5**		600
Financial assets			236
NET CASH FLOWS FROM FINANCING ACTIVITIES:		**25.468**	**46.094**
Proceeds from and payments for equity instruments:		**-**	**25.018**
Proceeds from issuance of own equity instruments	**Note 16**	-	25.018
Proceeds from and repayment of financial liabilities:		**25.468**	**21.076**
Proceeds from bank borrowings	**Note 18**	25.900	34.000
Repayment of bank borrowings		(432)	(12.444)
Repayment of other borrowings		-	(480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**30.681**	**31.116**
Cash and cash equivalents, opening balance	**Note 15**	47.947	16.831
Cash and cash equivalents, closing balance	**Note 15**	78.628	47.947

The accompanying notes 1 to 32 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2019.

Deoleo, S.A. and subsidiaries

1. Group information

Deoleo, S.A. (hereinafter, the Company or Parent) was incorporated as an open-ended public limited company (*sociedad anónima*) in Bilbao on February 1, 1955 under the name of Arana Maderas, S.A. It later changed its registered name on several occasions, taking its current name in 2011. In 1994, 2001, 2003 and 2011, the Parent completed a series of mergers, the details of which are disclosed in the annual financial statements corresponding to those years. The Parent's registered office is located in Cordoba, Spain, specifically in Alcolea on the N-IV at kilometer 388.

The Group's core business in 2019 consisted of the production, transformation and sale of vegetable oils and other food and agricultural products.

The Parent's shares are traded on the Bilbao, Madrid, Valencia and Barcelona stock exchanges and on the continuous electronic market. None of the subsidiaries has publicly listed its shares.

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

2.1 Financial reporting framework

The financial reporting framework applicable to the Group is made up of:

- Spain’s Code of Commerce and other company law.
- The International Financial Reporting Standards (IFRS) adopted by the European Union, as provided for in Regulation (EC) No. 1606/2002 of the European Parliament, Spanish Law 62/2003 (December 30, 2003) on tax, administrative and corporate measures, and the applicable standards and circulars issued by Spain's securities market regulator, the CNMV.
- Other applicable Spanish accounting regulations.

2.2 Basis of presentation

The 2019 annual consolidated financial statements were prepared from the accounting records and separate annual financial statements of the Parent and consolidated investees in keeping with the financial reporting framework outlined above (note 2.1) to present fairly the Group's equity and financial position at December 31, 2019 and its financial performance and the changes in its equity and cash flows during the year then ended.

The Group's consolidated financial statements and the Group entities' separate annual financial statements for the year ended December 31, 2019, duly authorized for issue by the corresponding governing bodies, are pending ratification by their respective shareholders.

However, the Parent's directors expect those annual financial statements to be approved without any significant changes. The Group's consolidated financial statements for the year ended December 31, 2018 were approved at Deoleo, S.A.'s Annual General Meeting on June 3, 2019 and duly filed with the Cordoba Companies Register.

Given that the accounting principles and measurement criteria used to prepare the Group's 2019 consolidated financial statements may differ from those used by certain of the Group entities, the appropriate adjustments and reclassifications have been made upon consolidation in order to standardize the various principles and criteria and bring them in line with IFRS-EU.

2.2.1 New and amended standards taking effect during the reporting period

Certain new accounting standards took effect in 2019 (see below) and were accordingly considered in preparing these consolidated financial statements; they did not imply any changes in the Group's accounting policies.

(1) New standards, amendments and interpretations mandatorily applicable during the annual period that began on January 1, 2019

New standards, amendments and interpretations		Effective for annual periods beginning on or after
Approved for use in the European Union		
IFRS 16 *Leases* (published in January 2016)	Replaces IAS 17 and associated interpretations. The key change is the introduction of a single accounting treatment for lessees, which must now recognize all leases (with just a few limited exceptions) with a similar impact to the accounting treatment already prescribed for finance leases (i.e., a right-of-use asset that will be depreciated and a finance charge in respect of the corresponding liability).	January 1, 2019
Amendments and/or interpretations		
IFRIC 23 *Uncertainty over income tax treatments* (published in June 2017)	This interpretation clarifies how to apply the measurement and recognition criteria prescribed in IAS 12 when there is uncertainty as to whether the tax authorities will accept a certain tax treatment used by the reporting entity.	January 1, 2019

(2) New standards, amendments and interpretations mandatorily applicable in annual periods subsequent to the annual period that began on January 1, 2019

The Group intends to apply the new standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union when they are effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements.

(3) Analysis of initial application of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases - Incentives* and SIC-27 *Evaluating the substance of transaction in the legal form of a lease*. The new standard establishes the rules for recognizing, measuring, presenting and disclosing leases. It requires all lessees to account for their leases using a single balance sheet recognition model similar to that prescribed for finance leases under the outgoing IAS 17. IFRS 16 took effect on January 1, 2019.

It requires lessees to recognize a liability equivalent to the present value of the fixed payments under the lease agreement at the lease inception date. In parallel, they need to recognize an asset representing the right to use the underlying asset during the lease term (right-of-use asset). Lessees must recognize the interest corresponding to the lease liability and the expense associated with depreciation of the right-of-use asset separately.

The Group has elected to transition to IFRS 16 using the modified retrospective approach, which means recognizing the cumulative effect of initial application of the new standard at January 1, 2019. That approach specifically implies (i) measuring a lease liability for leases previously qualified as operating leases at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application; and (ii) recognizing a right-of-use asset at an amount equivalent to the liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognized in the statement of financial position immediately before the date of initial application. When taking this approach, the comparative information is not restated.

To determine the terms of its lease contracts, the Group has taken the initial term of each contract as the non-cancelable period and then factored in the Group's option to unilaterally extend the term only when it was considered reasonably certain it will exercise it; by the same token it has only considered termination options when their exercise is deemed reasonably certain.

For transition purposes, on the date of initial application, the Group has decided to avail of the 'definition grandfathering' practical expedient of applying IFRS 16 only to the contracts already identified as leases under the outgoing standards (IAS 17 and IFRIC 4). The Group has also decided to avail of the exemptions provided for: (i) lease contracts that terminate within 12 months from the initial recognition date (short-term leases); and (ii) leases for which the underlying asset is of low value (low-value assets).

IFRS 16 has not had a significant impact on the Group's 2019 consolidated financial statements due to the fact that its most important assets (factories, head offices and the key associated assets) are owned and the Group's leases are not material.

The impact of initial recognition as at January 1, 2019 was the recognition of right-of-use assets of approximately 3,281 thousand euros and an increase in lease liabilities in respect of operating leases of the same amount.

	Thousands of euros
Assets	
Right-of-use assets	3,478
Property, plant and equipment	(197)
Total	**3,281**
Liabilities	
Non-current lease liabilities	2,052
Current lease liabilities	1,407
Finance lease payables	(178)
Total	**3,281**

"Right-of-use assets" includes items of property, plant and equipment underlying leases previously classified as finance leases in the amount of 197 thousand euros. In addition to the lease liabilities recognized upon initial application, as of January 1, 2019, the Group had lease liabilities in the amount of 178 thousand euros corresponding to liabilities associated with lease contracts previously classified as finance leases.

(a) Nature of the impact of IFRS 16

The Group leases several offices, premises, items of machinery, vehicles and other pieces of equipment. Prior to adopting IFRS 16, the Group used to evaluate, at the inception of those leases, whether they were operating or finance leases. Leases were classified as finance leases when the Group transferred substantially all the risks and rewards incidental to ownership of the assets. All other leases were classified as operating leases.

In accounting for finance leases, the Group used to recognize a fixed asset equivalent to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The financial liability was subsequently measured at amortized cost.

For operating leases, the Group did not recognize an asset on its statement of financial position, instead recognizing lease expense in profit and loss on a straight-line basis over the term of the lease. Any prepayment or accrued income was recognized as a prepaid expense or account payable, respectively.

In contrast, following application of IFRS 16, the Group now uses a single recognition and measurement model for all leases in which it acts as lessee, except for exempt low-value and short-term leases.

The new standard allows certain practical expedients and transition relief. The Group has availed of the following aspects:

- *Leases previously classified as finance leases*

The Group has not restated the recognized carrying amounts of the assets and liabilities associated with leases previously classified as finance leases. What that means is that the right-of-use assets and lease liabilities for those leases are initially the same as the assets and lease liabilities recognized under IAS 17. As a result, the Group is applying the lease accounting requirements stipulated under IFRS 16 to those leases from January 1, 2019.

- *Leases previously classified as operating leases*

The Group has recognized right-of-use assets and lease liabilities for the leases previously classified as operating leases, other than the short-term and low-value leases that are exempt from recognition.

The lease liabilities have been calculated at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application. For all leases, the right-of-use assets have been calculated by reference to the lease liability amounts, adjusted for any amounts prepaid.

The Group has also availed of the following practical expedients:

- Leases due to terminate within 12 months of the date of initial application were deemed short-term leases.
- Current period information only.
- Initial direct costs have been excluded from the measurement of the right-of-use assets on transition.

For presentation purposes, the right-of-use assets and lease liabilities have been presented together in "Property, plant and equipment" and "Other non-current financial liabilities" and "Current financial borrowings", respectively, in the consolidated financial statements.

(b) Amounts recognized in the statement of financial position and statement of profit or loss

Below is the breakdown of the carrying amounts of the Group's right-of-use assets and lease liabilities at the reporting date and a reconciliation of the opening and closing balances for 2019:

	Thousands of euros				
	Right-of-use assets				
	Buildings	**Machinery and other equipment**	**Vehicles**	**Total**	**Lease liabilities**
Balance at January 1, 2019	**1,938**	**433**	**910**	**3,281**	**3,281**
Additions	253	111	765	1,129	1,129
Depreciation charge	(720)	(130)	(503)	(1,353)	**-**
Interest expense	-	-	-	-	131
Lease payments	-	-	-	-	(1,468)
Balance at December 31, 2019	**1,471**	**414**	**1,172**	**3,057**	**3,073**

The Group recognized 302 thousand euros of expenses in connection with short-term leases and low-value leases in 2019.

2.3 Disclosures corresponding to 2018

As required under IAS 1, the information contained in these consolidated financial statements in respect of 2018 is provided to enable the reader to compare it with that relating to 2019 and does not, therefore, constitute the Group's 2018 consolidated financial statements.

2.4. Presentation currency

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

2.5 Responsibility for the information presented and estimates performed

The Parent’s directors are responsible for the information included in these consolidated financial statements.

The preparation of the Group's consolidated financial statements in accordance with the International Financial Reporting Standards requires the Parent's directors to make certain accounting estimates and judgments. Those estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

More specifically, in preparing the Group's consolidated financial statements the Parent's directors made estimates to quantify or measure and recognize, as appropriate, certain assets, liabilities, items of income and expense and commitments. Those estimates basically refer to:

- Assessment of the potential impairment of items of property, plant and equipment, intangible assets, goodwill, inventories and trade receivables.
- The useful lives of property, plant and equipment and intangible assets.
- The recoverability of deferred tax assets.
- The fair value of certain financial instruments.
- The assessment of provisions and contingencies.

Those estimates are made on the basis of the best information available at the reporting date regarding the facts and circumstances analyzed. Nevertheless, it is possible that future events could make it necessary to change the estimates in future periods. Any changes in estimates would be accounted for in accordance with IAS 8.

2.6 Basis of consolidation

The following methods were used to prepare the consolidated financial statements:

2.6.1 Subsidiaries

'Subsidiaries' are investees over which Deoleo, S.A., or any of its subsidiaries, have the power to exercise effective control.

Specifically, the Parent controls an investee when it has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Parent re-assesses whether or not it controls an investee if the facts and circumstances indicate that there have been changes to one or more of the three elements of control itemized above.

When the Parent has the practical ability to unilaterally direct the investee's relevant activities, even without holding the majority of voting rights, it has sufficient rights to give it power (i.e., de facto control). The Parent assesses whether its voting rights are sufficient to give it power considering all of the relevant facts and circumstances, including:

- The size of the Parent's vote holding in relation to the size and dispersion of other vote holders;
- The potential voting rights held by the Parent, other vote holders and other parties;
- Rights arising from other contractual arrangements;
- Any additional facts and circumstances that indicate that the Parent has, or does not have, the current ability to direct the relevant activities when decisions need to be made, specifically including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Parent first obtains control and ceases when it loses control.

The financial statements of the subsidiaries are consolidated with those of the Parent using the full consolidation method. As a result, all material intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated on consolidation.

Third-party interests in the Group's equity and profit or loss are presented under 'Non-controlling interests' in the consolidated statement of financial position, statement of profit or loss and statement of comprehensive income, respectively.

The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the acquisition date or until the date of change in control, as warranted.

The Group subsidiaries at December 31, 2019 and 2018 are itemized in Appendix I, which is an integral part of these consolidated financial statements.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the acquisition date, the date on which it obtains control, in accordance with IFRS 3 *Business combinations*. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill in the consolidated statement of financial position. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the gain (gain on a bargain purchase) is recognized in the consolidated statement of profit or loss on the acquisition date.

2.6.2 Associates

Associates are all entities over which the Parent has significant influence but not control. The power to exercise significant influence is usually evidenced by interests (held directly or indirectly) of 20% or more of an investee’s voting rights.

In the consolidated financial statements, investments in associates are accounted for using the 'equity method', i.e. in the proportion of the Group’s share of the assets of the investee, after adjusting for dividends received and other equity eliminations.

The Group's share of the profit or loss of an associate are presented within 'Share of profit/(loss) of associates' in the consolidated statement of profit or loss.

Unrealized gains and losses resulting from transactions between the Group and an associate are eliminated to the extent of its interest in the associate.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognition of its share of further losses and the interest is reduced to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2.6.3 Foreign currency translation

The Group uses the following criteria to translate the results and financial position of foreign operations included in the financial statements:

1. Their assets and liabilities, including goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation, including comparative balances, are translated at the closing rate at the date of each financial statement of position;
2. Income and expenses, including comparatives, are translated at exchange rates prevailing at the dates of the transactions; and
3. All resulting exchange differences are recognized as translation differences within equity.

For the purposes of the consolidated statement of cash flows, the subsidiaries' cash flows, including comparatives, are translated to euros using the exchange rates prevailing on the date on which they occurred.

Exchange differences relating to foreign operations that are accumulated in equity are reclassified to the consolidated statement of profit or loss when they are disposed of or the Group loses control over them.

The Group companies' have the euro as their local currency with the exception of the subsidiaries located in the US, Mexico, Canada, Australia, India, Malaysia, Colombia and Brazil (refer to Appendix I).

2.6.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation, which affect the year-on-year comparison, in 2019 and 2018:

2019

- The Group did not acquire any new subsidiaries or deconsolidate any existing subsidiaries in 2019. It did incorporate some new subsidiaries but they did not have any impact on the Group's consolidated financial statements for the year.

  Specifically, Deoleo Holding, S.L., Deoleo Global, S.A., Deoleo UK, Ltd., Deoleo Financial, Ltd. and Deoleo International, Ltd. were all incorporated under the scope of the agreement reached with the Group's main banks in order to restructure its syndicated loan. One of the cornerstones of the refinancing agreement is the restructuring of the Group's corporate structure, such that going forward the business will be carried out by a newly-incorporated subsidiary in which its syndicate lender banks will hold an indirect shareholding of 49% (note 2.7).

2018

- The Group did not acquire any new subsidiaries or deconsolidate any existing subsidiaries in 2018. It did carry out certain transactions, such as issues of share capital, but they did not have any impact on the Group's consolidated financial statements for the year.

2.7 Going concern

Deoleo, S.A. incurred a significant loss of 162,131 thousand euros in 2018. That loss, coupled with the losses accumulated in prior years, meant that the Parent's equity stood at 16,471 thousand euros at year-end 2018, such that Deoleo, S.A. met the grounds for dissolution under article 363 of Spain's Corporate Enterprises Act, specifically that of having an equity balance of less than half of share capital (half would have been 70,243 thousand euros), requiring that the imbalance be redressed by reducing share capital or increasing equity.

On June 3, 2019, the Parent's shareholders, in general meeting, approved a reduction in share capital in the amount of 137,676,100.56 euros by reducing the unit par value of its shares by 0.098 euros in order to restore the equilibrium between the Parent's capital and its equity, eroded by losses, having first applied all of the reserve accounts to offsetting the retained losses. Having taken that measure, Deoleo, S.A. no longer met the grounds for dissolution stipulated in article 363 of the consolidated text of the Corporate Enterprises Act.

Despite the above capital reduction, the Parent's equity balance has continued to deteriorate, reaching a negative 54,326 thousand euros at year-end 2019. Moreover, at December 31, 2019, the Parent presented negative working capital of 31,953 thousand euros (compared to positive working capital of 11,561 thousand euros at year-end 2018) as a result, mainly, of the classification of its revolving credit facility, due June 2020, within current liabilities.

On September 25, 2019, the Group reached an agreement with its main financiers for the restructuring of its syndicated loan; that agreement took effect on September 26, 2019, having duly obtained the required consents from the holders of that debt. The face value of the outstanding debt to be restructured currently stands at 574.9 million euros (unchanged from December 31, 2019). The financial restructuring agreement materialized initially in a lock-up agreement which regulated, among other matters, the key terms of the restructured debt, the procedure to be followed to complete the restructuring and a binding commitment on the part of the banks to support, facilitate and implement the Group's financial restructuring effort. Consequently, at an Extraordinary General Meeting held on January 17, 2020, the Parent's shareholders ratified the various corporate transactions stipulated in the above agreement in order to execute the restructuring work.

The attendant Master Refinancing Agreement was executed with 100% of the Parents' financiers and placed on public record on March 13, 2020; that agreement replaces the above-mentioned lock-up agreement. Deoleo, S.A. received notification from the Business Court of Cordoba of the requested legal authorization of the Refinancing Agreement on March 20, 2020.

As disclosed to the market at the time, the cornerstones of the Refinancing Agreement are: (i) the injection of equity into Deoleo, S.A. by means of a cash rights issue of up to a maximum of 50 million euros (the proceeds will be used to repay some of the Company's existing debt, having first reduced capital to zero to offset losses). The Parent's controlling shareholder, Ole Investments, BV, has committed to support the transaction and underwrite 90% of the issue; (ii) capitalization of much of the syndicated loan and refinancing of the portion not capitalized, lengthening the repayment dates; and (iii) corporate restructuring at the Group level so that the business will be conducted going forward by a newly-created subsidiary in which the syndicated loan holders will hold an equity interest of 49%.

The restructuring process will close when the various transactions outlined above, along with other facilitating arrangements, have closed, all of which is expected to occur (barring potential delays on account of the current state of alarm in Spain) during the second quarter of 2020, when it will take full effect.

By means of the agreed restructuring and, specifically, the injection of equity and effects of liquidation of Deoleo Preferentes, S.A.U. (note 17), Deoleo, S.A. will once again replenish its equity, downsize its borrowings and set up a corporate and financial structure that will give it greater flexibility for meeting its financial commitments, while injecting stability in the short and medium term. The agreement reached will also pave the way for enhanced and more efficient management of its funds, thus enabling it to execute its business plan (notes 15 and 17).

Deoleo, S.A.'s directors and their legal counsel believe that the restructuring process will conclude successfully and, therefore, that the Group will be able to continue as a going concern and realize its assets and settle its liabilities at the amounts and within the terms at which they are carried in the accompanying consolidated statement of financial position at December 31, 2019. Consequently, the Company’s directors have prepared and authorized the 2019 consolidated financial statements on a going-concern basis.

3. Appropriation of the Parent's loss

The Parent's directors have approved a motion to appropriate all of the loss recognized by Deoleo, S.A. in 2019, of approximately 70,797 thousand euros, to 'Retained earnings' for submission at the upcoming Annual General Meeting.

4. Accounting policies and measurement criteria applied

The main accounting principles, policies and measurement standards applied by the Group in preparing these consolidated financial statements in keeping with the IFRS prevailing at the reporting date are 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 are recognized.

An intangible asset is deemed to have an indefinite useful life when there is no foreseeable limit to the period of time over which it is expected to generate economic benefits. All other intangible assets are considered to have finite useful lives.

The Group reviews its intangible assets’ residual values, useful lives and amortization methods at each year-end. Any changes in the initially established criteria are recognized as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least once a year, using the same criteria as are used to test goodwill for impairment.

Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives.

Trademarks and licenses

Trademarks and licenses purchased from third parties are measured at their acquisition cost. Trademarks acquired as part of business combinations are recognized at their acquisition-date fair values.

The perpetual, exclusive and worldwide right to use the Bertolli trademark in the olive oil, seed oil and balsamic vinegar categories is recognized within trademarks.

The Parent's directors have classified all but four of the Group's trademarks as having indefinite useful lives. Those with a finite useful live have a gross carrying amount of approximately 125,655 thousand euros; they are being amortized on a straight-line basis over an estimated useful life of 20 years. Having analyzed all the relevant facts and circumstances, the Parent's directors believe that there is no foreseeable limit to the period of time for which the remaining trademarks will generate net cash flows, such that, other than the above four exceptions, it estimates they have indefinite useful lives. The trademarks with indefinite useful lives are not amortized but they are tested for impairment, at least annually and whenever there are indications of impairment. The Group tests its assets for impairment and recognizes any impairment losses (or reversals thereof) in accordance with the criteria outlined in note 4.5. The useful life classification is revised at every year-end and is consistent with the Group's business plans.

Software

The software acquired by the Group from third parties, which is measured at the cost incurred, is amortized on a straight-line basis over an estimated useful life of five years. The related maintenance costs are expensed as incurred.

Other intangible assets

At December 31, 2019, this heading included approximately 38,172 thousand of intangible assets, net of amortization (year-end 2018: approximately 42,384 thousand euros), corresponding to the customer lists acquired as part of the Bertolli business combination; those assets have a finite estimated useful life of 19 years for Italy and 20 years in the rest of the world.

4.2 Goodwill

Goodwill is calculated as the difference between the sum of the consideration transferred, plus any non-controlling interest, plus the fair value of any previously held equity interest, net of the acquisition-date fair values of the identifiable net assets acquired.

To determine fair value:

1. The Group allocates the cost of the business combination to the identifiable assets and liabilities of the acquiree, increasing the amounts at which they were carried in the acquiree's financial statements so as to reflect their fair value.
2. If any of the cost can be allocated to identifiable intangible assets, it recognizes those assets explicitly in its consolidated statement of financial position to the extent that their acquisition-date fair values can be reliably determined.
3. If the cost so allocated differs from their amounts for tax purposes, it recognizes the corresponding deferred tax.

Goodwill is only recognized when it is purchased as part of a business combination.

On disposal of the cash-generating unit, the attributed amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill is not amortized. However, at each year-end or whenever it identifies indications of impairment, the Group tests its goodwill for irreversible impairment, comparing its carrying amount with its recoverable amount. If its goodwill is deemed impaired, it recognizes the corresponding loss. Goodwill impairment losses cannot be reversed.

All goodwill is allocated to one or more cash-generating units. The recoverable amount of each cash-generating unit is set at the higher of value in use and the net selling price for the unit's assets, calculated using the methodology described in note 4.5.

4.3 Property, plant and equipment

Items of property plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

The cost of assets acquired or produced that require more than one year to ready for use (qualifying assets) includes the borrowing costs accrued prior to putting the assets to use whenever these expenses meet the capitalization requirements.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, to the extent the Group incurs such obligations as a consequence of having used the item for purposes other than to produce inventories.

Items of property, plant and equipment are depreciated by systematically allocating their depreciable amount over the course of their useful lives. 'Depreciable amount' for this purpose is their purchase cost less any residual value. The Group determines its depreciation charges separately for each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and whose useful life is different to that of the rest of the item.

The cost of property, plant and equipment, after deducting any residual value, is depreciated are on a straight-line basis over the following estimates useful lives:

	Years of useful life
Buildings	25 - 50
Plant and machinery	7.6 - 16.6
Other fixtures, tools and furniture	5 - 16.6
Computer equipment	4 - 5
Vehicles	3 - 10
Other items of PP&E	6 - 20

Long-term investments made in properties leased from third parties are recognized using the same criteria as for other items of property, plant and equipment. Such investments are depreciated during the shorter of their useful lives or the lease term. Determination of the lease term to that end is consistent with that established for lease classification purposes.

The Group reviews its assets' residual values, useful lives and depreciation methods at each year-end. Any changes in the initially established criteria are recognized as a change in accounting estimate.

Subsequent to initial recognition, the Group only capitalizes costs incurred to the extent they increase the assets' capacity, productivity or lengthen their useful lives, duly derecognizing any assets they substitute. As a result, the everyday costs of maintaining the assets are recognized in profit or loss as incurred.

The Group tests its assets for impairment and recognizes any impairment losses (or reversals thereof) in accordance with the criteria outlined in note 4.5.

4.4 Investment property

This heading includes the properties held by the Group in full or in part to earn rentals or capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of its business.

The Group recognizes and measures its investment property using the same criteria as for property, plant and equipment.

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

Given that the Group has intangible assets with indefinite useful lives and goodwill, at every year-end it tests those assets for impairment to check whether their recoverable amount has fallen below their carrying amount.

The procedure followed by the Group for impairment testing purposes is as follows:

- The recoverable amounts are calculated for each cash-generating unit (CGU); in the case of items of property, plant and equipment, the tests are performed item by item, on an individual basis whenever feasible.
- The recoverable amount is the higher of fair value less costs to sell and value in use. The directors believe that fair value less costs of disposal is equivalent to the assets' value in use. It calculates fair value by discounting cash flows projected over a five-year horizon. It also calculates a terminal value based on the cash flows estimated for the last year of the projection period, to the extent extrapolable, applying a rate of growth in perpetuity that is in no instance higher than the long-term growth rate estimated for the market in which the Group operates.
- The projections for each CGU are based on past experience and the best estimates available, and are consistent with the Group's business plans. The projections are articulated around:
    - Earnings projections;
    - Capital expenditure and working capital projections.

  Other variables that affect the calculation of these recoverable amounts are:

    - The applicable discount rate, namely the weighted average cost of capital, the main inputs for its calculation being the cost of debt and risks specific to the assets being valued.
    - A growth rate for extrapolating the free cash flows beyond the budget/forecast projection horizon.
- In the event that a CGU has to be written down for impairment and goodwill has been allocated to that unit, the carrying amount of any goodwill allocated to the impaired CGU is written down first. If the impairment provision is more than the carrying amount of goodwill, then the rest of the assets constituting the CGU are written down for impairment, *pro rata*, on the basis of the carrying amount of each asset in the unit, to the higher of fair value less costs to sell, value in use and zero. However, as already noted, in the case of items of property, plant and equipment, the tests are performed item by item, on an individual basis whenever feasible.
- When an impairment loss subsequently reverts, the carrying amount of the assets or the CGU is written up to their recoverable amount, so long as the restated carrying amount does not exceed the carrying amount that would have been recognized had no impairment loss been recognized in prior years. Note that impairment losses on goodwill cannot be reversed. The reversal of an impairment loss is recognized in profit.

For CGU identification purposes, the Group's management has been conducting the impairment tests on the basis of the manner in which they are managed and structured in terms of human resources and tangible and intangible assets. Up until 2018, the tests were based on:

(i) The manner in which the Group organized and managed its vegetable oil production and bottling resources which, albeit located in different regions of Italy and Spain, were managed and operated in practice as a single unit.

(ii) The structure used to market and sell the vegetable oil produced, specifically the Group's four existing sales units (Southern Europe; Northern Europe; North America; and International Markets), whose activity consisted of the sale and marketing of the oil produced, leveraging the Group's portfolio of brands, in the markets assigned to each.

So, for the purposes of IAS 36 *Asset impairment*, the Group had been grouping its assets into those five CGUs and allocating the value of its corporate assets to them as appropriate.

At year-end 2019, the Group, in line with its ongoing analysis of its management model's fit for purpose and alignment with the Group's global strategy and reporting model, and in light of the organizational and management changes undertaken during the second half of the year, updated its reporting structure and, as a result, its CGU classification. Accordingly, for the purpose of the impairment tests conducted at December 31, 2019, it identified six CGUs, having separated the Southern Europe CGU into two new CGUs: Spain and Italy.

The CGU classification used for impairment testing purposes at year-end 2019 was therefore the following:

Cash-generating unit (CGU)	Type	Markets
Spain	Distributor	Spain
Italy	Distributor	Italy
Northern Europe	Distributor	Germany, Belgium, Netherlands, France and the rest of Europe
North America	Distributor	US and Canada
International Markets	Distributor	Latin America, Africa, Australia, China, India and the rest of Asia
Operations	Manufacturing	Factories located in Spain and Italy

The Parent's directors updated the Group's five-year business projections for use as the basis for testing its non-financial assets for impairment.

The Parent engaged the services of an independent expert (PricewaterhouseCoopers Asesores de Negocios, S.L.) to value of each of the CGUs defined for impairment testing purposes. That expert's work focused on: (i) valuing the Group's brands (included under 'Other intangible assets'); and (ii) estimating the recoverable amounts of the various CGUs to which the Group has allocated its goodwill and intangible assets (mainly trademarks), these being the Group's main assets, in keeping with IAS 36. Those calculations enabled the Parent to then assess whether the carrying amount of its CGUs is sufficiently substantiated by their recoverable amounts.

Subsequently, the Group's auditor, Ernst & Young, S.L., reviewed the independent expert's report as part of its audit work. Ernst & Young, S.L. also involved its internal valuation experts to check the methodology used by the independent expert to test the assets for impairment and the reasonableness of the discount and long-term growth rates used.

The main assumptions used to perform the impairment tests:

Dec. 31, 2019						
Cash-generating units	Discount rate (after-tax WACC)	Discount rate (pre-tax WACC)	Average growth rate, g	Average growth in gross profit	EBITDA CAGR	Terminal value as a percentage
Spain	7.3%	8.9%	2.1%	6.2%	8.1%	87.5%
Italy	7.8%	9.5%	1.6%	9.5%	16.8%	93.0%
Northern Europe	5.6%	7.0%	1.8%	7.6%	14.7%	86.9%
North America	6.0%	7.3%	2.1%	8.0%	15.1%	84.9%
International Markets	8.5%	10.7%	3.1%	8.9%	9.2%	80.3%
Operations	7.6%	9.8%	1.9%	4.5%	7.1%	65.2%

The average rate of growth in perpetuity modelled by the Group in 2019 was 2.0% (2018: 2.6%).

The Parent's directors believe that business and asset valuations are not an exact science, but rather a simulation exercise based on experience that requires the use of assumptions that contain a certain amount of subjectivity. Based on the impairment testing input received from the above-mentioned experts, the Parent's directors believe that the conclusions obtained are reasonable and adequate.

Based on those conclusions regarding the value of its brands and the estimated recoverable amounts of its CGUs, the Group performed its CGU impairment tests, as follows:

1. Allocation of the carrying amounts of the trademarks and the corresponding deferred tax liabilities to the various CGUs as a function of average projected gross profit.
2. Restatement of the carrying amounts of trademarks for which prior impairment losses needed to be reversed: for the trademarks whose carrying amounts prior to the impairment tests was observed to be lower than the fair value derived from the valuation exercise, any impairment losses recognized in prior years were reversed to increase their carrying amount to such fair value.
3. Impairment testing CGU by CGU, starting from the restated trademark carrying amounts following reversal, and the corresponding deferred tax liabilities.
4. Allocation of impairment to each CGU limited by each trademark's fair value. The criteria used we as follows:
    a. The allocation of impairment to each CGU was carried out on the basis of the percentage of the carrying amount of the impaired trademark with respect to the carrying amount of all of the trademarks impaired within that CGU.
    b. The sum of the impairment of each trademark in all the CGUs could not exceed each trademark's 'maximum impairment', i.e., the trademarks were not written down to below their fair value.
    c. It was assumed that the carrying amount of the rest of the assets was a good proxy for their fair value such that they were not written down for impairment.

The breakdown by CGU at December 31, 2019 of the carrying amount of the assets (before the recognition of impairment), their recoverable amounts and the resulting headroom or impairment loss, is as follows:

	Thousands of euros						
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Operations**	**Total**
Net fixed assets	64,019	30,449	57,333	148,731	61,082	46,334	407,948
Goodwill	-	-	-	-	14,805	6,912	21,717
Working capital	(6,654)	(1,367)	4,165	19,837	12,864	21,329	50,174
Total net assets - opening	**57,365**	**29,082**	**61,498**	**168,568**	**88,751**	**74,575**	**479,839**
Net reversal of previously recognized trademark impairment (I)	7,889	12,262	14,355	8,082	2,894	0	45,482
Total net assets - restated	**65,254**	**41,344**	**75,853**	**176,650**	**91,645**	**74,575**	**525,321**
Fair value	51,141	34,461	42,397	193,479	190,978	77,379	589,835
Costs to sell	(511)	(344)	(424)	(1,935)	(1,910)	(774)	(5,898)
Recoverable amount	**50,630**	**34,117**	**41,973**	**191,544**	**189,068**	**76,605**	**583,937**
Potential headroom/(impairment)	**(14,624)**	**(7,227)**	**(33,880)**	**14,894**	**97,423**	**2,030**	
Potential net impairment by CGU	(10,968)	(5,492)	(28,141)	N/A	N/A	N/A	(44,601)
Net impairment applied to carrying amount of trademarks (II)	(7,015)	(5,407)	(28,134)	N/A	N/A	N/A	(40,556)
Definitive headroom/(impairment) by CGU (I+II)	**874**	**6,855**	**(13,779)**	**8,082**	**2,894**	**0**	**4,926**

With respect to the Spanish, Italian and Northern European CGUs, although the impairment tests indicated an aggregate net potential impairment loss of 44,601 thousand euros, in light of the fair value of the Group's assets, observed individually (particularly the fair value of its trademarks), and given that under IAS 36 it is not possible to recognize impairment losses that would reduce the carrying amount of its assets to below their fair value, the net aggregate impairment loss for those three CGUs was reduced to 40,556 thousand euros. The recoverable amounts of the North American and International Markets CGUs were higher than the corresponding carrying amounts, as restated. Accordingly the trademarks allocated to those CGUs were not written down for impairment.

As a result of the impairment tests, the Group reversed previously recognized impairment losses by 10,966 thousand euros on a pre-tax basis (4,926 thousand euros net of the tax effect). The reversal was recognized under "Other operating income" in the consolidated statement of profit or loss for 2019, while the tax impact, of 6,040 thousand euros, was recognized under "Income tax" in the consolidated statement of profit or loss for 2019.

	Thousands of euros					
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Total**
Trademarks	1,183	8,644	(13,991)	11,204	3,926	10,966
Gross reversal/(impairment)	**1,183**	**8,644**	**(13,991)**	**11,204**	**3,926**	**10,966**
Tax effect	(309)	(1,789)	212	(3,122)	(1,032)	(6,040)
Net reversal/(impairment)	**874**	**6,855**	**(13,779)**	**8,082**	**2,894**	**4,926**

At December 31, 2019, the carrying amount of the Group's trademarks (including "Other intangible assets"), having recognized the effects of the impairment tests performed during the year, stood at 442,483 thousand euros (note 6), which is in line with their aggregate fair value, calculated using the relief-from-royalty technique, of 438,429 thousand euros.

The breakdown of the carrying amounts and fair values of the Group's trademarks at December 31, 2019:

Trademarks & Other intangible assets	Thousands of euros			
	Carrying amount before impairment tests	**Reversal/ (impairment) as a result of tests**	**Carrying amount at Dec. 31, 2019**	**Fair value at Dec. 31, 2019**
Bertolli (*)	246,772	(35,281)	211,491	210,214
Carbonell	89,032	6,335	95,367	95,367
Carapelli	40,177	45,592	85,769	85,769
Hojiblanca	16,021	(1,973)	14,048	14,048
Sasso	18,849	(3,534)	15,315	13,703
Koipe	9,215	(7,381)	1,834	1,834
Maya	3,224	(463)	2,761	2,525
Friol	3,340	2,931	6,271	6,271
Koipesol	1,027	6,569	7,596	7,596
San Giorgio	3,861	(1,829)	2,032	1,102
Total	**431,517**	**10,966**	**442,483**	**438,429**

(*) Includes the sum allocated to the Bertolli business's customer list, which is included under "Other intangible assets".

The assumptions used to determine the above-listed amounts are aligned with those used to value the CGUs. The royalty rates used ranged between 3% and 5.5%.

Below are the results of the sensitivity analysis performed with respect to the test results at December 2019 to model the impact on the recoverable amounts of the CGUs' assets of changes in the most sensitive assumptions used:

Spain CGU

		Millions of euros		
		Fair value		
Change in assumptions		**Weighted average cost of capital (WACC)**		
		(0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	54.8	49.3	44.8
	Rate used	57.0	**51.1**	46.3
	0.2%	59.5	53.1	47.9

	Millions of euros		
	Change in gross margin		
	(0.50%)	Rate used	0.50%
Potential headroom/(impairment) for CGU	(23.8)	**(14.6)**	(5.4)
Gross impairment applied to carrying amount of trademarks	(9.4)	**(9.4)**	(5.4)

Italian CGU

Change in assumptions		Millions of euros Fair value Weighted average cost of capital (WACC) (0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	36.7	33.3	30.4
	Rate used	38.1	**34.5**	31.4
	0.2%	39.6	35.7	32.4

	Millions of euros Change in gross margin (0.50%)	Rate used	0.50%
Potential headroom/(impairment) for CGU	(15.4)	**(7.2)**	(0.9)
Gross impairment applied to carrying amount of trademarks	(12.4)	**(7.2)**	-

Northern European CGU

Change in assumptions		Millions of euros Fair value Weighted average cost of capital (WACC) (0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	46.2	40.4	35.9
	Rate used	48.9	**42.4**	37.4
	0.2%	51.8	44.6	39.1

	Millions of euros Change in gross margin (0.50%)	Rate used	0.50%
Potential headroom/(impairment) for CGU	(42.4)	**(33.9)**	(25.3)
Gross impairment applied to carrying amount of trademarks	(32.8)	**(33.9)**	(25.3)

Northern American CGU

Change in assumptions		Millions of euros Fair value Weighted average cost of capital (WACC) (0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	210.8	185.0	164.8
	Rate used	222.0	**193.5**	171.4
	0.2%	234.7	202.9	178.7

	Millions of euros		
	Change in gross margin		
	(0.50%)	Rate used	0.50%
Potential headroom/(impairment) for CGU	1.3	**14.9**	28.5
Gross impairment applied to carrying amount of trademarks	-	**-**	-

International Markets CGU

		Millions of euros		
		Fair value		
Change in assumptions		**Weighted average cost of capital (WACC)**		
		(0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	203.4	185.0	169.7
	Rate used	210.7	**191.0**	174.7
	0.2%	218.6	197.4	179.9

	Millions of euros		
	Change in gross margin		
	(0.50%)	Rate used	0.50%
Potential headroom/(impairment) for CGU	88.5	**97.4**	106.4
Gross impairment applied to carrying amount of trademarks	-	**-**	-

Operations CGU

		Millions of euros		
		Fair value		
Change in assumptions		**Weighted average cost of capital (WACC)**		
		(0.5%)	Rate used	0.5%
Average growth rate, g	(0.2%)	82.0	76.1	71.1
	Rate used	83.6	**77.3**	72.1
	0.2%	85.3	78.7	73.2

The results of the impairment tests are highly sensitive to variations in the key assumptions modeled, such that any deviations in actual growth rates and results relative to those estimated by management for the purposes of the tests could imply the need to recognize additional impairment losses in the future (or, by the same token, to reverse existing allowances).

At year-end, the Parent's management validated all of the assumptions used in the year-end 2019 impairment tests, which are underpinned by the Group's historical information, the estimates available for the various business areas and the best economic forecasts available, based on public information and macroeconomic trends.

The Parent's directors believe that there have been no significant developments since year-end 2019 requiring modification of the estimates used to conduct the impairment tests and that any possible reasonable change in the key assumptions on which the recoverable amount calculations are based would not cause the carrying amount of the CGU assets to vary significantly in either direction with respect to such recoverable amounts.

2018

Below, for comparative purposes, are the most significant assumptions used in and the results of the impairment tests done at year-end 2018:

Dec. 31, 2018						
Cash-generating units	Discount rate (after-tax WACC)	Discount rate (pre-tax WACC)	Average growth rate, g	Average growth in gross profit	EBITDA CAGR	Terminal value as a percentage
Southern Europe	7.8%	9.3%	1.7%	6.9%	7.3%	80.9%
Northern Europe	6.0%	7.0%	2.0%	15.5%	56.9%	101.3%
North America	6.1%	7.0%	1.9%	15.9%	24.7%	93.1%
International Markets	9.5%	12.9%	4.0%	8.1%	9.0%	75.0%
Operations	7.8%	9.8%	1.8%	10.2%	2.2%	75.0%

The breakdown of the carrying amount of the assets (before the recognition of impairment) and their recoverable amounts by CGU at December 31, 2018 is as follows:

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

The breakdown of the gross impairment losses, and the associated deferred tax liabilities, recognized in the 2018 consolidated statement of profit or loss as a result of the impairment tests carried out at that year-end was as follows:

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

In addition, the breakdown of the gross impairment losses, and the associated deferred tax liabilities, recognized in the consolidated statement of profit or loss as a result of the impairment tests carried out at June 30, 2018 was as follows:

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

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as non-current assets held for sale when their carrying amount will be recovered principally through a sale transaction expected to be realized within the next 12 months rather than through continuing use. For this to be the case, the 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 the sale must be considered highly probable.

Non-current assets or disposal groups classified as held for sale are not depreciated; they are measured at the lower of their carrying amounts and fair value less costs to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of the assets classified within this category with a charge to profit or loss from continuing operations in the consolidated statement of profit or loss unless the assets meet the definition of a discontinued operation.

The Group recognizes a gain for any subsequent increase in fair value less costs to sell in profit or loss, although this increase may not exceed the accumulated impairment loss recognized, either in accordance with the prescribed measurement at fair value less costs to sell or impairment losses recognized on the assets prior to their classification as held for sale.

The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of (i) its carrying amount before classification as such, adjusted for any depreciation, amortization or impairment that would have been recognized had it not been classified as held for sale and (ii) its recoverable amount at the date of the reclassification decision. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is recognized in profit or loss 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 coordinated 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 reselling it.

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

The post-tax profit or loss of discontinued operations and the post-tax gain or loss on the disposal of the assets or disposal group(s) constituting the discontinued operation are presented in a single line item amount in the consolidated statement of profit or loss (under 'Profit/(loss) from discontinued operations').

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

4.7 Leases

The Group's new lease accounting policies following application of IFRS 16 are as follows:

• Right-of-use assets

The Group recognizes right-of-use assets at the inception of the lease, i.e., the date on which the underlying asset is available for use. Right-of-use assets are measured at cost less accumulated depreciation and any impairment losses and are adjusted for any remeasurement of the associated lease liabilities. The initial cost of right-of-use assets includes the amount of the lease liability at initial recognition, initial direct costs incurred and lease payments made before the commencement of the lease. Any incentives received are deducted from the initial cost. Unless the Group is reasonably certain it will obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are tested for impairment.

• Lease liabilities

At the lease commencement date, the Group recognizes lease liabilities at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (including in-substance fixed lease payments) less any incentives receivable, variable lease payments that depend on an index or a rate, and the amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and the payment of penalties for terminating the lease, if the lease term reflects the assessment that the Group will exercise its option to terminate. Variable lease payments that do not depend on an index or a rate are expensed in the period in which the event or condition that triggers those payments occurs.

To calculate the present value of its lease payments, the Group uses a discount rate equivalent to its incremental borrowing rate at the date of commencement of the lease if the interest rate implicit in the lease is not readily determinable. After initial recognition, the measurement of a lease liability is increased by the interest accrued and reduced by lease payments made. In addition, the carrying amount of lease liabilities is remeasured if the lease is modified, if there is a change in the assessment of the lease term, a change in in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset. The lease liability is also increased if there is a change in future lease payments as a result of a change in the index or rate used to determine the amounts of those payments.

• Short-term and low-value leases

The Group applies the short-term lease recognition exemption (i.e., leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option) to its machinery and equipment leases. It applies the low-value lease recognition exemption to its leases over office equipment of low value. Lease payments for short-term and low-value leases are recognized as expense on a straight-line basis over the lease term.

• Judgment exercised in determining the term of leases with extension options

The Group determines the lease term as the non-cancelable period of the lease, plus the periods covered by an option to extend the lease, if is reasonably certain it will exercise that option. The lease term also includes the periods covered by an option to terminate the lease if it is reasonably certain not to exercise that option.

In some of its lease contracts, the Group has the option of extending the lease. The Group assesses whether it is reasonably certain to exercise those options. To do so, it considers all the relevant facts and circumstances that create an economic incentive for it to extend. After initial recognition, the Group reassesses the lease term upon the occurrence of a significant event or significant change in circumstances that is within its control and affects whether it is reasonably certain to exercise (or not exercise) the option to extend the lease.

4.8 Financial instruments

Financial assets

Financial assets are recognized on the consolidated statement of financial position when they are acquired, initially at fair value. The financial assets held by the Group companies are classified as follows:

1. Financial assets at fair value through profit or loss: assets acquired by the Group for the purpose of collecting the contractual cash flows and selling the financial assets; and assets whose contractual cash flows do not consist solely of payments of principal and interest for which the objective of the business model is to sell the assets. Interest income, exchange differences and impairment losses are recognized in the consolidated statement of profit or loss; all other gains and losses on these financial assets are recognized in 'Other comprehensive income' in equity. Any cumulative gain or loss recognized in equity is reclassified to profit or loss upon derecognition.
2. Financial assets at amortized cost: assets whose contractual cash flows consist solely of payment of principal and interest for which objective of the business model is to hold the assets to collect the contractual cash flows. For assets in this category, the Group recognizes fair value changes in its consolidated statement of comprehensive income. Most of the Group's financial assets are included in this category.

Transaction costs that are directly attributable to the acquisition are recognized as an increase in the acquisition cost or as an expense depending on whether the financial asset being purchased is classified at fair value through other comprehensive income or through profit or loss.

The fair value of a financial instrument on a given date is the amount for which it could be exchanged between knowledgeable, willing parties in an arm’s length transaction.

Interest accrued on financial assets at amortized cost is recognized in the consolidated statement of profit or loss using the effective interest method. Amortized cost is the initial cost less principal repayments less any expected loss allowance. The Group recognizes impairment allowances for the risk of default. Specifically, it calculates those allowances for its customer portfolio using the expected credit loss model.

Financial assets are derecognized when the contractual rights to the related cash flows have expired or when the risks and rewards incidental to ownership of the asset have been substantially transferred. In contrast, the Group does not derecognize financial asset transfers in which it retains substantially all the risks and rewards of ownership, recognizing instead a financial liability in the amount of any consideration received.

Financial liabilities

The Group companies' financial liabilities are mainly held-to-maturity financial liabilities, which are measured at amortized cost. The financial liabilities held by the Group companies are classified as follows:

1. Bank and other loans: loans obtained from banks and other lenders are recognized at the amount received, net of directly attributable transaction costs. They are subsequently carried at amortized cost. Finance costs are recognized on an accrual basis in the consolidated statement of profit or loss using the effective interest method and are added to the carrying amount of the financial liability to the extent they are not settled in the year in which they accrue.

2. Trade and other accounts payable: trade payables are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest method.

The Group derecognizes financial liabilities when the related obligation is discharged or cancelled or expires.

4.9 Hedge accounting

The Group uses derivatives to hedge the risks to which its activities, operations and projected cash flows expose it. The main risk derives from exposure to changes in exchange rates and interest rates. To hedge the transactions which expose it to these risk factors, the Group arranges financial derivatives.

The Group is party to certain derivatives that although arranged mainly for hedging purposes do not quality for hedge accounting. The effects of recognizing those instruments at fair value are recognized directly in profit or loss in 2019 and 2018 (notes 10 and 25).

Derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives only when their economic risks and characteristics are not closely related to those of the host contract and the hybrid contract is not measured at fair value with changes in fair value recognized in other comprehensive income.

The fair value of the various derivatives arranged is calculated using the valuation techniques described in note 4.10 below.

4.10 Fair value measurement: valuation techniques and assumptions

The Group determines the fair value of its financial assets and liabilities as follows:

- The fair values of financial assets and liabilities with standard terms and conditions that are traded on active, liquid markets are determined by reference to quoted prices.
- The fair value of other financial assets and liabilities (other than derivatives) are determined using generally accepted valuation models on the basis of discounted cash flow analysis, using transaction prices that are observable in the market and quoted prices for similar instruments.
- The fair value of interest rate derivatives is determined by discounting their cash flows using prevailing implicit forward rates. To determine the fair value of its options, the Group uses the Black & Scholes valuation model and its variants, using market volatilities for the options' strike prices and time to expiration.

Subsequent to initial recognition, the Group classifies its financial instruments into a hierarchy, from levels 1 to 3, depending on the extent to which the inputs used are observable.

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

The Group defines the fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability, including own credit risk.

To determine the credit risk adjustment, the Group uses a technique based on the calculation, using simulations, of the total expected exposure (which therefore includes current and potential exposure), adjusted for the probability of default over time and the loss given default assigned to the Group and each of its counterparties. The total expected exposure of derivatives is obtained using observable market inputs such as yield, currency and volatility curves, factoring in market conditions at the measurement date.

The inputs used to determine own credit risk and counterparty credit risk (which in turn determine the probability of default) are mainly based on own credit spreads and the spreads of comparable companies currently traded on the market (CDS curves, yields on bond issues).

The only financial assets and financial liabilities measured at fair value at both year-ends were the Group's financial derivatives (note 10).

4.11 Own equity instruments

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

The equity instruments issued by the Parent are recognized in equity at the amount received net of any issuance costs.

Own shares acquired by the Parent during the year are recognized at the amount of consideration given in exchange and are presented as a deduction from equity. Any gains and losses on the purchase, sale, issuance or cancelation of own equity instruments are recognized in equity.

4.12 Cash and cash equivalents

This heading includes cash and highly-liquid, short-term (less than 3 months) investments that are readily convertible into cash, the value of which is not subject to significant risks. The interest earned on those investments is recognized as income as accrued; any interest outstanding at year-end is added to the cash equivalents balance on the consolidated statement of financial position.

4.13 Inventories

Inventories are initially measured at purchase or production cost. The purchase cost includes the amount invoiced by the seller, net of any trade discounts received and the amount of any financing component included in nominal prices, plus any additional expenses incurred in bringing the inventories to their present location and condition and others directly attributable to their purchase.

Inventory production cost includes the cost of purchasing the raw materials and other consumables directly related with the units produced and a portion of the fixed and variable production overheads incurred during the conversion period, calculated on a systematic basis. Fixed production overheads are allocated on the basis of the higher of normal production capacity or the actual level of production.

Purchases that are returned are deducted from the amount of the corresponding inventories and sales that are returned are added at the purchase or production price attributed to them in accordance with the inventory valuation method used.

Advances received on account of inventories are measured at cost.

The cost of raw materials and other supplies, the cost of goods held for resale and conversion costs are allocated to the various units in stock using the weighted average cost formula. The Group uses a period of one month to value its inventories.

The carrying amount of inventories is written down for impairment when their cost exceeds their net realizable value. For impairment testing purposes, net realizable value is:

1. Raw materials and other supplies: replacement cost. The Group does not recognize an impairment allowance if it expects the finished products in which the impaired raw materials and other supplies will be sold at an amount equivalent to or higher than its production costs;
2. Goods held for resale and finished products: the estimated sale price less the costs necessary to make the sale;
3. Work in progress: the estimated sale price of the corresponding finished products, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Foreign currency transactions and balances

The Group's functional currency is the euro. As a result, transactions denominated in currencies other than the euro are considered foreign currency transactions and are recognized at the exchange rate prevailing on the transaction date.

On the date of each statement of financial position, monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rates prevailing on the reporting date. Any resulting exchange gains or losses are recognized directly in profit or loss.

4.15 Grants

The Group uses the following criteria to account for grants, donations and bequests received:

- Non-repayable grants, donations and bequests received: They are measured at the fair value of the amount or asset awarded, depending on whether or not the grant is a monetary grant; they are recognized as a liability and are reclassified to profit or loss over the periods and in the proportions in which depreciation expense on the related depreciable assets is recognized or, when appropriate, when the asset is derecognized or written down for impairment.
- Repayable grants: They are accounted for as liabilities as long as they qualify for repayment.
- Grants related to income: These grants are credited to income when awarded unless they are earmarked to offset future operating losses, in which case they are recognized in the years the losses are realized. If they are granted to finance specific expenses, they are recognized in profit or loss in the same period as the related expenses.

4.16 Employee commitments

Provision for retirement bonuses

Pursuant to the collective bargaining agreements in effect in its various workplaces, the Group is obliged to pay a special bonus to employees when they take early retirement (between the ages of 59 and 64), which is set on the basis of the age at retirement. Those obligations have been externalized through insurance policies; the corresponding insurance premium is expensed annually. The amount expensed in this connection was not material in either 2019 or 2018.

Long-service bonus

Pursuant to the collective bargaining agreements in effect in its various workplaces, the Group is obliged to pay a special bonus to employees who have worked for it for a specific length of time. Those obligations cannot be externalized but can be provided for. The Group has recognized the corresponding provision under "Provisions" on the accompanying consolidated statement of financial position.

The main assumptions used to calculate that provision in 2019 were the following:

- Discount date: December 31, 2019
- Mortality table PERM/F 2000p.

- Disability rate: N/A
- Turnover rate: N/A
- Wage growth: 1%.
- Technical interest rate: 0.24%, based on the market yields on highly creditworthy corporate bonds or notes and the duration of the commitments assumed.

Other obligations

In keeping with Italian legislation, Carapelli Firenze, S.p.A., has provided for one month's pay per year worked for all of its employees. That obligation is payable when an employee leaves its employment, whether voluntarily or involuntarily. Application of IAS 19 to this obligation had a negative impact of approximately 143 thousand euros in 2019 (2018: a positive impact of 44 thousand euros), which was recognized under "Valuation adjustments" in equity.

The main assumptions used to calculate that provision in 2019 were the following:

- Discount date: December 31, 2019
- Mortality table: RG48 mortality table.
- Disability rate: Different table by age and gender.
- Employee turnover rate: 4%.
- Discount rate: 0.62%.
- Growth in severance pay (TFR): 2.4%.
- Early retirement rate: 3%.
- Inflation rate 1.20%.

At December 31, 2019, to cover the cost of these and the other employee obligations outlined, the Group had recognized provisions of approximately 2,030 thousand euros (year-end 2018: approximately 2,415 thousand euros) within "Other non-current liabilities" in the accompanying consolidated statement of financial position.

Termination benefits

The termination benefits payable as a result of the Group's decision to terminate employment before the normal retirement date are recognized when the Group is demonstrably committed to terminating the employment relationship in accordance with a detailed formal plan for which there is no realistic possibility of withdrawal or modification.

At year-end 2019, the Group had recognized provisions for termination benefits of 286 thousand euros (year-end 2018: 751 thousand euros).

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

On June 5, 2017, the Parent's Board of Directors approved a remuneration scheme which consists of the allocation of a specific number of rights to its beneficiaries which in turn entitle the latter to receive a certain amount of remuneration depending on the price at which the Parent's majority shareholder sells the Company shares it currently holds.

That scheme took effect on June 5, 2017 and will end when the Parent's majority shareholder sells its shareholding in the Company. As stipulated in the plan terms and conditions, for the scheme to be effective, each beneficiary has to expressly agree to the terms and conditions; they did so in 2018.

The beneficiaries are the members of the management team of the Company and its Group companies, as stipulated by the Board of Directors at the recommendation of its Appointments and Remuneration Committee.

The Group did not recognize any amounts in connection with the scheme in 2019 or 2018 as the vesting terms had not been met.

Long-term variable remuneration ("Long-term bonus plan")

On May 31, 2019, the Company's Appointments and Remuneration Committee approved a special bonus scheme for certain employees; the bonuses will accrue annually depending on the level of delivery of annual targets and two payment events in years 3 and 5 from its date of effectiveness, so long as the employees remain in the Company's employment on the payment dates.

The Group recognized 1,612 thousand euros of employee benefits expense in connection with this scheme in 2019.

4.17 Provisions and contingencies

In drawing up the consolidated financial statements, the Parent's directors distinguish between:

- Provisions: liabilities recognized to cover a present obligation arising from past events, of uncertain timing and/or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits.
- Contingent liabilities: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

The consolidated financial statements recognize all provisions in respect of which it is considered probable that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

Provisions are measured at the present value of the best estimate of the expenditure required to settle or transfer the present obligation based on information available concerning the obligating event and its consequences; changes in the provision's carrying amount arising from discounting are recognized as finance cost as accrued.

The compensation to be received from a third party when an obligation is settled is recognized as a separate asset so long as it is virtually certain that the reimbursement will be received, unless the risk has been contractually externalized so that the Group is legally exempt from having to settle, in which case the reimbursement is taken into consideration in estimating the amount of the provision, if any.

4.18 Revenue recognition

Income and expenses are recognized on an accrual basis, i.e., when earned or incurred, respectively, regardless of when actual collection or payment occurs. Revenue is measured at the fair value of the consideration received, less discounts and taxes.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when 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 recognized by reference to the stage of completion of the transaction at the reporting date, whenever the outcome of the transaction can be estimated reliably.

Interest income on financial assets is recognized using the effective interest rate method; dividends are recognized when the shareholder's right to receive them is established. Interest and dividend income accrued on financial assets after their date of acquisition is recognized as revenue in the consolidated statement of profit or loss.

4.19 Income tax

The Parent has been paying its tax under the special tax consolidation scheme regulated by Chapter VII, Title VII of the consolidated text of Spain's Corporate Income Tax Act (enacted by Royal Decree-Law 4/2004), since January 2011, having duly informed the tax authorities of this decision.

The companies comprising its tax consolidation group are:

- 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.
- Cogeneración de Andújar, S.A.
- Cetro Aceitunas, S.A.

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

Current tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for the year. In addition to withholdings and payments on account, current tax is reduced by the application of unused tax credits and unused tax losses.

Deferred tax expense or income corresponds to the recognition and derecognition of deferred tax assets and liabilities. These include taxable and deductible temporary differences between the carrying amount of an asset or liability and its tax base, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except to the extent they arise from the initial recognition of goodwill whose amortization is not deductible for tax purposes or the initial recognition of another asset or liability in a transaction that affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets, meanwhile, are only recognized for deductible temporary differences to the extent that it is probable that the consolidated entities will generate sufficient taxable profit against which the deductible temporary differences can be utilized and so long as the deferred tax asset does not arise as a result of the initial recognition of an asset or liability in a transaction that does not affect either accounting profit or taxable income (tax loss). Any other deferred tax assets (unused tax losses and unused tax credits) are only recognized to the extent that it is probable that the consolidated entities will generate sufficient taxable profit in the future against which these assets can be utilized.

At each year-end, management reassesses the deferred tax assets recognized and their carrying amount is reduced if there are any doubts about their recoverability. Similarly, at the end of each reporting period, management reassesses unrecognized deferred tax assets, recognizing a previously unrecognized deferred tax asset to the extent that it has become probable that taxable profit will be available against which the asset can be utilized.

4.20 Distinction between current and non-current

The Group classifies assets and liabilities expected to be realized or settled within 12 months after the reporting date within current assets and liabilities on its consolidated statement of financial position; all other assets and liabilities are classified as non-current.

4.21 Environmental assets and liabilities

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognized as other operating expenses in the period in which they are incurred.

Items of property, plant and equipment acquired for the purpose of sustained use in its business operations whose main purpose is to minimize environmental damage and/or enhance environmental protection, including the reduction and elimination of future pollution from the Group's activities, are recognized as assets, applying the measurement, presentation and disclosure criteria described in Note 4.3.

4.22 Earnings per share:

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary Parent shares outstanding during the year (not including the average number of Parent shares held as treasury stock by the Group companies).

4.23 Consolidated statement of cash flows

The following terms and definitions are used in the consolidated statement of cash flows, prepared using the indirect method:

1. Cash flows: inflows and outflows of cash and cash equivalents, the latter understood as short-term, investments which 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 equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group.

5. Non-current assets held for sale and discontinued operations

The breakdown of the assets and liabilities included under 'Non-current assets held for sale' and 'Liabilities associated with non-current assets held for sale' and the reconciliation of the opening and closing balances in 2019 and 2018:

2019

	Thousands of euros					
	Opening balance	Additions and charges	Derecognitions and reversals	Investment property transfers (notes 8 & 13)	Translation differences	Closing balance
Assets:						
Property, plant and equipment	9,793	-	-	36,203	2	45,998
Investment properties	634	-	(21)	641	-	1,254
Deferred tax assets	1,449	-	-	3,093	-	4,542
Asset impairment	(6,622)	-	-	(25,462)	-	(32,084)
Total assets	**5,254**	**-**	**(21)**	**14,475**	**2**	**19,710**
Liabilities:						
Other non-current liabilities	(400)	-	-	-	-	(400)
Total liabilities	**(400)**	**-**	**-**	**-**	**-**	**(400)**
Net assets	**4,854**	**-**	**(21)**	**14,475**	**2**	**19,310**

2018

	Thousands of euros						
	Opening balance	Additions and charges	Derecognitions and reversals	Investment property transfers (note 7)	Other transfers	Translation differences	Closing balance
Assets:							
Property, plant and equipment	10,287	-	(3,781)	1,955	1,330	2	9,793
Investment properties	1,964	-	-	-	(1,330)	-	634
Deferred tax assets	1,830	276	(657)	-	-	-	1,449
Asset impairment	(8,698)	(1,105)	3,181	-	-	-	(6,622)
Total assets	**5,383**	**(829)**	**(1,257)**	**1,955**	**-**	**2**	**5,254**
Liabilities:							
Other non-current liabilities	(400)	-	-	-	-	-	(400)
Total liabilities	**(400)**	**-**	**-**	**-**	**-**	**-**	**(400)**
Net assets	**4,983**	**(829)**	**(1,257)**	**1,955**	**-**	**2**	**4,854**

The main movements under non-current assets held for sale in 2019:

(i) The following assets were transferred from investment properties to non-current assets held for sale (note 8):

- The Inveruno factory in Milan, which had been rented out for the last three years, at its carrying amount of 11,064 thousand euros. The corresponding deferred tax asset recognized in prior years, of 3,093 thousand euros, was also transferred (note 13.3).
- Land in Chinchón (Madrid), at its carrying amount of 318 thousand euros.

(ii) The Group sold two garages in Villarejo de Salvanés for 7 thousand euros, recognizing a loss of 14 thousand euros under "Other operating expenses" in the 2019 consolidated statement of profit or loss.

Non-current assets held for sale" break down as follows:

	Thousands of euros	
	2019	**2018**
Voghera factory (Italy)	3,673	3,673
Refinery plant in Alcolea	1,126	1,126
Apartments in Villarejo de Salvanés	398	419
Land in Mexico	38	36
Inveruno factory (Italy)	14,157	-
Land in Chinchón	318	-
	19,710	**5,254**

The Group is actively pursuing the sale of the above-listed assets and the Parent's directors believe the sales will close within 12 months after the reporting date. These assets meet the accounting requirements for classification as non-current assets held for sale.

6. Intangible assets and goodwill

The year-end breakdown and the reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018:

2019

	Thousands of euros			
	Opening balance	Additions and charges	Other movements	Closing balance
Intangible assets:				
Cost:				
Trademarks and usage rights	898,661	-	-	898,661
Other intangible assets	85,867	-	-	85,867
Software and other	17,464	334	-	17,798
	1,001,992	**334**	**-**	**1,002,326**
Accumulated amortization:				
Trademarks and usage rights	(32,975)	(2,572)	8,092	(27,455)
Other intangible assets	(43,483)	(4,212)	-	(47,695)
Software and other	(15,108)	(912)	-	(16,020)
	(91,566)	**(7,696)**	**8,092**	**(91,170)**
Impairment recognized				
Trademarks and usage rights	(469,769)	10,966	(8,092)	(466,895)
	(469,769)	**10,966**	**(8,092)**	**(466,895)**
Carrying amount:				
Trademarks and usage rights	395,917	8,394	-	404,311
Other intangible assets	42,384	(4,212)	-	38,172
Software and other	2,356	(578)	-	1,778
Carrying amount of intangible assets	**440,657**	**3,604**	**-**	**444,261**
Goodwill:				
Cost	220,218	-	-	220,218
Impairment	(198,501)	-	-	(198,501)
Carrying amount of goodwill	**21,717**	**-**	**-**	**21,717**

2018

	Thousands of euros			
	Opening balance	Additions and charges	Derecognitions	Closing balance
Intangible assets:				
Cost:				
Trademarks and usage rights	898,661	-	-	898,661
Other intangible assets	85,867	-	-	85,867
Software and other	17,447	589	(572)	17,464
	1,001,975	**589**	**(572)**	**1,001,992**
Accumulated amortization:				
Trademarks and usage rights	(26,697)	(6,278)	-	(32,975)
Other intangible assets	(39,271)	(4,212)	-	(43,483)
Software and other	(14,804)	(876)	572	(15,108)
	(80,772)	**(11,366)**	**572**	**(91,566)**
Impairment recognized				
Trademarks and usage rights	(216,654)	(253,115)	-	(469,769)
	(216,654)	**(253,115)**	**-**	**(469,769)**
Carrying amount:				
Trademarks and usage rights	655,310	(259,393)	-	395,917
Other intangible assets	46,596	(4,212)	-	42,384
Software and other	2,643	(287)	-	2,356
Carrying amount of intangible assets	**704,549**	**(263,892)**	**-**	**440,657**
Goodwill:				
Cost	220,218	-	-	220,218
Impairment	(155,437)	(43,064)	-	(198,501)
Carrying amount of goodwill	**64,781**	**(43,064)**	**-**	**21,717**

The breakdown of the original cost of the Group's fully-amortized intangible assets still in use at year-end is provided below:

	Thousands of euros	
	2019	**2018**
Software	12,973	12,897
	12,973	**12,897**

6.1 Software

This heading mainly comprises software and computer programs.

The additions recognized during the year correspond mainly to the acquisition and development of computer programs designed to enhance the efficiency of certain processes.

6.2 Trademarks, usage rights and other intangible assets

'Trademarks' and 'Other intangible assets' within 'Intangible assets' in the consolidated statement of financial position mainly recognize the fair value of the Group's various trademarks, valued as a result of purchase price allocations performed during the business combinations pursued by the Group or directly in the case of those acquired directly. Specifically, this heading reflects the value ascribed to the Group's commercial trademarks, the most important being its olive oil brands (Carbonell, Koipe, Hojiblanca, Carapelli and Sasso) and its seed oil brands (Koipesol and Friol); it also reflects the right to use ('usage rights') the Bertolli trademark in the vegetable oil and vinegar businesses (note 4.5).

The breakdown of the Group's trademarks and other intangible assets by cash-generating unit:

	Thousands of euros	
	2019	**2018 (*)**
Cash-generating unit:		
Spain	77,174	67,690
Italy	45,364	37,897
Northern Europe	56,222	28,776
North America	185,425	203,647
International Markets	78,298	100,291
	442,483	**438,301**

(*) In 2018, the Spanish and Italian CGUs were combined into the 'Southern European' CGU.

The Parent's directors have classified the Group's trademarks as having indefinite useful lives except for four, whose gross carrying amount is approximately 125,655 thousand euros, which are being amortized on a straight-line basis over an estimated useful life of 20 years. The amortization charge recognized in the 2019 consolidated statement of profit or loss amounted to 2,572 thousand euros (2018: 6,278 thousand euros).

As indicated in note 4.5, in 2019, the Parent's directors tested its assets for impairment. That process indicated the need to reverse previously recognized impairment losses on trademarks and usage rights by a net 10,966 thousand euros (impairment losses of 253,115 thousand euros were recognized in 2018, 21,251 thousand euros of which in the first half of 2018 and 231,864 thousand euros in the second half). The reversal was recognized in "Other operating income" in the accompanying 2019 consolidated statement of profit or loss (note 22).

Elsewhere, certain trademarks, which are mainly assigned to the Spanish CGU, with a carrying amount of 104,797 thousand euros (year-end 2018: 100,079 thousand euros), have been pledged as part of the guarantees extended by the Parent under the loan agreement entered into on June 13, 2014 between Deoleo, S.A. and Deoleo USA, Inc., as borrowers, and several lenders (note 17).

6.3 Goodwill

The breakdown of goodwill by the cash-generating units to which it has been assigned is provided in the table below:

	Thousands of euros	
	2019	**2018**
Cash-generating unit:		
International Markets	14,805	14,805
Operations	6,912	6,912
	21,717	**21,717**

As indicated in note 4.5, in 2019, the Parent's directors tested its assets for impairment. That process did not indicate the need to recognize any additional goodwill impairment (impairment losses of 43,064 thousand euros were recognized in 2018, 25,489 thousand euros of which in the first half of 2018 and 17,575 thousand euros in the second half).

Goodwill is tested for impairment at least annually, following the methodology outlined in note 4.5.

7. Property, plant and equipment

The year-end breakdown and the reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018:

2019

	Thousands of euros							
	Opening balance	Restatement for first-time application of IFRS 16 (note 2.2)	Restated opening balance	Additions and charges	Derecognitions and reversals	Other transfers	Translation differences	Closing balance
Cost:								
Land and buildings	70,128	1,938	72,066	488	(1,237)	634	-	71,951
Plant and machinery	52,341	433	52,774	2,111	(140)	1,523	-	56,268
Other fixtures, tools and furniture	7,450	-	7,450	52	-	22	4	7,528
Computer equipment	2,202	-	2,202	36	-		1	2,239
Vehicles	564	910	1,474	765	-	-	-	2,239
Other items of PP&E	237	-	237	-	-	-	-	237
Prepayments and PP&E in progress	1,090	-	1,090	2,194	-	(2,183)	-	1,101
	134,012	**3,281**	**137,293**	**5,646**	**(1,377)**	**(4)**	**5**	**141,563**
Accumulated depreciation:								
Buildings	(26,152)	-	(26,152)	(1,796)	601	15	-	(27,332)
Plant and machinery	(33,060)	-	(33,060)	(2,939)	140	-	-	(35,859)
Other fixtures, tools and furniture	(6,640)	-	(6,640)	(200)	-	-	-	(6,840)
Computer equipment	(1,312)	-	(1,312)	(159)	-	-	-	(1,471)
Vehicles	(296)	-	(296)	(508)	-	-	-	(804)
Other items of PP&E	(181)	-	(181)	-	-	-	-	(181)
	(67,641)	**-**	**(67,641)**	**(5,602)**	**741**	**15**	**-**	**(72,487)**
Accumulated impairment:								
Land and buildings	(9,755)	-	(9,755)	-	405	-	-	(9,350)
Plant and machinery	(384)	-	(384)	-	-	(11)	-	(395)
	(10,139)	**-**	**(10,139)**	**-**	405	(11)	**-**	**(9,745)**
Carrying amount	**56,232**	**3,281**	**59,513**	**44**	**(231)**	**-**	**5**	**59,331**

2018

	Thousands of euros							
	Opening balance	Additions and charges	Derecognitions and reversals	Transfers to non-current assets held for sale (note 5)	Transfers to investment property (note 8)	Other transfers	Translation differences	Closing balance
Cost:								
Land and buildings	72,615	49	(79)	(2,538)	-	81	-	70,128
Plant and machinery	62,077	1,195	(1,308)	(12,183)	(23)	2,583	-	52,341
Other fixtures, tools and furniture	7,515	44	(103)	(34)	-	11	17	7,450
Computer equipment	2,161	36	(19)	-	-	27	(3)	2,202
Vehicles	564	-	-	-	-	-	-	564
Other items of PP&E	199	38	-	-	-	-	-	237
Prepayments and PP&E in progress	1,781	2,011	-	-	-	(2,702)	-	1,090
	146,912	**3,373**	**(1,509)**	**(14,755)**	**(23)**	**-**	**14**	**134,012**
Accumulated depreciation:								
Buildings	(27,340)	(1,130)	20	2,298	-	-	-	(26,152)
Plant and machinery	(41,980)	(2,903)	1,355	10,468	-	-	-	(33,060)
Other fixtures, tools and furniture	(6,461)	(312)	103	34	-	-	(4)	(6,640)
Computer equipment	(1,170)	(157)	17	-	-	-	(2)	(1,312)
Vehicles	(294)	(2)	-	-	-	-	-	(296)
Other items of PP&E	(167)	(14)	-	-	-	-	-	(181)
	(77,412)	**(4,518)**	**1,495**	**12,800**	**-**	**-**	**(6)**	**(67,641)**
Accumulated impairment:								
Land and buildings	(9,571)	(184)	-	-	-	-	-	(9,755)
Plant and machinery	-	(384)	-	-	-	-	-	(384)
	(9,571)	**(568)**	**-**	**-**	**-**	**-**	**-**	**(10,139)**
Carrying amount	**59,929**	**(1,713)**	**(14)**	**(1,955)**	**(23)**	**-**	**8**	**56,232**

7.1 Additions, transfers and derecognitions

Capital expenditure amounted to approximately €5.6 million euros in 2019 and was earmarked mainly to modernizing and upgrading the facilities and equipment at the Alcolea and Tavarnelle factories.

In 2019, the Group disposed of items of property, plant and equipment with a carrying amount of 231 thousand euros (2018: 14 thousand euros), generating a gain of 19 thousand euros (note 22) and a loss of 86 thousand euros (note 24) (2018: gain of 784 thousand euros and loss of 568 thousand euros).

7.2 Fully-depreciated assets

The original cost of the items of property, plant and equipment, non-current assets held for sale (note 5) and investment properties (note 8) that were fully depreciated and still in use at December 31, 2019 and 2018 is provided below:

	Thousands of euros	
	2019	**2018**
Buildings	9,667	7,658
Plant and machinery	84,478	82,567
Other fixtures, tools and furniture	15,466	15,325
	109,611	**105,550**

7.3 Other disclosures

It is Group policy to take out the insurance policies necessary to cover the potential risks to which the various items of its property, plant, and equipment are exposed. The Parent's directors believe that the coverage existing at both year-ends is sufficient to cover those risks.

8. Investment properties

The reconciliation of 'Investment properties' at the beginning and end of 2019 and 2018:

	Thousands of euros
Balance at December 31, 2017	**11,618**
Depreciation charge	(1,591)
Transfers to PP&E	23
Reversal of impairment	1,452
Balance at December 31, 2018	**11,502**
Depreciation charge	(1,281)
Reversal of impairment (note 22)	1,161
Transferred to non-current assets held for sale (note 5)	(11,382)
Balance at December 31, 2019	**-**

The impairment losses reversed in 2019 and 2018 stem from the directors' assessment of the value of the assets at the Inveruno factory (Italy), underpinned by their best estimate of their recoverable amount using the criteria outlined in note 4.4.

In December 2019, the Group decided to put the Inveruno factory in Milan, which it had been renting out for the last three years, up for sale. As a result, that asset has been reclassified, at its carrying amount of 11,064 thousand euros, to 'Non-current assets held for sale'. In addition, the Group reclassified land in Chinchón (Madrid), with a carrying amount of 318 thousand euros, to 'Non-current assets held for sale' (note 5).

The breakdown of the fully depreciated investment properties still in use at year-end is provided in note 7.

The breakdown of 'Investment properties' at year-end 2018:

	Thousands of euros
	Carrying amount
Land in Chinchón	318
Inveruno factory property (Italy)	11,184
	11,502

9. Financial assets

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Non-current:		
Available-for-sale financial assets:		
Measured at cost	228	228
Other financial assets	9,742	9,865
	9,970	**10,093**
Current:		
Derivative financial instruments (note 11)	80	54
Held-to-maturity investments	8,299	6,289
Other financial assets	1,181	1,880
	9,560	**8,223**

The non-current balance of "Other financial assets" includes long-term security and other deposits. The main items at both year-ends were: (i) payments in the amount of 4,999 thousand euros made by Carapelli Firenze, S.p.A. in prior years in connection with customs inspections (note 13.5); and (ii) a 3,921 thousand euro deposit in connection with the request that Cogeneración de Andújar, S.A. return the grant awarded by the energy authority of Andalusia, which has been appealed by the Group (note 20).

'Held-to-maturity investments' correspond to fixed-term deposits with maturities of between 3 and 12 months.

Within current assets, 'Other financial assets' mainly includes the balance pending collection - 900 thousand euros - from the sale of the factories and facilities of Deoleo Industrial México, S.A. de C.V. in 2017.

Note that fair values of the financial assets carried at amortized cost do not differ significantly from their carrying amount.

10. Derivative financial instruments

The breakdown of the derivatives included under this consolidated statement of financial position heading at year-end:

	Thousands of euros			
	2019		2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Current:				
Foreign currency	80	14	54	153
Total recognized derivatives	**80**	**14**	**54**	**153**

All of the derivatives held by the Group at December 31, 2019 are considered hedges but do not qualify for hedge accounting. The impact of the changes in their fair value is recognized in Finance income' in the accompanying consolidated statement of profit or loss in the amount of approximately 164 thousand euros (2018: as an expense of 538 thousand euros under 'Finance costs') (note 25). The adjustment for own and counterparty credit risk at December 31, 2019 was not significant.

10.1 Interest rate derivatives

The Group had no designated hedging relationships at either reporting dates.

10.2 Foreign exchange derivatives

To manage its exposure to exchange rate risk, the Group arranges forward contracts in the currencies of its main business markets.

	Average exchange rate (EUR)		Thousands Foreign currency		Thousands of euros Notional amount		Fair value	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Currency:								
US dollar	1.11	1.17	8,509	9,305	7,637	9,294	80	(145)
Canadian dollar	1.47	1.53	4,405	2,518	3,000	1,657	(14)	46
					10,637	**10,951**	**66**	**(99)**

The notional amount of all of the forward currency agreements in existence at December 31, 2019 was approximately 10,637 thousand euros (year-end 2018: 10,951 thousand euros); they were arranged to hedge payments and collections arising in the course of the Group's business operations and/or financial commitments assumed.

The Group hedges its business transactions as a function of the estimated timing of its payments and collections. As a result, all forward agreements settle within less than one year.

The fair value of the forward contracts was estimated by comparing the exchange rates secured via the contracts with the market rates corresponding to the date of settlement of each transaction using data obtained from public sources and/or specialist information providers.

The impact of a 1% movement in the EUR/USD exchange rate, in either direction, on the value of the hedges at year-end 2019 would be 1%, as they are not leveraged. The overall impact, factoring in the hedged items, would be neutral.

11. Inventories

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Goods held for resale	1,660	866
Raw materials and other goods held for conversion	22,164	24,514
Work in progress	7,638	10,036
Finished goods	54,933	59,239
	86,395	94,655
Provision for inventory impairment	(3,216)	(1,872)
	83,179	**92,783**

Set out below is the movement in the allowance for inventory impairment in 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Opening balance	**1,872**	**1,993**
Additions (note 24)	2,958	1,564
Amounts used	(236)	(227)
Reversals (note 22)	(1,383)	(1,485)
Translation differences	5	27
Closing balance	**3,216**	**1,872**

At December 31, 2019, the Group was contractually committed to the purchase of approximately 30,677 thousand euros of inventories (approximately 21,709 thousand euros at December 31, 2018).

The Group has arranged insurance it deems sufficient to cover its exposure to inventory-related risk.

12. Trade and other receivables

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Trade receivables	57,126	80,391
Other accounts receivable	15,221	261,279
Prepayments to suppliers	380	742
Receivable from employees	35	35
Taxes receivable (note 13)	14,699	10,301
Provision for impairment	(21,940)	(286,196)
	65,521	**66,552**

12.1 Trade receivables

This heading mainly comprises the balances pending collection from sales made by the Group to third parties in the ordinary course of its business.

The ageing analysis of the receivables past due at December 31, 2019 and 2018:

	Thousands of euros	
	2019	**2018**
By less than 30 days	8,467	14,599
By 31 to 60 days	3,082	3,804
By 61 to 120 days	2,476	2,634
By over 120 days	913	1,210
	14,939	**22,247**

12.2. Other accounts receivable

'Other accounts receivable' at year-end 2018 included approximately 250 million euros corresponding to balances due from companies related to the Parent's former directors; those balances were fully written down for impairment. In 2009, the Group embarked on the process of recovering the sums drawn down by those debtor companies by taking lawsuits against the former directors.

As detailed in note 19.2, on February 14, 2020, the date scheduled for the hearing for the corresponding criminal proceedings, a series of agreements were reached with all of the individuals and entities that were party to the various criminal and civil suits by virtue of which the Group has assured the collection of an estimated 10.7 million euros (net). The agreements also put an end to all of the outstanding court proceedings related with the Company's former management and all of the claims that had been presented against the Company have been withdrawn.

As a result, the Group recognized 10.7 million euros of income under 'Other operating income' in the 2019 consolidated statement of profit or loss (note 12.4).

12.3 Transfer of financial assets

At year-end 2019, the Group had multiple receivables discounting lines with an aggregate limit of 57,000 thousand euros (year-end 2018: 78,000 thousand euros), which were drawn down by 27,036 thousand euros (year-end 2018: 28,193 thousand euros). As part of its financial risk management effort, the Group evaluates whether those agreements imply the transfer of substantially all of the risks and rewards incidental to ownership of the financial assets transferred.

Where it retains the contractual rights to receive the cash flows, the Group only derecognizes a financial assets if it is contractually obliged to pay those flows to one or more recipients and the following conditions are also met:

- Payment of the cash flows is conditional upon prior collection thereof.
- The Group cannot sell or pledge the financial assets.
- The cash flows collected on behalf of the eventual recipients are remitted without significant delay.

Based on that analysis, the Group had derecognized 11,105 thousand euros of qualifying transferred financial at year-end 2019 (year-end 2018: 11,259 thousand euros), thus continuing to recognize the sum of 15,931 thousand euros under 'Current financial borrowings - Current bank borrowings' in this respect (year-end 2018: 15,840 thousand euros) (note 17.3).

12.4 Provision for impairment

Set out below is the movement in the allowance for receivables impairment in 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Opening balance	**286,196**	**285,585**
Charge for initial application of IFRS 9	-	296
Restated balance at January 1	**286,196**	**285,881**
Additions (note 24)	385	815
Amounts used	(252,874)	(480)
Amounts recovered (note 22)	(11,780)	(32)
Translation differences	13	12
Balance at December 31	**21,940**	**286,196**

As detailed in note 12.2, the Group has reached a series of agreements in relation to the balances receivable from companies related to the Company's former directors, which had been fully written down for impairment, thanks to which it will recover an estimated 10.7 million euros, to which end it has definitively written off 252.9 million euros.

Credit risk with respect to trade receivables is not significantly concentrated, as the Group has a large number of internationally dispersed customers.

13. Tax matters

13.1 Tax receivable from | payable to the authorities

The breakdown of the tax payable to and receivable from the tax authorities at year-end 2019 and 2018:

	Thousands of euros	
Receivable	**2019**	**2018**
Non-current:		
Deferred tax assets	45,679	43,240
	45,679	**43,240**
Current:		
Current tax assets	1,839	2,791
Taxes receivable from the authorities:		
VAT	13,994	9,673
Corporate income tax in respect of prior years	19	398
Other taxes	668	217
Social security receivable	18	13
	16,538	**13,092**

	Thousands of euros	
Payable	**2019**	**2018**
Non-current:		
Deferred tax liabilities	94,175	85,305
	94,175	**85,305**
Current:		
Current tax liabilities	1,109	491
Social security payable	842	784
Taxes payable to the authorities:		
VAT	418	266
Withholdings	1,045	1,268
Other taxes	670	71
	4,084	**2,880**

13.2 Reconciliation of accounting profit to taxable income and tax expense

The corporate income tax of each of the consolidated entities is calculated on the basis of their accounting profit (loss), which need not necessarily coincide with taxable profit (tax loss).

The breakdown of income tax expense/(tax income) is as follows:

	Thousands of euros	
	2019	**2018**
Current tax for the year	2,120	4,281
Adjustment in respect of prior years	(410)	(289)
Deferred tax:		
Origination and reversal of temporary differences	3,393	(44,685)
Total tax expense/(income)	**5,103**	**(40,693)**

The reconciliation between the effective average tax rate and the statutory rate and between tax expense and accounting profit for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Profit/(loss) before tax	**(5,503)**	**(331,758)**
Hypothetical tax income at Parent's statutory income tax rate	(1,376)	(82,940)
Effect of different tax rates of entities residing outside of Spain	467	3,683
Non-deductible expenses for tax purposes (net)	15,959	19,957
Restatement of deferred tax assets and liabilities	(9,537)	18,896
Adjustments in respect of prior years	(410)	(289)
Income tax expense/(income)	**5,103**	**(40,693)**

Spanish Royal Decree-Law 3/2016 modified the tax regime governing impairment losses recognized on equity investees. Following the modification, tax payers must revert the higher of the following two quantities: (i) the straight-line reversal over a period of five years of impairment losses on investees that were deductible for tax purposes and recognized in tax periods prior to 2013; and (ii) the amount of reversal arising from the recovery of own funds from the corresponding subsidiary. All of which unless the equity securities are sold within the above-mentioned period, in which case the amounts pending reversal have to be added to taxable income for the tax period in which the sale occurs, up to the limit of the gain derived from the sale transaction. In 2019, the reversal of impairment losses on investees implied the addition of 10,895 thousand euros to taxable income, leaving 10,895 thousand euros pending reversal in 2020.

In addition, non-deductible expenses in the table above includes, in addition to other minor adjustments (net), temporary differences not capitalized in 2019, originating primarily from the limit on the deductibility of finance costs, which has a particular impact on the Parent, in the amount of approximately 21,053 thousand euros (2018: 5,974 thousand euros).

13.3 Deferred tax assets and liabilities

The reconciliation of the opening and closing balances of deferred tax assets and liabilities recognized on the consolidated statement of financial position:

2019

	Thousands of euros					
		Recognized in profit or loss				
	Opening balance	Increases	Decreases	Transfers and other (note 5)	Translation differences	Closing balance
Assets:						
Unused tax losses	11,150	1,180	(5,657)	-	23	6,696
Unused tax credits	19,858	-	(11,531)	-	5	8,332
Rights deriving from the limit on finance expense deductions	-	22,331	-	-	-	22,331
Other items	12,232	2,543	(3,389)	(3,093)	27	8,320
	43,240	**26,054**	**(20,577)**	**(3,093)**	**55**	**45,679**
Liabilities:						
Trademarks and other intangible assets	82,473	9,064	-	(277)	-	91,260
PP&E and other items	2,832	26	(220)	277	-	2,915
	85,305	**9,090**	**(220)**	**-**	**-**	**94,175**

2018

	Thousands of euros					
		Recognized in profit or loss				
	Opening balance	Increases	Decreases	Transfers and other	Translation differences	Closing balance
Assets:						
Unused tax losses	17,114	384	(6,284)	(78)	14	11,150
Tax credits capitalized	28,191	179	(8,517)	-	5	19,858
Other items	10,721	3,593	(2,228)	78	68	12,232
	56,026	**4,156**	**(17,029)**	**-**	**87**	**43,240**
Liabilities:						
Trademarks and other intangible assets	140,642	493	(58,662)	-	-	82,473
PP&E and other items	3,183	17	(368)	-	-	2,832
	143,825	**510**	**(59,030)**	**-**	**-**	**85,305**

As a result of the Group's new business plans, as indicated in note 4.5, and the corporate transactions planned as part of the restructuring of its syndicated debt, outlined in note 2.7, at year-end 2019, the Parent once again tested the recoverability of the tax assets recognized in relation to unused tax losses, unused tax credit and the limits imposed on the deductibility of finance costs: it estimated their recoverable amounts at 4,456 thousand euros, 8,331 thousand euros and 22,331 thousand euros, respectively. As a result, the Parent recognized net income of 6,908 thousand euros (expenses of 4,080 thousand euros and 11,343 thousand euros due to decreases in the recoverable amounts of the assets recognized in connection with unused tax losses and credits, respectively, offset by income of 22,331 thousand euros, following the recognition of the recoverable amount of the asset corresponding to the limits on the deductibility of finance costs) under "Income tax" on the 2019 consolidated statement of profit or loss.

In addition, this heading includes tax assets in respect of the unused tax losses of Carapelli Firenze, S.p.A. and Deoleo Comercial de México, S.A. de C.V. in the amount of 2,079 thousand euros and 172 thousand euros, respectively, and in respect of tax relief at Deoleo USA, Inc. in the amount of 1 thousand euros.

The increases in deferred tax assets under 'Other items' correspond primarily to changes during the year in charges for amortization, depreciation and other provisions for tax and accounting purposes. The decreases in deferred tax assets correspond mainly to the tax impact of the consolidation adjustment made to eliminate the margin on inventories on sales between Group subsidiaries in the amount of 2,371 thousand euros. The amount transferred - 3,093 thousand euros - corresponds to the deferred tax recognized in prior years in connection with the impairment losses recognized on the Inveruno factory, which has been reclassified, along with the factory assets, to 'Non-current assets held for sale' (note 5).

As for deferred tax liabilities, the net decrease corresponds to the difference between the amortization and impairment of trademarks, usage rights and goodwill for accounting and tax purposes. As indicated in note 4.5, the tax impact of the impairment tests conducted on the Group's non-financial assets in 2019 was to increase the deferred tax liabilities associated with its trademarks and usage rights by 6,040 thousand euros.

The years of origination of the unused tax losses and unused tax credits for which tax assets had been recognized at year-end:

Unused tax losses

Year originated	Thousands of euros
2006	1,187
2007	20,840
2008	25,547
2009	415,502
2010	51,782
2011 (*)	41,553
2015 (*)	1,703
2017 (*)	1,640
2018 (*)	16,873
	576,627

(*) Unused tax losses of the tax consolidation group corresponding to Deoleo, S.A.

Unused tax credits

Year originated	Thousands of euros
2009	18,155
2010	1,330
2011	214
2012	3,430
2013	10,547
2014	4,496
2015	175
2016	121
2017	80
2018	10
2019	5
	38,563

In keeping with prevailing tax legislation, the Spanish entities have no time limit for offsetting unused tax losses against taxable income. However, the amount of such tax losses that can ultimately be utilized could change following inspection by the tax authorities of the year(s) in which they were generated.

Note that the above-listed deferred tax assets have been recognized due to the Parent's directors' belief, based on their best estimates, that it is probable that future taxable profit will be available against which the assets can be utilized.

13.4 Deferred tax assets not recognized

The breakdown of the Group's unrecognized deferred tax assets, recalculated at the tax rates at which they are expected to be realized in the case of those subject to the tax rate:

	Thousands of euros	
	2019	**2018**
Deferred tax assets:		
Temporary differences	14,067	13,832
Finance costs	11,756	40,764
Unused tax losses	139,701	135,607
Unused tax credits	30,657	19,656
	196,181	**209,859**

The Group has not recognized the deferred tax assets itemized above (stated at deductible amounts) on the consolidated statement of financial position based on its belief that the probability that it will be able to utilize them in the future is below the required threshold.

13.5 Tax inspections

In 2011 and 2012, Carapelli Firenze, S.p.A. was handed down provisional assessments by the Italian tax authorities in respect of several concepts in the amounts of 9,146 thousand euros and 6,912 thousand euros, respectively. The Group filed the corresponding appeals and has received favorable rulings from courts of first and second instance in both cases. The Italian tax authorities have appealed those rulings. The Parent's directors believe that the Group has valid arguments in support of its defense of the tax treatment used such that the cases will not have any impact on its net assets.

In 2014, the Milan 2 and Pavía customs offices notified Carapelli Firenze, S.p.A. of the commencement of notification proceedings relating to the inward processing system (IPS), whereby all the IPS authorizations and transactions issued from 2010 to 2012 were rendered null and void and seeking payment of 62.3 million euros, including customs duties, VAT, interest and penalties. Of that total, the Group settled 4,999 thousand euros in prior years (note 9) and negotiated the suspension of the payment of the remainder. Between 2015 and 2017, the Group obtained a number of rulings covering all of the amounts sought upholding the appeals filed by the Group and overturning the assessments handed down; those rulings have, however, been appealed. The Group obtained a favorable ruling once again in 2018 but the opposing side appealed again. The Parent's directors believe that the Group has valid arguments in support of its defense of the tax treatment used such that the cases will not have any impact on its net assets.

In addition, in 2014, the Milan 2 customs office notified Carapelli Firenze, S.p.A. of the commencement of notification proceedings relating to the inward processing system (IPS), seeking payment of 2,768 thousand euros. The Group recognized a provision for that amount in prior years on receipt of unfavorable rulings from a court of first instance, which have been appealed. It paid 465 thousand euros in 2016 (charged against the provision) and obtained a payment suspension for the reminder having posted guarantees. The Group obtained a favorable ruling in 2018 but that ruling is again pending an appeal ruling. At December 31, 2019, the provision recognized in respect of this claim stood at 2,303 thousand euros.

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At December 31, 2019, the Parent and its subsidiaries had their tax returns open to inspection for the last four years in respect of all major applicable taxes. Elsewhere, the Parent is party to the following inspections: (i) business tax at Alcolea (2015-2018) and Villarejo de Salvanés (2014-2018); and (ii) at the behest of the Parent, with respect to the tax group's corporate income tax, a review of certain aspects of the 2014 return that were affected by adjustments made in the wake of the general inspection covering 2011-2013. In early 2020, the Group's Canadian subsidiary, Deoleo Canada, Inc., received notification of the start of an inspection of transactions with non-residents between 2015 and 2018.

The Parent's directors consider that all applicable taxes have been duly paid so that even in the event of discrepancies in the interpretation of prevailing tax legislation with respect to the treatment applied, the resulting potential tax liabilities, if any, would not have a material impact on the accompanying financial statements.

14. Cash and cash equivalents

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Cash at bank and in hand	78,628	47,947
	78,628	**47,947**

At December 31, 2019, the Group had pledged approximately 71,184 thousand euros of bank accounts and deposits that were recognized under 'Cash and cash equivalents' and 'Other current financial assets' (year-end 2018: 46,509 thousand euros). In addition, the balance of 'Cash and cash equivalents' pledged as part of the guarantees extended by the Company as part of the loan agreement detailed in note 17 stood at 67,794 thousand euros (year-end 2018: 40,243 thousand euros).

15. Equity

The breakdown and reconciliation of the opening and closing balances of the items comprising Group equity are provided in the consolidated statement of changes in equity.

15.1 Capital

The reconciliation of the Parent's outstanding shares at the beginning and end of 2019 and 2018:

	Number of shares	
	2019	**2018**
Shares - opening balance	**1,404,858,169**	**1,154,677,949**
Issue of shares	-	250,180,220
Shares - closing balance	**1,404,858,169**	**1,404,858,169**

On October 30, 2018, the Parent increased its capital by 25,018,022 euros via the issuance of 250,180,220 shares with a unit par value of 0.10 euros.

At December 31, 2018, the Parent's share capital was represented by 1,404,858,169 shares, each with a par value of 0.10 euros, all of which were fully subscribed and paid and represented by book entries.

On June 3, 2019, the Parent's shareholders, in general meeting, approved a reduction in share capital in the amount of 137,676,100.56 euros by reducing the unit par value of its shares by 0.098 euros in order to restore the equilibrium between the Parent's capital and its equity, eroded by losses, having first applied all of the reserve accounts to offsetting the retained losses. Having taken that measure, Deoleo, S.A. subsequently ceased to meet the grounds for dissolution stipulated in article 363 of the consolidated text of the Corporate Enterprises Act.

Following the above-mentioned capital reduction, at December 31, 2019, the Parent's share capital was represented by 1,404,858,169 shares with a unit par value of 0.002 euros, all fully subscribed and paid and represented by book entries.

Despite that capital reduction, the Parent's equity has continued to diminish, reaching a negative 54,326 thousand euros by year-end 2019, once again technically qualifying the Parent for dissolution under article 363 of the Corporate Enterprises Act.

As outlined in note 2.7, on September 25, 2019, the Group entered into a binding debt restructuring agreement with its syndicate of banks which took effect on September 26, 2019. In terms of the Group's equity position, one of the cornerstones of the agreement is a further reduction of capital to offset losses followed by an equity raise to restore the Parent's equilibrium at the equity level:

The following resolutions were ratified at an Extraordinary General Meeting of the Parent on January 17, 2020:

- A further reduction of capital to offset losses followed by an equity raise to restore Deoleo, S.A.'s equilibrium at the equity level:
    a. It was agreed to reduce share capital in full, to zero, in order to offset retained losses.
    b. Simultaneously, so that the Parent can continue as a going concern, a fresh equity issue was approved; indeed, effectiveness of the capital reduction agreement is contingent upon the capital increase, in keeping with the terms of articles 343 to 345 of the Corporate Enterprises Act. Specifically, the Company will raise up to 50 million euros of new equity in the form of a rights issue. Deoleo, S.A.'s controlling shareholder, Ole Investments, BV, has expressly committed to exercising its preemptive subscription rights and, if necessary, subscribing and paying for additional shares up to a maximum sum of 40 million euros.
- Liquidation of Deoleo Preferentes, S.A. As a result, the holders of the preferred shares (which amounted to 42.25 million euros at December 31, 2019) will have the right to receive a liquidating dividend that may not exceed the liquidating dividend that would have been paid from the assets of Deoleo, S.A. (guarantor on the issue) if the preferred shares had been issued by Deoleo, S.A. In light of the fair value of the assets of Deoleo, S.A. with respect to the total amount of its enforceable liabilities at the time of the transaction's execution, the above-mentioned liquidation dividend has been estimated at zero.

Once the above three transactions have closed, which is expected to take place (subject to possible delays on account of the prevailing state of alarm in Spain) during the second quarter of 2020, Deoleo, S.A. will no longer meet the grounds for dissolution.

The Master Refinancing Agreement was executed with 100% of the Parents' financiers and placed on public record on March 13, 2020; that agreement replaces the original lock-up agreement. Deoleo, S.A. received notification from the Business Court of Cordoba of the requested legal authorization for the Refinancing Agreement on March 20, 2020.

According to the most recent notifications received by the Parent and the notices filed with the Spanish securities market regulator (the CNMV) prior to the end of each reporting period, the Company's significant shareholders at year-end were:

	2019		2018	
Registered name	Shares	Percentage Shareholding	Shares	Percentage Shareholding
CVC Capital Partners VI Limited (1)	792,346,473	56.40%	792,346,473	56.40%
Fundación Bancaria Unicaja (2) (3)	126,145,189	8.98%	126,145,189	8.98%
Caixabank, S.A. (4)	57,618,350	4.10%	57,618,350	4.10%
Bilbao Bizkaia Kutxa Fundación Bancaria (5)	(5)	(5)	55,886,491	3.98%
Daniel Klein (6)	(6)	(6)	34,080,537	2.43%
Mao Holdings (Cayman) Limited	19,350,000	1.38%	19,350,000	1.38%

(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) On January 20, 2020, Fundación Bancaria Unicaja notified the CNMV that its shareholding had fallen below the reporting threshold of 3% of share capital; that shareholder reported an interest of 2.59% on that date.
(4) Through Hiscan Patrimonio, S.A. and Caixabank, S.A.
(5) In December 2019, this shareholder notified the fact that its shareholding had fallen below the 3% reporting threshold and is therefore no longer obliged to disclose its shareholding in the Parent.
(6) Daniel Klein resigned from the Board of Directors in 2019 and is therefore no longer obliged to report his shareholding in the Parent.

The Parent's shares are listed on the Bilbao, Barcelona, Madrid and Valencia stock exchanges and on the continuous electronic market.

The Group's capital management objectives are to safeguard its ability to continue as a going concern in order to generate further returns for its shareholders and benefits for all its 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 leverage ratio. It calculates leverage by dividing net debt by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Thousands of euros	
	2019	**2018**
Non-current bank borrowings (note 17)	510,444	541,302
Current financial borrowings (note 17)	80,922	19,675
Financial liabilities - notes and other marketable securities (note 17)	42,453	42,453
Other non-current financial liabilities (note 17)	2,109	735
Total borrowings	**635,928**	**604,165**
Less: cash and cash equivalents (note 14)	(78,628)	(47,947)
Net debt (a)	**557,300**	**556,218**
Equity	**26,506**	**35,310**
Total capital	**583,806**	**591,528**
Leverage ratio	95.5%	94.0%

(a) Net debt does not include the term deposits maturing at more than three months and less than 12 months included under 'Other current financial assets' which at December 31, 2019 amounted to 8,299 thousand euros (year-end 2018: 6,289 thousand euros) (note 9).

15.2 Other reserves

The breakdown of 'Other reserves' at year-end:

	Thousands of euros	
	2019	**2018**
Legal reserve	281	10,184
Other reserves	13,381	47,639
	13,662	**57,823**

The legal reserve has been allocated in accordance with article 274 of the Spanish Corporate Enterprises Act, which stipulates that 10% of profit for the year be allocated to a legal reserve until it is equal to at least 20% of share capital. It cannot be distributed and if it is used to offset losses - if there are no other reserves available for this purpose - it must be replenished from future profits. At December 31, 2019, having completed the capital reduction approved on June 3, 2019, the Parent's legal reserve was equivalent to 10% 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 (refer to section 6 of this note).

15.3 Own shares

The Parent did not hold any own shares at either year-end.

At the Annual General Meeting of June 28, 2018, Deoleo, S.A.'s shareholders resolved to authorize the acquisition of shares of the Parent at maximum and minimum prices, subject to the following rules:

1. The own shares can be bought by Deoleo, S.A. directly or indirectly through its subsidiaries.
2. The acquisitions must be carried out by means of purchase, exchange or any other transaction permitted by law.
3. Maximum number of shares to be repurchased: up to the maximum number permitted under applicable legislation.
4. Maximum price: may 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 orderbook.

5. Minimum price: may not be 15% lower than the closing price in the trading session prior to the transaction date, except when market conditions permit a change in this percentage in accordance with current legislation.
6. Duration of the authorization: five years from the date of the shareholder resolution.
7. The shares acquired may be freely used to fulfil, where appropriate, the obligations assumed under stock option plans and share-based bonus schemes, provided their implementation by the Parent obtains all the mandatory approvals, and to fulfil, where appropriate, through the delivery of shares, the remuneration obligations arising under compensation plans and/or schemes already in effect at the Parent.
8. In the event that shares are acquired under the scope of this authorization, the rules established in article 148 of Spain's Corporate Enterprises Act shall apply.

No Parent shares were bought or sold in 2019.

15.4 Translation differences

The breakdown of the Group's translation differences:

	Thousands of euros
Balance at January 1, 2018	**(17,497)**
Differences arising from translation of the financial statements of foreign operations	1,865
Balance at December 31, 2018	**(15,632)**
Differences arising from translation of the financial statements of foreign operations	1,945
Balance at December 31, 2019	**(13,687)**

15.5 Valuation adjustments

'Valuation adjustments' in the accompanying consolidated statement of financial position at December 31, 2019 reflects the change in the value of other commitments to employees. The reconciliation of the opening and closing balance:

	Thousands of euros
	Actuarial gains and losses
Balance at January 1, 2018	**55**
Valuation adjustments	44
Balance at December 31, 2018	**99**
Valuation adjustments	(143)
Balance at December 31, 2019	**(44)**

15.6 Dividends and restrictions on the distribution of dividends

The Parent did not distribute any dividends to its shareholders in 2019 or 2018.

Under the terms and conditions of the loan arranged in 2014, described in note 17, there are certain restrictions on the distribution of dividends by the Parent. Specifically, the Parent cannot pay any dividends until all its obligations under the aforementioned loan have been fulfilled.

16. Earnings per share (EPS)

16.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue, excluding treasury shares, during the period.

The breakdown of the earnings per share calculations:

	Euros	
	2019	**2018**
Loss for the year attributable to equity holders of the parent	(10,606,000)	(291,065,000)
Weighted average number of ordinary shares outstanding (#)	1,404,858,169	1,197,174,315
Basic earnings per share	(0.008)	(0.243)

The average number of ordinary shares was calculated as follows:

	Average number of shares	
	2019	**2018**
Ordinary shares outstanding at beginning of year	1,404,858,169	1,154,677,949
Shares issued on October 30, 2018	-	250,180,220
Ordinary shares outstanding at year-end	1,404,858,169	1,404,858,169
Weighted average number of ordinary shares outstanding at year-end	**1,404,858,169**	**1,197,174,315**

16.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Parent and the weighted average number of ordinary shares in issue for all effects of the Parent's dilutive potential ordinary shares, i.e., as if all dilutive potential ordinary shares had already been converted.

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

17. Borrowings - Notes, loans and other interest-bearing liabilities

The breakdown of this consolidated statement of financial position heading is as follows:

	Thousands of euros	
	2019	**2018**
Financial liabilities - notes and other marketable securities	**42,453**	**42,453**
Non-current:		
At amortized cost:		
Loans	515,000	549,000
Loan arrangement costs	(4,556)	(7,698)
Total loans	510,444	541,302
Non-current bank borrowings	**510,444**	**541,302**
At amortized cost:		
Lease liabilities (note 2.2)	1,724	-
Other financial liabilities	385	735
Other non-current financial liabilities	**2,109**	**735**
Current:		
At amortized cost:		
Loan - revolving line of credit	59,900	-
Other bank borrowings (note 17.3)	18,222	17,906
Current bank borrowings	78,122	17,906
At amortized cost:		
Lease liabilities (note 2.2)	1,349	-
Other interest-bearing financial liabilities	1,437	1,616
At fair value:		
Derivative financial instruments (note 10)	14	153
Other current financial liabilities	2,800	1,759
Current financial borrowings	**80,922**	**19,675**

17.1 Non-current loan

At year-end 2019, 'Loans' includes the loan agreement entered into by the Group and various lenders on June 13, 2014 arranging a financing package for a maximum drawable amount of 600 million euros, composed of the following tranches:

- The 'First Lien' tranche of 460 million euros, fully drawn and due in 7 years.
- The 'Second Lien' tranche of 55 million euros, fully drawn and due in 8 years.
- A revolving line of credit with a limit of 85 million euros, of which 59.9 million euros had been drawn down at year-end 2019 (34 million euros at year-end 2018) with a maturity of 6 years.

All of the tranches are repayable in a single bullet at maturity.

The interest rate differs for each tranche but they are all benchmarked to Euribor plus a spread; the weighted average spread amounts to 376 basis points. The financing does not include covenants, except in the case the revolving line of credit: if drawn down by more than 60 million euros, the Group must present a debt/EBITDA ratio of less than 7.75x. The Group did not draw that facility down by more than the 60 million euros threshold triggering that covenant at any time in 2019 or between year-end 2019 and the date of authorizing these consolidated financial statements for issue.

The Group has provided the following guarantees in favor of the lending institutions to secure its obligations:

- Deoleo S.A. and Deoleo USA Inc., as borrowers, and Carapelli Firenze, S.p.A. as guarantor.
- The First and Second Lien tranches are secured by first and second lien collateral, as follows:
    1. Pledges over the shares of Carapelli Firenze, S.p.A. and Deoleo USA Inc.
    2. Pledge over shares of Deoleo Group companies that represent, at any time, 85% of Group EBITDA and assets as per the consolidated statement of financial position.
    3. Mortgage over the Carbonell, Koipe and Koipesol trademarks.
    4. Pledge over the current and future assets of Deoleo USA Inc. (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.
    6. Mortgage promise over the factory in Alcolea.

The Parent cannot distribute dividends until all its obligations under the loan agreement have been fulfilled.

The Parent's directors believe that the Group was in compliance with all of its requirements at year-end 2019 and it will foreseeably remain compliant throughout 2020.

As outlined in note 2.7, on September 25, 2019, the Group entered into a basic debt restructuring agreement with its syndicate of banks which took effect on September 26, 2019. That agreement was subsequently replaced by a Master Refinancing Agreement on March 13, 2020 with all of its financiers; that agreement contains all the definitive terms of the refinancing.

Specifically, the Group's syndicated loan of 574.9 million will be divided into three components:

- The first component will be repayable from the proceeds generated by the Company from a rights issue of up to 50 million euros;
- The second component, deemed the level of borrowings the Group can sustain, will continue to exist as long-term Group debt in an initial amount of 242 million euros (the 'Sustainable Debt');
- The remainder, of up to 282.9 million euros ('Debt to be Recapitalized') will be replaced by a loan mandatorily convertible into shares of a newco that will carry on the core business of the Parent.

The main terms and conditions of the Sustainable Debt:

- Amount: The total minimum size will be 242 million euros if the above-mentioned rights issue is fully subscribed; it will increase to a maximum of 259.25 million euros in the unlikely event that that the only shares subscribed for are the 40 million euros that has been underwritten by Ole Investments, BV.
- Tranches, interest rate and maturity: It will be sub-divided into two tranches:
    - A preferred or senior tranche of 160 million euros (or a maximum of 177.25 million euros). Interest rate: EURIBOR (floor of 1%) plus a spread of 400bps. Maturity: 5 years.
    - Subordinated or junior tranche of 82 million euros. Interest rate: EURIBOR (floor of 0.5%) plus a spread of between 300 and 700bps. Maturity: 6 years.
- Repayment schedule: Both tranches will be repaid in a single bullet payment at maturity.
- Collateral: Personal guarantees extended by all relevant Group companies (including Deoleo, S.A.) and pledges over the shares of the Group companies and their main trademarks.

Deoleo, S.A. has to perform the following transactions (suspensive conditions) in order to close the Master Refinancing Agreement:

- Capital reduction to offset losses and simultaneous rights issue (note 15).
- Issuance of warrants: To the shareholders with preemptive subscription rights that do not meet the definition of professional investors, exercisable in the event of a direct or indirect sale of the newco implying a change of control, so long as the enterprise value used to determine the sale price is higher than 575 million euros.
- Redemption of the preferred shares issued by Deoleo Preferentes, S.A. Currently, 42.25 million euros of preferred shares are in the hands of third parties. The necessary full capital reduction and simultaneous rights issue outlined above will trigger, in keeping with section 4.7.1.3. of the securities note of the preferred share issue, the dissolution and liquidation of Deoleo Preferentes, S.A. In the event of dissolution and liquidation of the issuer, the holders of the preferred shares will have the right to receive a liquidating dividend that may not exceed the liquidating dividend that would have been paid from the assets of Deoleo, S.A. (guarantor on the issue) if the preferred shares had been issued by Deoleo, S.A. In light of the fair value of the assets of Deoleo, S.A. with respect to the total amount of its enforceable liabilities at the time of the transaction's execution, the above-mentioned liquidation dividend has been estimated at zero.
- Corporate restructuring and debt capitalization. Deoleo, S.A. will assign all of its assets and liabilities (except for the Sustainable Debt and other identified liabilities) to a newly-created subsidiary (Deoleo Global, S.A.). A series of additional newly-created companies will be layered in between Deoleo, S.A. and the newco, one domiciled in Spain and two in the UK, in which (i) capitalization of the Debt to be Capitalized will take place; and (ii) the Sustainable Debt will be located. Specifically, the Debt to be Recapitalized will be converted initially into a loan that will be mandatorily convertible into equity of the Spanish intermediate company, such that its holders as a group will gain access, at a later time and, to 49% of the capital of that entity. As a result, once the restructuring closes and the convertible loan converts, the entities that currently hold the syndicated loan will end up owning, directly and indirectly, 49% of the new intermediate Spanish company, while the shareholders of the Parent that participate in the rights issue will control, via Deoleo, S.A., the remaining 51%. In turn, the debt capitalization exercise will enable the Group to recognize positive equity, reinforcing its capital structure going forward.

The restructuring process will close when the various transactions outlined above, along with other facilitating arrangements, have been executed, all of which is expected to finalize (barring potential delays on account of the current state of alarm in Spain) during the second quarter of 2020, when it will take full effect. The Parent's directors and its legal counsel believe it is reasonably certain that those conditions will be met on time and in due manner and that the process will close as currently contemplated.

17.2 Marketable securities

On December 20, 2006, the Group issued 6,000 preferred shares with a unit par value of 50,000 euros, for a total amount of approximately 300,000 thousand euros. The holders of the preferred 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 preferred shares bear non-cumulative interest payable quarterly in arrears at a rate equal to EURIBOR plus 2.50% nominal p.a.; and from December 20, 2016 onwards, at the 3-month EURIBOR rate prevailing on the second business day before each period begins plus 4.00% nominal p.a.

As a result of the loss for the year, the Group did not recognize a provision for any interest accrued in 2019 payable to the holders of preferred shares. No provision was recognized in this connection in 2018 either.

Since 2010, the Group has carried out various capital increases through the contribution of preferred shares; it has also been repurchasing preferred shares, leaving 1,034 preferred shares outstanding at December 31, 2019 and 2018. Of that total, 189 are held by the Parent. Although the preferred shares are perpetual, the issuer can redeem them fully or partially at any time once five years have elapsed since the disbursement date.

As outlined in notes 2.7 and 17.2, on September 25, 2019, the Group entered into a basic debt restructuring agreement with its syndicate of banks which took effect on September 26, 2019 and that agreement was replaced by the Master Refinancing Agreement on March 13, 2020.

On January 17, 2020, the Parent's shareholders, in general meeting, approved the various corporate transactions stipulated in the above agreement in order to execute the restructuring work. Among others, they ratified the liquidation of Deoleo Preferentes, S.A. in the context of the necessary full capital reduction and simultaneous rights issue, which, in keeping with section 4.7.1.3. of the securities note of the preferred share issue, will trigger the dissolution and liquidation of Deoleo Preferentes, S.A. Note that in the event of dissolution and liquidation of the issuer, the holders of the preferred shares will have the right to receive a liquidating dividend that may not exceed the liquidating dividend that would have been paid from the assets of Deoleo, S.A. (guarantor on the issue) if the preferred shares had been issued by Deoleo, S.A. In light of the fair value of the assets of Deoleo, S.A. with respect to the total amount of its enforceable liabilities at the time of the transaction's execution, the above-mentioned liquidation dividend has been estimated at zero.

17.3 Other non-current bank borrowings

'Other bank borrowings' within 'Current financial borrowings' mainly includes a reverse factoring agreement entered into on March 3, 2016, which was drawn down by 1,100 thousand euros at December 31, 2019 (year-end 2018: 1,094 thousand euros), and the Group's liabilities under factoring agreements arranged with various banks, which were drawn down by 15,931 thousand euros at December 31, 2019 (year-end 2018: 15,840 thousand euros) (note 12.3).

This line item also includes accrued interest payable in the amount of 1,191 thousand euros (year-end 2018: 972 thousand euros).

18. Trade and other payables

The breakdown of this consolidated statement of financial position heading at year-end 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Trade payables	57,588	57,955
Other payables:		
Employee benefits payable	10,451	5,126
Social security payable (note 13)	842	784
Payable to public authorities (note 13)	2,133	1,605
Customer prepayments	-	100
Accruals and deferred income	-	2
	71,014	**65,572**

Below are the disclosures required under additional provision three of Spanish Law 15/2010 (of 5 July 2010) (as amended by final provision two of Law 31/2014, of 3 December 2014), prepared in accordance with the related resolution issued by the Spanish Audit and Accounting Institute (ICAC) on 29 January 2016, regarding the information to be disclosed in the financial statement notes in relation to the average term of payment to trade suppliers.

	Days	
	2019	**2018**
Average supplier payment term	52	53
Paid transactions ratio	52	53
Outstanding transactions ratio	57	59

	Thousands of euros	
	2019	**2018**
Total payments made	360,956	432,796
Total payments outstanding	36,311	34,673

The data provided in the table above regarding supplier payments refer to suppliers which qualify as trade creditors in respect of amounts due in exchange for goods and services supplied, to which end it includes the amounts presented under 'Trade and other payables - Trade payables' within within current liabilities on the consolidated statement of financial position.

In keeping with the ICAC Resolution, in calculating the average supplier payment term, the Group considered the commercial transactions corresponding to goods or services delivered and accrued since effectiveness of Law 31/2014 (of 3 December 2014).

'Average supplier payment term' is the period elapsing between delivery of the goods or provision of the services by the supplier and effective payment for the transaction.

The maximum legally-permitted supplier payment term applicable to the Group under Law 3/2004 establishing measures to tackle trade supplier non-payment is 30 days, unless the parties mutually agree to extend it to up to 60 days. The Group has negotiated a maximum payment term of 60 days with substantially all its suppliers and trade creditors; accordingly, the weighted average payment term is calculated taking those negotiations into account.

19. Provisions and contingent assets and contingent liabilities

19.1 Provisions

The reconciliation of the opening and closing balances of non-current provisions in 2019 and 2018:

	Thousands of euros
Balance at January 1, 2018	**12,955**
Additions	2,721
Amounts utilized	(1,173)
Unused amounts reversed	(3,419)
Total non-current provisions at December 31, 2018	**11,084**
Additions	953
Amounts utilized	(1,641)
Unused amounts reversed	(128)
Total non-current provisions at December 31, 2019	**10,268**

The provisions balance corresponds primarily to the Group's estimated exposure to lawsuits brought against it by certain former employees, customers and public authorities.

In 2016, certain provisional assessments were received from the Spanish customs authorities in relation to allegedly incorrect settlements, which are guaranteed by the Parent as part of the Group's management of the inward processing regime; the assessments derive from discrepancies between the reported oil quality and the results of samples taken by the inspection authorities. The Group recognized a provision for the full amount of the assessments received and filed its defense case seeking to have the assessment claims - in the amount of 2,357 thousand euros - dismissed. In 2018, it recognized a provision for the interest corresponding to two years' assessments, the maximum period for which claims can be sought, in the amount of 187 thousand euros, increasing the corresponding provision to 2,544 thousand euros.

In addition, in 2014, the Milan 2 customs office notified Carapelli Firenze, S.p.A. of the commencement of notification proceedings relating to the inward processing system (IPS), seeking payment of 2,768 thousand euros. The Group recognized a provision for that amount in prior years upon receipt of unfavorable rulings from a court of first instance, which have been appealed. It paid 465 thousand euros in 2016 (charged against the provision) and obtained a payment suspension for the reminder having posted guarantees. The Group obtained a favorable ruling in 2018 but that ruling is again pending an appeal ruling. At December 31, 2019, the provision recognized in respect of this claim stood at 2,303 thousand euros.

In 2015 and 2016, the Italian authorities carried out two quality inspections at Carapelli Firenze, S.p.A., determining the existence of discrepancies between the quality of the oil marketed and that indicated by the labelling. Although the Group filed the corresponding defense case in an attempt to have the claims dismissed, it recognized a provision in the amount of 3,994 thousand euros at the time. In 2018, it received notification from the Italian authorities that one of the inspection assessments - in the amount of 2,094 thousand euros - had been dismissed, without penalties, so that the Group reversed the corresponding provision through 'Other operating income' in the consolidated statement of profit or loss for 2018. At 31 December 2019, the provision recognized for the oil quality assessments pending resolution stood at 1,900 thousand euros.

In 2019, the Group recognized a provision for other liabilities in the amount of 485 thousand euros, in addition to the amount recognized in 2018 (1,000 thousand euros), in connection with the out-of-court settlement reached between the Parent in the suit brought in Portugal in connection with the purchase of a company related with the so-called Tierra Project. That agreement, executed on October 21, 2019, implied the payment of 1,485 thousand euros, the release of a bond of 4,800 thousand euros and the release of a pledged deposit of 3,400 thousand euros.

In addition, in 2019, the Group recognized additional provisions in connection with certain contingencies and lawsuits in the amount of 468 thousand euros. These provisions were recognized under 'Other operating expenses' in the consolidated statement of profit or loss for 2019.

The provision for other liabilities includes provisions for contingencies and lawsuits whose final outcome, in the opinion of the Parent's directors, will not give rise to any significant liabilities beyond the amounts provided at year-end.

The reconciliation of the opening and closing balances of current provisions in 2019 and 2018:

	Thousands of euros
Current provisions at January 1, 2018	**5,871**
Additions	-
Amounts utilized	(5,863)
Current provisions at December 31 2018	**8**
Additions	-
Amounts utilized	(8)
Current provisions at December 31, 2019	**-**

19.2 Contingent assets and liabilities

Claims brought against former directors and demands for payment from German banks

Note 20.2 of the consolidated financial statements for the year ended December 31, 2018 provides disclosures in respect of these claims as at that reporting date.

- Legal proceedings against former directors. Pre-trial proceedings 148/2009 at Central Examining Court No. 4 of the National High Court. Currently Appeal Case 5/2017 at Section three of the Criminal Chamber of the National High Court.
- Demands for payment from German banks. Court of First Instance No. 3, Arganda del Rey. Promissory note enforcement proceedings 100/2010 brought by the counsel for LANDESBANK BADEN WÜRTTEMBERG. Court of First Instance No. 1, Arganda del Rey. Promissory note enforcement proceedings 183/2010 brought by the counsel for HSH NORDBANK AG.

As set out in detail in the documentation published by the Parent in the past, Deoleo, S.A. brought several criminal proceedings for various crimes against its former chairman and CEO, Jesús Ignacio Salazar Bello and Raúl Jaime Salazar Bello, respectively, and against other individuals and entities owned or controlled by them, which were being processed in the Criminal Chamber of the National High Court of Spain (*Audiencia Nacional*). In parallel to the above-mentioned criminal proceedings, the Parent had filed several economic claims against the parties responsible for the crimes allegedly committed. In addition, as a result of the above-mentioned criminal conduct, certain banks had filed claims against the Parent holding it liable for the actions of its former directors. The Group has been reporting on all of these developments regularly in its six-monthly and annual financial statements and reports.

Assessment of the above court proceedings has evidenced (i) the remote probability of collection given the virtual insolvency of the Parent's former directors and the major complexity of collecting due to the existence of so many bankruptcy proceedings affecting both the defendants and the companies owned or controlled by them, proceedings which would significantly impede the effective collection of the amounts sought in court in the event of favorable rulings, all of which implying a high cost in terms of money and time; and (ii) the demand by the banks with which the Group has been negotiating its financial restructuring to bring the situation to a conclusion, so as to eliminate all claims-related contingencies and associated uncertainties.

Against that backdrop, on February 14, 2020, the date scheduled for the hearing for the criminal proceedings, a series of agreements were reached with all of the individuals and entities that were party to the various criminal and civil suits, by virtue of which the Group has ensured the effective collection of an estimated 10.7 million euros (net). The agreements also put an end to all of the outstanding court proceedings related with the Parent's former management and all of the claims that had been presented against the Parent have been withdrawn.

All of the balances receivable from the parties which had been sued by the Parent had been fully provided for, so that the settlement has triggered the recognition of income of 10.7 million euros in the accompanying consolidated statement of profit or loss (notes 12.2 and 22).

20. Government grants

The movement under non-refundable government grants in 2019 and 2018:

	Thousands of euros
Carrying amount at January 1, 2018	**3,921**
Other movements	-
Carrying amount at December 31, 2018	**3,921**
Other movements	-
Carrying amount at December 31, 2019	**3,921**

In relation to the grant awarded by the energy authority of Andalusia to Cogeneración de Andújar, S.A., the subject of proceedings, notification was received on July 8, 2016 demanding its refund. Although the Group has appealed the ruling, if the refund is upheld in court, the subsidiary will be required to repay the amount of the grant (approximately 3 million euros) as well as late-payment interest of 964 thousand euros. The Group accordingly recognized a provision for this amount in the 2016 consolidated statement of profit or loss. In 2018, it set up a deposit to secure the amount due pending the final ruling (note 9).

21. Revenue

The breakdown of revenue, generated by the sale of goods, by line of business and geographical market, is provided in 29 on segment reporting.

22. Other income

The breakdown of 'Other income' in 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Grants related to income	15	28
Lease income	238	433
Gains on sale of items of property, plant and equipment (note 7)	19	784
Reversal of impairment losses:		
Intangible assets (note 6)	10,966	-
Investment properties (note 8)	1,161	1,452
Inventories and accounts receivable (notes 11 and 12.4)	13,163	1,517
Other income	699	5,838
	26,261	**10,052**

23. Employee benefits expense

The breakdown of 'Employee benefits expense' in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Wages and salaries	36,080	32,386
Termination benefits	5,165	1,199
Social security and other benefit expense	11,496	10,493
	52,740	**44,078**

The average Group headcount in 2019 and 2018, by job category and gender, was as follows:

	Headcount					
	2019			**2018**		
	Total	Men	Women	Total	Men	Women
Executives	51	36	15	53	39	14
Clerical supervisors	88	48	40	91	50	41
Tradesmen and women	68	46	22	61	42	19
Sales staff	141	115	26	123	102	21
Clerical staff	180	61	119	168	56	112
Factory staff	112	98	14	110	95	15
	640	**404**	**236**	**606**	**384**	**222**

All of the Parent's directors were men at both reporting dates.

The year-end headcount, by job category and gender:

	Headcount					
	2019			**2018**		
	Total	Men	Women	Total	Men	Women
Executives	47	33	14	51	36	15
Clerical supervisors	85	44	41	92	50	42
Skilled employees	68	47	21	67	43	24
Sales staff	133	110	23	147	120	27
Clerical staff	175	60	115	190	66	124
Factory staff	98	88	10	103	92	11
	606	**382**	**224**	**650**	**407**	**243**

The average number of people employed by the Group's Spanish companies in 2019 and 2018 with a disability of a severity of 33% or higher, by job category, was as follows:

	Headcount	
	2019	**2018**
Clerical supervisors	1	1
Skilled employees and factory staff	4	2
	5	**3**

24. Other operating expenses

'Other operating expenses' break down as follows:

	Thousands of euros	
	2019	**2018**
Impairment losses:		
Impairment of and losses on sales of non-current assets classified as held for sale	114	1,105
Impairment of intangible assets	-	296,179
Impairment of and losses on sales of property, plant and equipment	86	568
Impairment of inventories and accounts receivable (notes 11 and 12.4)	3,343	2,379
Other operating expenses	90,396	89,626
	93,939	**389,857**

25. Finance income and costs

The breakdown in 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Finance income:		
Gains on foreign currency transactions	4,287	8,679
Gains on measurement of derivatives at fair value (note 10)	164	-
Other finance income	103	1,055
	4,554	**9,734**
Finance costs:		
Debt arrangement expenses - syndicated loan	3,142	3,319
Bank borrowings	28,904	28,290
Losses on foreign currency transactions	5,385	9,695
Losses on measurement of derivatives at fair value (note 10)	-	538
Other finance costs	485	355
	37,916	**42,197**

26. Related-party transactions and balances

26.1 Outstanding balances arising from related-party transactions

The breakdown of the accounts receivable from and payable to related parties at December 31, 2019 and 2018 is as follows:

	Thousands of euros	
	Other related parties: Shareholders	
	2019	**2018**
Current financial assets:		
Cash and cash equivalents	13	18
Account receivable:		
Trade receivables	47	646
Non-current borrowings:		
Bank borrowings	(7,047)	(4,000)
Trade and other payables:		
Trade payables	(618)	(42)
Prepayments to suppliers	-	57

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

	Thousands of euros	
	2019	**2018**
CaixaBank, S.A.	7,047	4,000
Total loans and other interest-bearing liabilities	**7,047**	**4,000**

26.2 Related-party transactions

The breakdown of the Group's transactions with related parties in 2019 and 2018 is as follows:

2019

	Thousands of euros			
	Shareholders	Directors	Key management personnel (Group)	Total
Income:				
Revenue	5,689	-	-	5,689
	5,689	**-**	**-**	**5,689**
Expenses:				
Cost of sales	14,664	-	-	14,664
Other operating expenses	2,543	467	-	3,010
Employee benefits expense	-	841	3,108	3,949
Finance costs	241	-	-	241
	17,448	**1,308**	**3,108**	**21,864**
Guarantees received	**-**	**-**	**-**	**-**

2018

	Thousands of euros			
	Shareholders	Directors	Key management personnel (Group)	Total
Income:				
Revenue	9,427	-	-	9,427
	9,427	**-**	**-**	**9,427**
Expenses:				
Cost of sales	6,932	-	-	6,932
Other operating expenses	3,092	372	-	3,464
Employee benefits expense	-	515	1,974	2,489
Finance costs	175	-	-	175
	10,199	**887**	**1,974**	**13,060**
Guarantees received	**-**	**-**	**-**	**-**

All the transactions with related parties were performed on an arm’s length basis.

The remuneration accrued by the Group's key management personnel amounted to approximately 3,108 thousand euros in 2019 (2018: 1,974 thousand euros).

The remuneration accrued by the members of the Board of Directors:

	Thousands of euros	
	2019	**2018**
Salaries	704	500
Termination benefits	123	-
Attendance fees	287	372
Other	194	15
	1,308	**887**

In 2019, the Parent paid 55 thousand euros in premiums for director and office liability insurance (2018: 60 thousand euros).

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 at year-end 2019. The Parent's directors did not receive any amounts other than those mentioned above in 2019. There were no balances outstanding with the members of the Parent's Board of Directors other than those described in note 26.1 at either year-end.

26.3 Director conflicts of interest

At year-end 2019, the members of the Board of Directors of Deoleo, S.A. had notified the other members of the Board of Directors of the following potential direct or indirect conflicts of interest between them or persons related to them as defined in the Spanish Corporate Enterprises Act with respect to the Group's interests:

- Miguel Ibarrola López abstained from voting on: (i) the discontinuation of Pierluigi Tosato as chief executive officer and executive chairman of the Board of Directors of the Parent; and (ii) his own appointment as the new chief executive and executive chairman of the Board.
- Pierluigi Tosato abstained from voting on the proposed termination of the contact with the Parent under which he served as the latter's chief executive.
- Pierluigi Tosato abstained from voting on the proposed business advisory agreement to be executed with the Parent.
- Ignacio Silva Alcalde abstained from voting on the proposed criteria for the accrual of his bonus.
- Javier de Jaime Guijarro abstained from voting on the termination of Miguel de Jaime Guijarro's contract with the Parent under which he served as the latter's chief business officer.

27. Environmental disclosures

The Group's operations are governed by environmental protection and occupational health and safety regulations. The Group believes it is compliant with those laws and has the procedures needed to foster and ensure ongoing compliance.

There were no additions to, or disposals of, environmental investments in the Group's plant in either 2019 or 2018. The carrying amount of the Group's environmental investments was 1,222 thousand euros at December 31, 2019 (year-end 2018: 1,607 thousand euros).

In 2019, it accrued environmental expenses of 1,482 thousand euros (2018: 1,355 thousand euros). Those expenses related mainly to costs incurred in relation to packaging recycling, environmental assessment work and waste treatment.

The Group had not recognized any environmental-related provisions at either reporting date as the Parent's directors have not identified any corresponding exposures.

The Group did not receive any environmental grants in 2019 or 2018, and its consolidated statement of financial position does not include any grants of this nature from prior years.

28. Audit fees

In 2019 and 2018, the fees for financial audit and other services provided by the auditors of the Group's consolidated financial statements, Ernst & Young, S.L. (in 2019) and Deloitte, S.L. (in 2018), and the fees for services invoiced by entities related to the audit firms by means of common ownership, control or management, were as follows:

	Thousands of euros	
	2019	**2018**
Audit services	470	324
Other assessment services	12	3
Total audit and related services	482	327
Tax services	20	-
Total professional services	**502**	**327**

Furthermore, entities related to the Ernst & Young, S.L. (Deloitte, S.L. in 2018) international network invoiced the Group for the following services:

	Thousands of euros	
	2019	**2018**
Audit services	108	288
Other assessment services	8	4
Total audit and related services	116	292
Tax advisory services	26	6
Other services	-	11
Total other services	26	17
Total professional services	**142**	**309**

29. Segment reporting and other disclosures

The Group's reporting model is articulated around geographic regions. The purpose of that structure is to enable more accurate analysis of the performance of the Vegetable Oil business by key region.

The geographic regions identified for segment reporting purposes are:

- Spain
- Italy
- Northern Europe (France, Germany, Belgium, Netherlands and the rest of Europe).
- North America (US and Canada).
- International Markets (Latin America, Africa, Australia, China, India and the rest of Asia).
- Operations (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 assess the nature and financial impacts of the business activities it carries on and the economic environments in which it operates.

The accounting policies applied for the segment disclosures are the same as those described in Note 4.

2019

	Thousands of euros						
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Operations, Corporate & Other**	**Total**
Revenue	132,992	120,358	75,859	118,034	104,773	9,937	561,953
Other operating income	34	6	350	306	1,529	24,036	26,261
Changes in inventories of finished goods and work in progress	(811)	(726)	(414)	(556)	(524)	(2,879)	(5,910)
Raw materials and other consumables used	(114,557)	(106,147)	(57,269)	(76,997)	(74,368)	36,151	(393,187)
Employee benefits expense	(2,267)	(3,669)	(3,326)	(7,446)	(4,498)	(31,534)	(52,740)
Depreciation and amortization charges	(167)	(267)	(217)	(330)	(294)	(13,304)	(14,579)
Other operating expenses	(8,061)	(4,868)	(11,307)	(22,767)	(10,168)	(36,768)	(93,939)
OPERATING PROFIT/(LOSS)	**7,163**	**4,687**	**3,676**	**10,244**	**16,450**	**(14,361)**	**27,859**
Finance income	**-**	**-**	**-**	-	-	**4,554**	4,554
Finance costs	-	-	-	-	-	(37,916)	(37,916)
PROFIT/(LOSS) BEFORE TAX	**7,163**	**4,687**	**3,676**	**10,244**	**16,450**	**(47,723)**	**(5,503)**
Income tax	-	-	-	-	-	(5,103)	(5,103)
PROFIT/(LOSS) FOR THE YEAR	**7,163**	**4,687**	**3,676**	**10,244**	**16,450**	**(52,826)**	**(10,606)**

2018

	Thousands of euros						
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Operations, Corporate & Other**	**Total**
Revenue	151,479	134,647	70,566	129,228	106,421	13,216	605,557
Other operating income	65	-	37	186	505	9,259	10,052
Changes in inventories of finished goods and work in progress	(2,194)	(1,966)	(1,120)	(1,506)	(1,417)	(7,790)	(15,993)
Raw materials and other consumables used	(129,062)	(119,639)	(53,411)	(93,461)	(79,432)	27,504	(447,501)
Employee benefits expense	(5,977)	-	(3,436)	(5,563)	(4,156)	(24,946)	(44,078)
Depreciation and amortization charges	-	-	(5)	(86)	(20)	(17,364)	(17,475)
Other operating expenses	(7,718)	(4,843)	(11,587)	(21,862)	(9,564)	(334,283)	(389,857)
OPERATING PROFIT/(LOSS)	**6,593**	**8,199**	**1,044**	**6,936**	**12,337**	**(334,404)**	**(299,295)**
Finance income	-	-	-	-	-	9,734	9,734
Finance costs	-	-	-	-	-	(42,197)	(42,197)
PROFIT/(LOSS) BEFORE TAX	**6,593**	**8,199**	**1,044**	**6,936**	**12,337**	**(366,867)**	**(331,758)**
Income tax	-	-	-	-	-	40,693	40,693
PROFIT/(LOSS) FOR THE YEAR	**6,593**	**8,199**	**1,044**	**6,936**	**12,337**	**(326,174)**	**(291,065)**

2019

	Thousands of euros							
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Operations**	**Corporate**	**Total**
Non-current assets								
Property, plant and equipment	1,515	1,161	1,170	4,682	1,677	49,126	-	59,331
Goodwill	-	-	-	-	14,805	6,912	-	21,717
Other intangible assets	77,629	45,768	56,434	185,813	78,617	-	-	444,261
Other non-current assets	-	-	-	-	-	-	56,122	56,122
Current assets:								
Inventories	6,830	8,689	4,951	25,083	9,477	28,149	-	83,179
Trade receivables	26,724	2,799	7,035	8,087	10,350	-	10,526	65,521
Other current assets	-	-	-	-	-	-	97,239	97,239
Non-current assets held for sale	-	-	-	-	-	-	19,710	19,710
Total assets	**112,698**	**58,417**	**69,590**	**223,665**	**114,926**	**84,187**	**183,597**	**847,080**
Equity	-	-	-	-	-	-	26,506	26,506
Financial liabilities	-	-	-	-	-	-	635,928	635,928
Deferred tax liabilities	14,251	9,625	14,050	33,681	16,319	2,794	3,455	94,175
Trade and other payables	12,671	11,734	7,962	13,239	9,237	16,171	-	71,014
Other current liabilities	-	-	-	-	-	-	19,057	19,057
Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	400	400
Total equity and liabilities	**26,922**	**21,359**	**22,012**	**46,920**	**25,556**	**18,965**	**685,346**	**847,080**

2018

	Thousands of euros							
	Spain	**Italy**	**Northern Europe**	**North America**	**Int'l Markets**	**Operations**	**Corporate**	**Total**
Non-current assets								
Property, plant and equipment	1,227	926	921	4,040	1,343	47,775	-	56,232
Goodwill	-	-	-	-	14,805	6,912	-	21,717
Other intangible assets	68,294	38,433	29,056	204,160	100,715	-	-	440,657
Other non-current assets	-	-	-	-	-	-	65,308	65,308
Current assets:								
Inventories	8,094	5,410	4,953	21,939	17,604	34,783	-	92,783
Trade receivables	28,554	2,980	9,142	8,502	17,374	-	-	66,552
Other current assets	-	-	-	-	-	-	60,168	60,168
Non-current assets held for sale	-	-	-	-	-	-	5,254	5,254
Total assets	**106,168**	**47,749**	**44,072**	**238,641**	**151,841**	**89,470**	**130,730**	**808,671**
Equity	0	0	0	0	0	0	35,310	35,310
Financial liabilities	0	0	0	0	0	0	604,165	604,165
Deferred tax liabilities	12,540	8,125	6,490	34,395	21,177	0	2,578	85,305
Trade and other payables	12,841	11,892	6,581	12,267	8,855	13,136	0	65,572
Other current liabilities	0	0	0	0	0	0	17,919	17,919
Liabilities associated with non-current assets held for sale	0	0	0	0	0	0	400	400
Total equity and liabilities	**25,381**	**20,017**	**13,071**	**46,662**	**30,032**	**13,136**	**660,372**	**808,671**

Other information

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 the Group's performance.

EBITDA

Definition. Profit or loss from operations before: depreciation and amortization charges; impairment and gains or losses on the derecognition and disposal of non-current assets and non-current assets classified as held for sale; and other non-recurring income and expenses.

Reconciliation: EBITDA is calculated using the following statement of profit or loss lines items:

Operating profit/(loss) + depreciation and amortization charges +/- impairment and gains/(losses) on disposal of non-current assets and non-current assets classified as held for sale +/- impacts corresponding to non-recurring expenses.

	Thousands of euros	
EBITDA	**2019**	**2018**
Operating profit/(loss)	27,859	(299,295)
Depreciation and amortization charges (notes 6, 7 and 8)	14,579	17,475
Impairment of and gains/(losses) on disposals of fixed assets, non-current assets held for sale and investment properties, net (notes 22 and 24)	(980)	(1,131)
Net impairment of intangible assets and property, plant and equipment, net (notes 22 and 24)	(10,966)	296,747
Non-recurring (income)/expenses (*)	(2,765)	1,649
	27,727	**15,445**

(*) The detail of the non-recurring (income)/expenses recognized under each line item in the consolidated statement of profit or loss in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Other operating income	(10,679)	-
Employee benefits expense	4,950	1,199
Other operating expenses	2,964	450
Non-recurring (income)/expense	**(2,765)**	**1,649**

In conceptual terms, non-recurring items are mainly those associated with termination benefits and provisions for lawsuits.

Rationale for usage. EBITDA enables an analysis of operating profit before depreciation, amortization and impairment charges and gains or losses on the 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 best proxy for 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 that is widely used by investors when valuing businesses (valuation using multiples), and by rating agencies and creditors to measure leverage by comparing EBITDA with net debt.

Consistency. The criteria used to calculate EBITDA were the same in both reporting periods.

Net debt

Definition. Gross borrowings less cash and cash equivalents.

Reconciliation: Financial liabilities: notes and other marketable securities + Non-current bank borrowings + Other financial liabilities + Current financial borrowings - Deposits recognized within other current financial assets - Cash and cash equivalents - Equivalent assets recognized within non-current assets classified as held for sale.

	Thousands of euros	
	2019	**2018**
Non-current bank borrowings (note 17)	510,444	541,302
Current financial borrowings (note 17)	80,922	19,675
Financial liabilities - notes and other marketable securities (note 17)	42,453	42,453
Other non-current financial liabilities (note 17)	2,109	735
Less: Cash and cash equivalents (note 14) (*)	(78,628)	(47,947)
Net debt	**557,300**	**556,218**

(*) Net debt does not include the term deposits maturing at more than three months and less than 12 months included under 'Other current financial assets' which at December 31, 2019 amounted to 8,299 thousand euros (year-end 2018: 6,289 thousand euros) (note 9).

Rationale for usage: Monitoring Group indebtedness and leverage.

Consistency. The method used to calculate net debt was the same in both reporting periods.

Working capital

Definition. Current assets less current liabilities (non-financial).

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

	Thousands of euros	
	2019	**2018**
Inventories (note 11)	83,179	92,783
Trade and other receivables (note 12)	65,521	66,552
Trade and other payables (note 18)	(71,014)	(65,572)
Provisions (note 19.1)	-	(8)
Working capital	**77,686**	**93,755**

Rationale for usage. Monitoring Group liquidity and solvency.

Consistency. The criteria used to calculate working capital were the same in both reporting periods.

30. Risk policy and management: financial risk factors

The Group's global risk management program focuses on analyzing and managing financial market uncertainty, attempting to minimize the potential adverse effects on the Group's profitability. The Group uses derivatives to hedge certain exposures.

Risk management is controlled by the Group's Central Treasury Department in accordance with the policies approved by the Parent's Board of Directors. That department identifies, evaluates 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 risks to which the Group is exposed are:

Financial covenants

The financing arranged in 2014 requires compliance with a single leverage ratio when the amounts drawn down exceed certain thresholds, which they did not in 2019. The agreement also stipulates a series of limits on the transactions that the Group can perform (note 17.1).

Exposure to foreign currency risk

The Group operates in international markets and is, therefore, 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, recognized assets and liabilities and net investments in foreign operations are denominated in a currency other than the functional currency of the Group (the euro). The Group's Corporate Finance Department is responsible for managing the net position in each foreign currency using external forward foreign currency contracts when deemed necessary.

The Group writes exchange rate hedges over certain assets, liabilities or future transactions. In addition, in transactions with third parties, it uses the euro as the benchmark currency whenever possible (mainly in raw material purchase transactions, which are the most relevant within the Group). All the financing arranged by the Group is denominated in euros.

The Group also presents its financial statements in euros, translating the assets and liabilities of the Group companies whose functional currency is not the euro at the closing exchange rate on the corresponding reporting date and their income and expenses at the average exchange rate for the period in which they took place. Fluctuations in the exchange rates used in this translation process give rise to variations expressed in euros (positive or negative), which are recognized in the Group's consolidated financial statements as 'Translation differences' in equity.

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

Below is a breakdown of the Group's exposure to foreign currency risk at December 31, 2019 and 2018. The tables below reflect the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currency.

2019

	Thousands of euros						
	US dollar	Mexican peso	Australian dollar	Canadian dollar	Swiss franc	Indian rupee	Total
Trade and other receivables	3,835	3,707	16	2,982	160	1,317	12,018
Cash and cash equivalents	10,590	232	247	818	202	6,553	18,642
Total current assets	14,425	3,939	263	3,800	362	7,870	30,660
Total assets	**14,425**	**3,939**	**263**	**3,800**	**362**	**7,870**	**30,660**
Trade and other payables	5,645	172	165	952	62	1,864	8,860
Total current liabilities	5,645	172	165	952	62	1,864	8,860
Total liabilities	**5,645**	**172**	**165**	**952**	**62**	**1,864**	**8,860**
Gross exposure as per statement of financial position	**8,781**	**3,767**	**98**	**2,848**	**300**	**6,006**	**21,800**

2018

	Thousands of euros						
	US dollar	Mexican peso	Australian dollar	Canadian dollar	Swiss franc	Indian rupee	Total
Trade and other receivables	5,060	3,556	2,997	2,273	424	2,048	16,358
Cash and cash equivalents	5,181	470	173	977	23	4,112	10,936
Total current assets	10,241	4,026	3,170	3,250	447	6,160	27,294
Total assets	**10,241**	**4,026**	**3,170**	**3,250**	**447**	**6,160**	**27,294**
Trade and other payables	3,352	353	269	304	1	865	5,144
Total current liabilities	3,352	353	269	304	1	865	5,144
Total liabilities	**3,352**	**353**	**269**	**304**	**1**	**865**	**5,144**
Gross exposure as per statement of financial position	**6,889**	**3,673**	**2,901**	**2,946**	**446**	**5,295**	**22,150**

Credit risk

The Group does business with customers in different countries and with different levels of solvency and sales collection periods. As a result, it is exposed to the risk of customer default or insolvency.

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

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 it sells to to customers with a suitable track record of creditworthiness.

The Credit Department periodically implements analytical and monitoring procedures for customer credit limits. The maximum credit limits for each customer are calibrated in the system in accordance with the limits covered by the insurance policies taken out. In addition, the Group has policies in place for ensuring that it wholesales to customers with an appropriate credit history.

In 2019, both Deoleo's and Carapelli Firenze's percentage of sales cover was over 90%, while non-performance was 0.013% and 0.147% of those entities sales, respectively.

Below is a schedule of the estimated maturities of the financial assets recognized in the consolidated statement of financial position at December 31, 2019 and 2018. The tables below reflect the analysis of the maturities of the financial assets not impaired at either year-end.

2019

	Thousands of euros				
	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Financial assets measured at cost:					
Of which: fixed-rate (note 9)	-	-	-	228	228
Derivative financial instruments (note 9)	80	-	-	-	80
Trade and other receivables:					
Of which: fixed-rate (notes 12 & 13)	65,429	92	-	-	65,521
Other financial assets (note 9)	-	8,299	1,181	9,742	19,222
Total assets	**65,509**	**8,391**	**1,181**	**9,970**	**85,051**

2018

	Thousands of euros				
	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Financial assets measured at cost:					
Of which: fixed-rate	-	-	-	228	228
Derivative financial instruments	54	-	-	-	54
Trade and other receivables:					
Of which: fixed-rate	65,923	-	629	-	66,552
Other financial assets	-	6,289	1,880	9,865	18,034
Total assets	**65,977**	**6,289**	**2,509**	**10,093**	**84,868**

Liquidity risk

The Group manages liquidity risk conservatively, maintaining sufficient cash for its ordinary business operations plus sufficient additional funding - within the framework of its financing agreement (basically through the revolving credit line), as well as through discount lines, to cover its working capital needs.

The financing agreement implies certain limitations with regard to the arrangement of new lines or transactions which entail the assumption of additional borrowings.

As of the date of authorizing these consolidated financial statements for issue, the Group had drawn down 59.9 million euros under the revolving credit facility detailed in note 17.1, below the threshold that triggers the requirement to comply with a leverage covenant. Based on the cash projections prepared by the Parent's management, the Group will not need to draw down any additional amounts under the revolving line such that it will not meet the drawdown threshold of 60 million euros that triggers the requirement to comply with a leverage ratio (net debt/EBITDA of under 7.75x) contained in that loan agreement (note 17.1).

In addition, as disclosed in note 2.7, on March 13, 2020, the Group entered into a Master Refinancing Agreement with 100% of its creditor banks, so that a significant percentage of its syndicated loan will be capitalized and the surviving loan will be refinanced with longer-dated paper.

Below is a breakdown of the Group's exposure to liquidity risk at December 31, 2019 and 2018. The tables below analyzes the Group's financial liabilities based on the contractual remaining maturities.

2019

	Thousands of euros					
	Less than 1 month	From 1 to 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Notes and other marketable securities:						
Of which: floating-rate (note 17)	-	-	-	-	42,453	42,453
Bank borrowings:						
Of which: floating-rate (note 17)	-	-	78,122	510,444	-	588,566
Trade and other payables:						
Of which: fixed-rate (note 18)	50,308	14,315	6,391	-	-	71,014
Lease liabilities	123	242	984	1,724	-	3,073
Other financial liabilities (note 17)	-		1,437	385	-	1,822
Derivative financial instruments (note 17)	-	-	14	-	-	14
	50,431	**14,557**	**86,948**	**512,553**	**42,453**	**706,942**

2018

	Thousands of euros					
	Less than 1 month	From 1 to 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Notes and other marketable securities:						
Of which: floating-rate (note 18)	-	-	-	-	42,453	42,453
Bank borrowings:						
Of which: floating-rate (note 18)	-	-	17,906	541,302	-	559,208
Trade and other payables:						
Of which: fixed-rate (note 19)	43,294	16,352	5,926	-	-	65,572
Other financial liabilities (note 18)	-	1,616	735	-	-	2,351
Derivative financial instruments (note 18)	-	-	153	-	-	153
	43,294	**17,968**	**24,720**	**541,302**	**42,453**	**669,737**

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its non-current borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The Group arranges derivatives to hedge its interest rate risk.

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

The Group's financing is governed by the financing agreement entered into in June 2014, which stipulates the floating rate terms applicable throughout the term of the agreement.

Interest rate hedges are only arranged with banks with high credit ratings.

31. Guarantees extended to third parties and other contingent liabilities

At December 31, 2019, the Group had provided guarantees mainly to secure loans granted by banks, business transactions and transactions with public authorities for an outstanding amount at that date of approximately 17,424 thousand euros (year-end 2018: approximately 24,940 thousand euros). Those guarantees are not expected to give rise to any contingencies or losses for the Group.

As a result of the sale in 2010 of the subsidiaries forming part of the so-called Tierra Project, the Parent has provided a guarantee securing compliance with the terms and conditions contemplated in the sale agreement which, following successive year-on-year decreases, amounted to 800 thousand euros at December 31, 2019 (year-end 2018:5,600 thousand euros).

32. Events after the reporting period

As outlined in notes 2.7, 15 and 17, on September 25, 2019, the Group reached a restructuring agreement with its syndicate of banks, which took effect on September 26, 2019. The balance outstanding on the debt to be restructured currently stands at 574.9 million euros (unchanged from December 31, 2019). The restructuring agreement materialized in a lock-up agreement, binding upon the parties thereto, which regulated, among other matters, the key terms of the restructured debt, the procedure to be followed during the ensuing months to complete it and a commitment on the part of the banks to support, facilitate and implement the Group's financial restructuring effort.

At an Extraordinary General Meeting held on January 17, 2020, the Parent's shareholders approved the various corporate transactions stipulated in the above agreement in order to execute the restructuring work, as follows:

- A capital reduction to zero to offset retained losses by canceling every single share representing the Parent's share capital and simultaneously executing a rights issue to raise 50 million euros (share capital plus share premium) in cash.

- The liquidation of Deoleo Preferentes, S.A.U.
- The issue of warrants to the shareholders entitled to pre-emptive subscription rights in the above-mentioned rights issue that do not qualify as professional investors giving the warrant holders the option to receive, in the corresponding percentage, 10% of the amount resulting from the potential future sale (direct or indirect) of the business or shares of Deoleo Global, S.A., depending on the sale price.
- The assignment of the Parent's assets and liabilities to its subsidiary, Deoleo Holding, S.L., as beneficiary company, on the terms of the hive-down agreement drafted and executed on September 26, 2019 by the members of the Parent's Board of Directors.
- Approval to have the hive-down avail of the tax neutrality regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014).

The attendant Master Refinancing Agreement was executed with 100% of the Parents' financiers and placed on public record on March 13, 2020; that agreement replaces the above-mentioned lock-up agreement. Deoleo, S.A. received notification from the Business Court of Cordoba of the requested legal authorization for the Refinancing Agreement on March 20, 2020.

The restructuring process will close when the various transactions outlined above, along with other facilitating arrangements, have been executed, all of which is expected to finalize (barring potential delays on account of the current state of alarm in Spain) during the second quarter of 2020, when it will take full effect.

As for the Parent's significant shareholdings, itemized as of year-end 2019 in note 14, the following movements have taken place since year-end:

- On January 17, 2020, Invesco, Ltd notified the CNMV that its shareholding had reached 2.069% of the Company's share capital.
- On January 21, 2020, Mao Holding (Cayman), Limited notified the CNMV that it had fully sold its interest in the Company's share capital.

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, is causing an unprecedented health crisis that is set to impact the macroeconomic environment and the Group's business performance. The Spanish government is passing a raft of measures to help mitigate the situation, including declaration of a state of alarm (via Royal Decree 463/2020, of March 14, 2020) and approval of a series of extraordinary emergency measures to combat the economic and social ramifications of COVID-19 (via Royal Decree-Law 8/2020, of March 17, 2020).

The Group believes that these developments do not imply the need to make any adjustments to its financial statements for the year ended December 31, 2019; they could, however, have a significant impact on its operations and, by extension, on its future earnings and cash flows.

Given the complexity of the situation and the speed with which it is developing, it is not presently feasible to make a reliable quantitative estimate of its potential impact on the Group which, if any, would be recognized prospectively in the 2020 financial statements.

The Group is taking the steps required to tackle the situation and minimize its impact. It believes that the situation is circumstantial and, based on its most recent estimates and liquidity position as of the reporting date, will not compromise its ability to continue as a going concern (note 2.7).

No other significant events have occurred between year-end and the date of authorizing these consolidated financial statements for issue that have not been disclosed in these notes.

33. 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. In the event of discrepancy, the Spanish-language version prevails.

Appendix I

Breakdown of the Group subsidiaries at December 31, 2019:

Company name	Registered office	Business activity	Auditor	Shareholding company	% Shareholding
Carapelli Firenze, S.p.A.	Italy	Production and sale of vegetable oil	EY (Italy)	Deoleo, S.A.	100.00
Deoleo Australia Pty Ltd.	East Gosford (Australia)	Sale of bottled vegetable oil	Deloitte (Australia)	Carapelli Firenze, S.p.A.	100.00
Deoleo Comercial México, S.A. de C.V.	Mexico City (Mexico)	Sale and distribution of food and agricultural products	Deloitte (Mexico)	Deoleo, S.A.	100.00
Deoleo USA, Inc	Houston (US)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Canada, Inc	Toronto (Canada)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Preferentes, S.A.U.	Rivas Vaciamadrid (Madrid, Spain)	Issuance of preferred shares	EY	Deoleo, S.A.	100.00
Deoleo Deutschland GmbH	Frankfurt (Germany)	Sale of bottled vegetable oil	EY (Germany)	Deoleo, S.A.	100.00
Deoleo, B.V.	Amsterdam (Netherlands)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Belgium, B.V.	Brussels (Belgium)	Sale and marketing of food products	Deloitte (Belgium)	Deoleo, S.A. (99%) and Cambium Rice Investments, S.L. (1%)	100.00
Deoleo Colombia, SAS	Colombia	Sale and marketing of food products	Cañón & Cañón	Deoleo, S.A.	100.00
Deoleo South East Asia Sdn. Bhd.	Malaysia	Production and sale of vegetable oil	Deloitte (Malaysia)	Deoleo, S.A.	100.00
Deoleo India Private, Ltd.	India	Production and sale of vegetable oil	Deloitte (India)	Deoleo, S.A.	100.00
Deoleo Holding, S.L.	Alcolea (Cordoba, Spain)	Holding company	-	Deoleo, S.A.	100.00
Deoleo Global, S.A.	Alcolea (Cordoba, Spain)	Production and sale of vegetable oil	-	Deoleo Holding, S.L.	100.00
Deoleo UK, Ltd.	UK	Holding company	-	Deoleo Holding, S.L.	100.00
Deoleo Financial, Ltd.	UK	Holding company	-	Deoleo UK, Ltd.	100.00
Deoleo International, Ltd	UK	Holding company	-	Deoleo Global, S.A.	100.00
Deoleo Industrial México, S.A. de C.V.	Cordoba. Veracruz (Mexico)	Purchase and sale, import, export, processing, preparation and marketing of rice and other food and agricultural products	Deloitte (Mexico)	Deoleo, S.A.	100.00
Mercadeo de Productos Alimenticios, S.A. de C.V.	Mexico City (Mexico)	Sale and distribution of food and agricultural products	-	Deoleo Industrial México, S.A. de C.V.	100.00
Deoleo Antilles Guyane, S.A.	Mana (French Guiana)	Sale, distribution and export of food products	-	Deoleo, S.A.	100.00
Compagnie Rizicole de L'Ouest Guyanais, S.A.	Mana (French Guiana)	Sale and production of rice and other food products	-	Deoleo, S.A.	100.00
Cama, S.A.	Mana (French Guiana)	Production and sale of food products	-	Deoleo, S.A.	100.00
Cimariz, S.A.	Mana (French Guiana)	Production and sale of food products	-	Deoleo, S.A. (72.41%), Cama, S.A. (13.94%) and Compagnie Rizicole de L´Ouest Guyanais, S.A. (7.04%)	93.39
Carbonell do Brasil, S.A.	Sao Paulo (Brazil)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Cetro Aceitunas, S.A.	Pilas (Seville, Spain)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Salgado USA, Inc.	New York (US)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Minerva USA Ltd	Fort Lee - New Jersey (US)	Sale of bottled vegetable oil	-	Carapelli Firenze, S.p.A.	100.00
Carapelli Firenze USA Inc	New Jersey (US)	Holding company	-	Carapelli Firenze S.p.A	100.00
Carapelli USA LLC	Delaware (US)	Sale of bottled vegetable oil	-	Carapelli Firenze S.p.A. (39.36%), Carapelli Firenze USA Inc. (11.64%) and Deoleo USA Inc. (49%)	100.00
Aceica Refinería, S.L.	Las Palmas (Gran Canary Island, Spain)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Cogeneración de Andújar, S.A.	Andújar (Jaén, Spain)	Co-generation of power	-	Deoleo, S.A.	100.00
Aceites Ibéricos ACISA, S.A.	Alcolea (Cordoba, Spain)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Cambium Rice Investments, S.L.	Rivas Vaciamadrid	Holding company	-	Deoleo, S.A.	100.00
Aceites Elosúa, S.A.	Rivas Vaciamadrid (Madrid, Spain)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Sevilla Rice Company, S.A.	Rivas Vaciamadrid (Madrid, Spain)	Purchase and sale, conversion, processing and marketing of rice and food and agricultural products	-	Deoleo, S.A.	100.00

This appendix is an integral part of and should be read in conjunction with note 2.6.1 of the accompanying consolidated financial statements for 2019.

Breakdown of the Group subsidiaries at December 31, 2018:

Company name	Registered office	Business activity	Auditor	Shareholding company	% Shareholding
Carapelli Firenze, S.p.A.	Italy	Production and sale of vegetable oil	Deloitte (Italy)	Deoleo, S.A.	100.00
Deoleo Australia Pty Ltd.	East Gosford (Australia)	Sale of bottled vegetable oil	Deloitte (Australia)	Carapelli Firenze, S.p.A.	100.00
Deoleo Comercial México, S.A. de C.V.	Mexico City (Mexico)	Sale and distribution of food and agricultural products	Deloitte (Mexico)	Deoleo, S.A.	100.00
Deoleo USA, Inc	Houston (US)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Canada, Inc	Toronto (Canada)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Preferentes, S.A.U.	Rivas Vaciamadrid (Madrid, Spain)	Issuance of preferred shares	Deloitte	Deoleo, S.A.	100.00
Deoleo Deutschland GmbH	Frankfurt (Germany)	Sale of bottled vegetable oil	Deloitte (Germany)	Deoleo, S.A.	100.00
Deoleo, B.V.	Amsterdam (Netherlands)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Deoleo Belgium, B.V.	Brussels (Belgium)	Sale and marketing of food products	Deloitte (Belgium)	Deoleo, S.A. (99%) and Cambium Rice Investments, S.L. (1%)	100.00
Deoleo Colombia, SAS	Colombia	Sale and marketing of food products	Cañón & Cañón	Deoleo, S.A.	100.00
Deoleo South East Asia Sdn. Bhd.	Malaysia	Production and sale of vegetable oil	Deloitte (Malaysia)	Deoleo, S.A.	100.00
Deoleo India Private, Ltd.	India	Production and sale of vegetable oil	Deloitte (India)	Deoleo, S.A.	100.00
Deoleo Industrial México, S.A. de C.V.	Cordoba. Veracruz (Mexico)	Purchase and sale, import, export, processing, preparation and marketing of rice and other food and agricultural products	Deloitte (Mexico)	Deoleo, S.A.	100.00
Mercadeo de Productos Alimenticios, S.A. de C.V.	Mexico City (Mexico)	Sale and distribution of food and agricultural products	-	Deoleo Industrial México, S.A. de C.V.	100.00
Deoleo Antilles Guyane, S.A.	Mana (French Guiana)	Sale, distribution and export of food products	-	Deoleo, S.A.	100.00
Compagnie Rizicole de L'Ouest Guyanais, S.A.	Mana (French Guiana)	Sale and production of rice and other food products	-	Deoleo, S.A.	100.00
Cama, S.A.	Mana (French Guiana)	Production and sale of food products	-	Deoleo, S.A.	100.00
Cimariz, S.A.	Mana (French Guiana)	Production and sale of food products	-	Deoleo, S.A. (72.41%), Cama, S.A. (13.94%) and Compagnie Rizicole de L´Ouest Guyanais, S.A. (7.04%)	93.39
Carbonell do Brasil, S.A.	Sao Paulo (Brazil)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Cetro Aceitunas, S.A.	Pilas (Seville, Spain)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Salgado USA, Inc.	New York (US)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Minerva USA Ltd	Fort Lee - New Jersey (US)	Sale of bottled vegetable oil	-	Carapelli Firenze, S.p.A.	100.00
Carapelli Firenze USA Inc	New Jersey (US)	Holding company	-	Carapelli Firenze S.p.A	100.00
Carapelli USA LLC	Delaware (US)	Sale of bottled vegetable oil	-	Carapelli Firenze S.p.A. (39.36%), Carapelli Firenze USA Inc. (11.64%) and Deoleo USA Inc. (49%)	100.00
Aceica Refinería, S.L.	Las Palmas (Gran Canary Island, Spain)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Cogeneración de Andújar, S.A.	Andújar (Jaén, Spain)	Co-generation of power	-	Deoleo, S.A.	100.00
Aceites Ibéricos ACISA, S.A.	Alcolea (Cordoba, Spain)	Production and distribution of food products	-	Deoleo, S.A.	100.00
Cambium Rice Investments, S.L.	Rivas Vaciamadrid	Holding company	-	Deoleo, S.A.	100.00
Aceites Elosúa, S.A.	Rivas Vaciamadrid (Madrid, Spain)	Sale and distribution of food products	-	Deoleo, S.A.	100.00
Sevilla Rice Company, S.A.	Rivas Vaciamadrid (Madrid, Spain)	Purchase and sale, conversion, processing and marketing of rice and food and agricultural products	-	Deoleo, S.A.	100.00

This appendix is an integral part of and should be read in conjunction with note 2.6.1 of the accompanying consolidated financial statements for 2019.

Deoleo, S.A. and subsidiaries

Group Management Report
for 2019

1. Group overview

Organizational structure

Deoleo is a leading global brand-driven olive oil group. It has the largest brand portfolio in its sector and is the leading player in the various markets in which it operates. It also markets seed oils, table olives, vinegars and sauces and is, therefore, a genuine benchmark in global foodstuffs.

Deoleo has a major international presence thanks to its global brand recognition. Its brands, including Carbonell, Bertolli, Carapelli, Sasso, Koipe and Hojiblanca, command leading positions in the world's largest markets.

The Group's main production centers are located in Spain and Italy.

Deoleo's business model, aimed at generating value in a sustainable manner, is articulated around three basic pillars:

- Commitment to quality and customer orientation.
- Improvement in purchasing and sales policies by layering medium- and long-term considerations into its short-term purchasing formulae, diversifying procurements by increasing purchases outside Spain and reviewing assets and opportunities for sales.
- Operational adjustments to increase efficiency and profitability. Actions to optimize the purchase of ancillary materials and energy, savings via brand specialization and rationalization, and investment in sales and marketing.

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

- Olive oil as the core activity.
- Expansion and consolidation of the global footprint (international business development).
- Strong and strategic commitment to the US market.
- Growth in sales volumes.
- Minimization of the impact of raw material price volatility.
- Focus on key brands and products.

Governing bodies (*)

At December 31, 2019, the Parent's Board of Directors was made up of eight members, of whom five were proprietary directors, two were independent and one was an executive director.

The composition of the Board's various steering committees at year-end:

- The Audit and Control Committee, comprising three members, which holds periodic meetings to address the matters within the scope of its powers, as set out in the Board Regulations.

- Appointments and Remuneration Committee, comprising four members, which holds regular meetings to address the matters within the scope of its powers, which are similarly regulated in the Board Regulations.

(*) Refer to the **Annual Corporate Governance Report** for 2019, published on the CNMV website (www.cnmv.es) and on the Deoleo website (www.deoleo.com).

2. Capital expenditure

In 2019, the Group's capital expenditure in the vegetable oil business centered on the expansion and modernization of the facilities and equipment at the Alcolea (Spain) and Tavarnelle (Italy) factories.

3. Business performance

2019 was marked by:

- Markets:
    - Olive oil production hit record levels in Spain in 2018/19, reaching nearly 1.8 million tonnes, which was 49% higher than the average for the four previous harvesting seasons. The abundance of the Spanish harvest drove an increase in the availability of olive oil at the end of the season compared to previous years.
    - The recovery in the consumption of olive oil in the retail channel in 2019, according to Nielsen and IRI data, was evident in the Group's key markets: US (+2%), Spain (1.5%) and Italy (+5%); the recovery was driven by the reduction in retail sales prices resulting from the drop in the cost of the associated raw material.
    - Raw material farm gate prices decreased by 20% in Spain, albeit more stable during the second half of 2019.

      The year-on-year change in farm gate prices in Spain:

	Olive oil prices - Spain (euro/tonne)		
Raw material	**Dec-19**	**Dec-18**	**Change**
Extra virgin	2,102	2,794	(24.8%)
Virgin	1,787	2,432	(26.5%)
Lampante	1,679	2,262	(25.7%)

Average prices taken from POOLRed

The start of the 2019/20 season has been marked by price stability, albeit a slight downward trend.

- Group earnings performance:
    - The Group posted EBITDA of 27.7 million euros in 2019, up 80% from 2018, marking a turning point in the Deoleo Group's earnings performance.
    - Revenue fell, primarily as a result of the drop in raw material prices. However, sales volumes were 3% higher year-on-year.
    - The Group's share of the US market decreased slightly in 2019. In contrast, it recovered slightly in Italy, after several years of decline, and significantly in Spain, where the Group's market share increased by 1.2 percentage points.
    - The Group continued to generate cash despite the increase during the fourth quarter in payments related with non-recurring items associated with the debt restructuring process in which it is immersed.
    - The liquidity position improved significantly, from 47.9 million euros at year-end 2018 to 78.6 million euros at year-end 2019. The working capital requirement also improved (-17%), while net debt was virtually unchanged from year-end 2018 at 557.3 million euros.

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		
	2019	**2018**	**Change**
Consolidated statement of profit or loss:			
Revenue	561,953	605,557	(7.2%)
Gross profit	107,711	90,087	19.6%
Other operating expenses	(79,984)	(74,642)	7.2%
EBITDA	**27,727**	**15,445**	**79.5%**
EBITDA margin	4.9%	2.6%	
Profit/(loss) for the year	**(10,606)**	**(291,065)**	**96.4%**

The net loss for the year narrowed considerably: in addition to the improvement at the EBITDA level, the bottom-line comparison was affected by the impact of the 238 million euros of impairment losses recognized against intangible assets and goodwill in 2018 (none in 2019):

- Sales volumes registered annual growth of 3% in 2019. That growth, coupled with astute sales management, mitigated the drop in revenue, which at 7.2% was significantly narrower than the correction in farm gate prices, which amounted to over 20% in 2019.
- Gross profit was 19.6% or 17 million euros higher, driving EBITDA to 27.7 million euros, growth of 79.5% from 2018. These results evidence a clearcut turnaround, marking the reversal of the adverse trend observed in prior years.
- The Group conducted new impairment tests with the help of an independent expert. The results of those tests, for which the number of Group CGUs was increased from five to six (having separated the Southern European CGU into separate Spanish and Italian CGUs), resulted in the net reversal of prior-year losses in the amount of 4.9 million euros. The relief from royalty method was used to estimate the fair value of the Group's trademarks.

The Group's performance EBITDA level by CGU or business unit (BU) was as follows:

- Sales volumes at the Spanish BU increased by a significant 7%, in a market which grew by 1.5%. Faster-than-market growth in Spain drove a 1.2 percentage point increase in the Group's market share. The Spanish unit's EBITDA registered annual growth of 11%.
- The Italian BU, meanwhile, despite defending 2018 sales volumes, was the only unit in which EBITDA declined year-on-year, as its profitability has yet to reflect the measures taken during the year to renew growth.
- Sales volumes in the Northern European BU increased by 11%, while EBITDA jumped nearly fourfold from 2018. The Group improved the positioning of its premium quality and organic products marketed under the Carapelli brand in France, while Bertolli was ranked as the highest quality brand by Germany's most prestigious consumer association.
- EBITDA in the North American BU increased by 51% from 2018, thanks to a volume-led recovery during the second half of the year and favorable exchange rate trends compared to 2018.
- Lastly, the International Markets BU registered EBITDA growth of 35%, with most of the markets comprising this unit performing better, underpinned by volume growth of 3%.

4. Financial situation

Statement of financial position

Below are the main line items from the consolidated statement of financial position for the last two years on a like-for-like basis:

	Thousands of euros		
	December 31, 2019	**December 31, 2018**	**Change**
Non-current assets	581,431	583,914	(0.4%)
Working capital	77,685	93,755	(17.1%)
Equity	26,506	35,310	(24.9%)
Net debt	557,300	556,218	0.2%

- The Group continued to reduce its working capital requirement thanks to strategic liquidity management and helped by the raw material price environment (stable at low levels), despite growth of 10% in inventories.
- Strong working capital management, coupled with EBITDA growth, enabled the Group to keep its borrowings stable, despite the first-time application of IFRS 16, which had the impact of increasing financial liabilities by 3 million euros.

Analysis of cash management

	Thousands of euros	
	2019	**2018**
Opening balance	**47,947**	**16,831**
EBITDA	27,727	15,445
Change in working capital	16,070	10,698
Cash flow from operating activities	**43,797**	**26,143**
Interest paid	(28,281)	(27,374)
Tax paid	(206)	(5,166)
Non-recurring and other items	(5,277)	(8,100)
Cash flow used in investing activities	(4,998)	(2,805)
Cash flow before financing activities	**5,035**	**(17,302)**
Cash flow from investing activities	25,646	48,419
Net increase in cash	**30,681**	**31,116**
Closing balance	**78,628**	**47,947**

The cash generated before financing activities amounted to 5.0 million euros in 2019, marking an improvement of 22.3 million euros compared to 2018 and translating into a considerable improvement in liquidity, which ended 2019 at 78.6 million euros, compared to 47.9 million euros at year-end 2018.

5. Equity

At December 31, 2018, the Parent's share capital was represented by 1,404,858,169 shares, each with a par value of 0.10 euros, all of which were fully subscribed and paid and represented by book entries.

Deoleo, S.A. incurred a significant loss of 162,131 thousand euros in 2018. That loss, coupled with the losses accumulated in prior years, meant that the Parent's equity stood at 16,471 thousand euros at year-end 2018, such that Deoleo, S.A. met the grounds for dissolution under article 363 of Spain's Corporate Enterprises Act, specifically that of having an equity balance of less than half of share capital (half would have been 70,243 thousand euros), requiring redress by reducing share capital or increasing equity.

On June 3, 2019, the Parent's shareholders, in general meeting, approved a reduction in share capital in the amount of 137,676,100.56 euros by reducing the unit par value of its shares by 0.098 euros in order to restore the equilibrium between the Parent's capital and its equity, eroded by losses, having first applied all of the reserve accounts to offsetting the retained losses. Having taken that measure, Deoleo, S.A. subsequently ceased to meet the grounds for dissolution stipulated in article 363 of the consolidated text of the Corporate Enterprises Act.

Despite the 2018 capital reduction, the Parent's equity balance has continued to deteriorate, reaching a negative 54,326 thousand euros at year-end 2019.

As outlined in note 2.6 of the consolidated financial statements, on September 25, 2019, the Group entered into a binding debt restructuring agreement with its syndicate of banks which took effect on September 26, 2019. In terms of the Group's equity position, one of the cornerstones of the agreement is a further reduction of capital to offset losses followed by an equity raise to restore the Parent's equilibrium at the equity level:

To that end, the following resolutions were ratified at an Extraordinary General Meeting of the Parent on January 17, 2020:

- A further reduction of capital to offset losses followed by an equity raise to restore the Deoleo, S.A.'s equilibrium at the equity level:

    a. It was agreed to reduce share capital in full, to zero, in order to offset retained losses.

    b. Simultaneously, so that the Parent can continue as a going concern, a fresh equity issue was approved; indeed, effectiveness of the capital reduction agreement is contingent upon the capital increase, in keeping with the terms of articles 343 to 345 of the Corporate Enterprises Act. Specifically, the Company will raise up to 50 million euros of new equity in the form of a rights issue. Deoleo, S.A.'s controlling shareholder, Ole Investments, BV, has expressly committed to exercising its preemptive subscription rights and, if necessary, subscribing and paying for additional shares up to a maximum sum of 40 million euros.

- Liquidation of Deoleo Preferentes, S.A.U. As a result, the holders of the preferred shares (which amounted to 42.25 million euros at December 31, 2019) will have the right to receive a liquidating dividend that may not exceed the liquidating dividend that would have been paid from the assets of Deoleo, S.A. (guarantor on the issue) if the preferred shares had been issued by Deoleo, S.A. In light of the fair value of the assets of Deoleo, S.A. with respect to the total amount of its enforceable liabilities at the time of the transaction's execution, the above-mentioned liquidation dividend has been estimated at zero.

6. Own shares

The Group did not buy or sell any own shares in 2019.

At December 31, 2019, the Parent did not hold any own shares as treasury stock.

7. Group performance and outlook

2019 marked a turning point in the Deoleo Group's earnings performance. Sales volumes (in liters) increased by 3% in 2019 and EBITDA amounted to 27.7 million euros, growth of 80% compared to the 15.4 million euros recorded in 2018. That turnaround was driven primarily by strong business momentum during the second half of the year, when sales volumes registered year-on-year growth of 9.1%.

All of the business units performed well in 2019, posting considerable growth at the EBITDA level compared to 2018. The only exception was the Italian BU, whose results have yet to reflect the measures taken in 2019 to boost its growth.

The Group generated cash, kept its net debt stable and ended 2019 with a healthier liquidity position: cash of 78.6 million euros, up from 47.9 million euros a year earlier.

Despite the earnings momentum, the Group's Parent continues to present negative equity and high debt levels. As detailed next, the measures needed to address that situation have already been taken and are at an advanced stage of execution.

As announced in price-sensitive notices filed in September 2019 and March 2020, the Group has entered into a framework agreement with the holders of its syndicated debt that will permit the full restructuring of the Deoleo Group and will leave its borrowings at a sustainable level for facilitating execution of the five-year business plan designed by the management team.

At an Extraordinary General Meeting held on January 17, 2020, the Parent's shareholders approved the measures needed to execute the financial and corporate restructuring work, delegating implementation of the measures, which include a capital reduction and simultaneous rights issue, in the Board of Directors. Once the measures have been duly implemented, Deoleo, S.A. will no longer meet the grounds for dissolution on account of a technical shortfall of equity.

On February 14, 2020, by means of an inside information filing, the Group disclosed that Deoleo, S.A. had entered into a series of out-of-court settlement agreements that effectively put an end to all of the lawsuits taken against its former directors and parties related to them. Those agreements, the key details of which are disclosed in the above-mentioned inside information filing, put the Group in a position to head into the final phase of negotiating the various contracts that embody and execute the restructuring work in progress such that it is expected to close within the contemplated timeline.

The healthy earnings performance observed in 2019, which has extended throughout the early months of 2020, leave the Group optimistic about its prospects, specifically its earnings this year and its ability to deliver its business plan targets.

The most recent International Olive Council (IOC) and EU data on global output point to worldwide production of 3.1 million tonnes in 2019/20, down 2% from last season. The yield in Spain, according to these estimates, is expected to decline by 31%, offset by significant growth in production in Italy, Greece, Portugal and other countries. Carryover olive oil stock levels, according to official sources, stood at 756 thousand tonnes at the start of the harvesting season, which is twice the prior-season level. Olive oil prices declined by over 20% in Spain 2019 and have been stable at those levels since.

8. Environment and sustainability

The Group's operations are governed by environmental protection and occupational health and safety regulations. The Parent considers that it complies substantially with those laws and has designed and implemented procedures for encouraging and guaranteeing due compliance. The key environmental disclosures are provided in note 27 of the consolidated financial statements for 2019.

9. Events after the reporting period

As outlined in notes 2.7, 15 and 17, on September 25, 2019, the Group reached a restructuring agreement with its syndicate of banks, which took effect on September 26, 2019. The balance outstanding on the debt to be restructured currently stands at 574.9 million euros (unchanged from December 31, 2019). The restructuring agreement materialized in a lock-up agreement, binding upon the parties thereto, which regulated, among other matters, the key terms of the restructured debt, the procedure to be followed during the ensuing months to complete it and a commitment on the part of the banks to support, facilitate and implement the Group's financial restructuring effort.

At an Extraordinary General Meeting held on January 17, 2020, the Parent's shareholders approved the various corporate transactions stipulated in the above agreement in order to execute the restructuring work, as follows:

- A capital reduction to zero to offset retained losses by canceling every single share representing the Parent's share capital and simultaneously executing a rights issue to raise 50 million euros (share capital plus share premium) in cash.
- The liquidation of Deoleo Preferentes, S.A.U.

- The issue of warrants to the shareholders entitled to pre-emptive subscription rights in the above-mentioned rights issue that do not qualify as professional investors giving the warrant holders the option to receive, in the corresponding percentage, 10% of the amount resulting from the potential future sale (direct or indirect) of the business or shares of Deoleo Global, S.A., depending on the sale price.
- The assignment of the Parent's assets and liabilities to its subsidiary, Deoleo Holding, S.L., as beneficiary company, on the terms of the hive-down agreement drafted and executed on September 26, 2019 by the members of the Parent's Board of Directors.
- Approval to have the hive-down avail of the tax neutrality regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014).

The attendant Master Refinancing Agreement was executed with 100% of the Parents' financiers and placed on public record on March 13, 2020; that agreement replaces the above-mentioned lock-up agreement. Deoleo, S.A. received notification from the Business Court of Cordoba of the requested legal authorization of the Refinancing Agreement on March 20, 2020.

The restructuring process will close when the various transactions outlined above, along with other facilitating arrangements, have been executed, all of which is expected to finalize (barring potential delays on account of the current state of alarm in Spain) during the second quarter of 2020, when it will take full effect.

As for the Parent's significant shareholdings, itemized as of year-end 2019 in note 14, the following movements have taken place since year-end:

- On January 17, 2020, Invesco, Ltd notified the CNMV that its shareholding had reached 2.069% of the Company's share capital.
- On January 21, 2020, Mao Holding (Cayman), Limited notified the CNMV that it had fully sold its interest in the Company's share capital.

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, is causing an unprecedented health crisis that is set to impact the macroeconomic environment and the Group's business performance. The Spanish government is passing a raft of measures to help mitigate the situation, including declaration of a state of alarm (via Royal Decree 463/2020, of March 14, 2020) and approval of a series of extraordinary emergency measures to combat the economic and social ramifications of COVID-19 (via Royal Decree-Law 8/2020, of March 17, 2020).

The Group believes that these developments do not imply the need to make any adjustments to its financial statements for the year ended December 31, 2019; they could, however, have a significant impact on its operations and, by extension, on its future earnings and cash flows.

Given the complexity of the situation and the speed with which it is developing, it is not presently feasible to make a reliable quantitative estimate of its potential impact on the Group which, if any, would be recognized prospectively in the 2020 financial statements.

The Group is taking the steps required to tackle the situation and minimize its impact. It believes that the situation is circumstantial and, based on its most recent estimates and liquidity position as of the reporting date, will not compromise its ability to continue as a going concern (note 2.7).

No other significant events have occurred between year-end and the date of authorizing these consolidated financial statements for issue that have not been disclosed in these notes.

10. Key Group risks

The most significant risks to which the Group is exposed are as follows:

1) Business environment:

a) Risk of intense competition from an increase in the market share of private label brands.

The Deoleo Group commands market shares of approximately 12% and 11% in Spain and Italy, respectively. The Deoleo Group's market shares, sales volumes and/or margins could decline as a result of competitor inroads due to comparative advantages or the need to cut prices in response to competition or customer demands. Revenue could also suffer from changes in consumer preferences or sophistication, customer purchasing power, a drop in service quality, increased price sensitivity, economic factors in the Group's various business markets or a shortfall of demand as a result of a widespread drop in consumption. A hypothetical increase in the market share commanded by private label brands (52% in Spain and 30% in Italy) could also have an adverse effect on the Group.

b) Commodity price volatility.

The cost of the main raw material (vegetable oil) accounts for roughly 80% of operating costs. In addition, 70% of global supply is concentrated in three countries: Spain, Italy and Greece. The Group may not be capable of sufficiently managing price fluctuations over a short period of time (in either direction) for a number of reasons beyond its control (e.g.: climate change and meteorological conditions, olive tree diseases, import/export restrictions, energy and fuel prices, etc.). Vegetable oil could also become unavailable in the market in the quantity, at the quality or at the prices required or demanded by the Group.

c) Ongoing lawsuits and claims.

The Deoleo Group is currently involved in lawsuits and claims, most of which arose in the ordinary course of business, the outcome of which is uncertain. Those lawsuits arise basically from relationships with customers, suppliers, employees and the public authorities, as well as from industrial activities. There can be no assurance that current or potential lawsuits and claims will be ruled on in the Group's interests.

d) Revenue concentration by business line, geography and customers.

Approximately 97% of the Group's revenue is concentrated in the olive oil (73%) and seed oil (27%) businesses.

By geography, 64% of revenue is generated in three markets: Spain, Italy and the US.

Approximately 34% of Group revenue is generated by its top 15 customers. The top customers in Spain, Italy and the US account for roughly 16% of sales in each market.

Economic conditions and political uncertainty can have a negative impact on demand for the Group's products in these countries and on its customers' ability to meet their payment obligations. Moreover, any adverse developments at the economic, political or social levels in any of these markets could have an adverse impact on the Group's activities, operations and earnings performance.

In addition, potential financial difficulties affecting customers, a reduction in customer purchasing power, mergers among customers, the loss of business licenses or the termination or breach of a material contract could result in a loss of revenue and cash flows.

2) Financial risks:

a) Risk related to the Group's equity position.

The Group has incurred significant losses during the last three years (511 million euros), weakening its financial health. Since 2016, it has met the grounds for dissolution on account of a shortfall of equity on three occasions.

Execution of the Master Refinancing Agreement planned for 2020 provides no assurance that the Group will be able to deliver its business plan targets or that it will not incur fresh losses in the future, once again triggering the requirement to reduce equity or liquidate.

Moreover, situations of that nature in the future could negatively affect the Group's reputation vis-a-vis investors, suppliers and/or customers, with an adverse effect on its financial position, potentially impeding the Group from servicing its liabilities.

b) Risk that the restructuring agreement will not take effect.

The Deoleo Group embarked on a restructuring process in 2019.
Effectiveness of the Master Restructuring Agreement is conditional upon certain suspensive conditions, such that the Group is currently in the process of:

(i) Executing the reduction and simultaneous increase of capital (including Ole Investments' commitment to underwriting the rights issue);

(ii) Executing the corporate restructuring transactions, which in turn imply:
- The assignment of assets and liabilities to Deoleo Global, S.A.U.
- The incorporation of Deoleo Holding, S.L.U. (100%-owned by Deoleo, S.A. –> 51% owned by Deoleo and 49% by the syndicated debt holders following the refinancing).
- The incorporation of two holding companies in the UK (Deoleo UK, Ltd. and Deoleo Financial, Ltd.), wholly-owned by Deoleo Holding and Deoleo UK, respectively.

(iii) Cancelation of the preferred shares.

If those conditions are not met, the Restructuring would not take effect and the Parent would have to file for administration due to its inability to repay its debt.

Moreover, the Group will provide a pledge over the shares of Deoleo Holding, Deoleo UK and Deoleo Financial Ltd as collateral for the refinanced debt. In the event of default, the creditors could enforce the pledge and Deoleo would lose its business and possibly meet the ground for dissolution.

c) Foreign currency risk.

The Group is exposed to foreign currency risk on business transactions (particularly transactions denominated in US dollars which in 2019 accounted for approximately 17% of Group sales). Movements in exchange rates expose it to significant financial and accounting losses.

d) Risks arising from level of indebtedness (breach of covenants).

A potential breach of the obligations assumed vis-a-vis the Group's lenders could trigger the prepayment of the various tranches of debt provided under the financing package.

e) Interest rate risk.

The Group’s interest rate risk arises mainly from its non-current borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Virtually 100% of the Group's borrowings carry floating interest, at a cost of approximately 4.6%.

In the wake of the planned restructuring, the remaining Sustainable Debt will comprise two tranches carrying rates benchmarked to EURIBOR plus a spread, with an EURIBOR floor of between 0.5% and 1%.

3) Risks related to business operations:

a) Risks associated with intangible assets and goodwill.

At year-end 2019, the carrying amount of the Group's intangible assets (trademarks) and goodwill was 442 million euros (52% of total Group assets) and 22 million euros (2.6% of total Group assets), respectively.

In recent years those assets have been written down for impairment: by 95 million euros in 2016 and by 238 million euros in 2018.

As a result, the Group is exposed to:

- The potential impairment of its trademarks as a result of inadequate positioning or the inability to make customers and consumers perceive the difference between its products and others on the market.
- Changes in general economic conditions, in the Group's business strategy, in earnings or in other indicators of impairment requiring the recognition of losses in the future.

b) Risk of a limited number of facilities and copackers.

The Deoleo Group currently operates two factories (one in Spain and the other in Italy), from where most of its interactions with the supply chain and the procurement of raw materials take place. The Group's activities could be affected by delays or interruptions in production due to technical issues, employee strike action, significant work interruptions, natural catastrophes, significant incidents affecting its machinery or equipment, severe accidents, sabotage or fire at any of its production or distribution centers which could have a material adverse effect on its ability to distribute its products or maintain adequate production levels.

Elsewhere, the Deoleo Group has outsourced some of its bottling and packaging operations (approximately 4% of olive oil; 99% of seed oil; and 100% of sauces, olives and vinegars). The Group, which is highly dependent on the seed oil segment, could be affected by breaches of obligations by its copackers, significant delays in or the suspension of deliveries by the latter or failure by the copackers to uphold minimum service standards.

c) Regulatory, tax and customs risk.

The Group's activities and products could be affected by:

- Potential breaches of the regulations governing its activities and products with respect to quality, food safety, occupational health and safety, environmental protection, anti-trust, tax and customs, among other areas.
- A potential increase in the regulatory burden in the food safety arena, where regulations are becoming increasingly numerous and complex, and subject to constant modification.
- Tax and customs procedures, inspections and claims in respect of settlement of the various taxes and levies which have given rise to the revision of the Group's tax and customs obligations and could do so again in the future.
- Potential changes in national and international tax legislation in any of the countries in which the Group operates.
- Political uncertainty with respect to import tariffs, including the scope for amendment of existing tariffs and the introduction of new trade barriers.

d) Risk of the loss of the Bertolli trademark.

The Deoleo Group holds a license for the perpetual, global and exclusive use of the Bertolli trademark.

At year-end 2019, the Group carried that usage right at 211.5 million euros. The business generated by the Bertolli brand accounted for approximately 35% of total Group revenue in 2019.

In the unlikely event that any the grounds for termination of the Bertolli licensing agreement were met, Mizkan as the current trademark owner could unilaterally, and with immediate effect, withdraw the Group's right to use the trademark.

4) Reputation risk:

The Deoleo Group's image and reputation could be damaged by failure to comply with legal requirements, including data protection regulations, corporate responsibility or environmental shortcomings, personal injury or property damage, corruption, employee fraud or any other matter deemed relevant for the goods and capital markets or the food sector.

Moreover, the food industry is exposed to risks of contamination, adulteration, etc., which could give rise to liabilities derived from food poisoning or other damage caused by their products. Possible claims and damages arising from food-related harm, as well as their public disclosure, could have an adverse impact on the Group's image and trademarks, cause reactions in its competitors and repudiation on the part of customers and consumers.

The Deoleo Group is also exposed to fake news - incorrect news stories and false or dubious studies concerning its products - in both the news and social media.

The main response and oversight plans put in place to monitor the Group's key risks are:

1) Business environment

To reduce its exposure to risk factors in the business environment, the Group strives to build long-term relationships with its raw material suppliers, build price stability into its contracts and arrange strategic agreements with producers. It uses benchmark olive oil price indices to negotiate its supply agreements country by country.

The Group's main trademarks boast longevity and significant brand recognition; they command clearcut leadership positions in most markets, providing the Group with enhanced price positioning relative to its competitors.

Regular analysis and monitoring of sales information and business trends, the implementation of best practices, exploration of new business opportunities and the implementation of corrective action are the key lines of initiative for managing the risks associated with the Group's revenue and market shares.

2) Financial

The financial risk management strategy is designed to prevent undesired impacts on the value of the Deoleo Group; enable investment in advertising and promotions in order to minimize the scope for trademark impairment; maintain financing flexibility through arranged sources of financing so as to minimize exposure to liquidity risk; and reduce the impact of interest rate and exchange rate risk with hedges and where possible reduce credit risk by arranging credit insurance. The Group does not speculate in the financial markets.

3) Business operations

The measures deployed to mitigate operational risks arising in the management of business processes are based on: the design of processes framed by efficiency and effectiveness criteria and risk mitigation controls; compliance with the internal policies and procedures in place to that end; and due segregation of duties at the organizational level.

The Group has a stable base of raw material suppliers, made up of renowned cooperatives with long-standing roots in the market with which it has solid business relationships. The Group has processes for certifying certain suppliers and flows for approving orders and invoices in accordance with the established chain of command.

The Group arranges appropriate insurance cover.

The approach to managing regulatory, tax and customs risks is pre-emptive and proactive, ensuring strict compliance with and observance of the applicable legislation prevailing in all its business markets. The strategy is geared towards cooperation with the regulatory bodies and contemplates multiple scenarios in an increasingly global environment.

The Deoleo Group has defined and implemented product quality controls along its productive process and processes for checking ongoing compliance with product and packaging legislation in all its business markets; it follows best practices in factory management through compliance with benchmark international standards, which is certified periodically by independent bodies; it has implemented channels for the notification and management of customer and consumer claims; and it keeps its transfer pricing documents continuously updated.

In addition, in order to mitigate the risk of white-collar crime, the Group has a corporate crime prevention model which is supervised by a body stipulated to that end.

4) Reputation

The Group's bottling operations are governed by stringent controls to ensure uniform product quality in all of its markets, in keeping with European standards.

The Group actively controls its trademarks' presence in the social media in order to quickly detect the possible spread of fake news or rumors about any of its products, tracing the information back to their sources with the the ultimate aim of preventing mass distribution of the fake information and mitigating the potential adverse consequences of any such developments.

5) Information

The Deoleo Group has put in place operational procedures for the control and operation of its IT systems based on control over access and changes so as to ensure the continuity of its IT systems and infrastructure and ensure the recoverability of its communication and business critical systems. It performs regular back-ups and tests to ensure that the operations and technology underpinning its business continuity are working as intended and updated on a timely basis.

As for the risks affecting its accounting and management information, the Group has articulated processes to govern its internal control over financial reporting system.

6) People management

The Deoleo Group has designed a long-term human resources strategy which contemplates, among other things, its strategy for communicating with employees and encouraging staff participation, internal communication and teamwork.

The strategy in place for managing human capital risks includes measures articulated around performance evaluation, the retention of key professionals and work-life balance, among other aspects.

11. Research and development

Commitment to innovation is the cornerstone of the Group's strategy for maintaining its leadership of the vegetable oil market.

Sector competition makes the innovation and R&D effort key to enabling the Group to design new and well-differentiated products. The consumer health component of its product is an important vector of this effort.

In 2019, the R&D team continued its product development work, supporting the industrial area in order to optimize industrial processes, fine-tuning new analytical methods and cooperating with the Marketing Department to find new ways to differentiate the Group's products.

12. Average supplier payment term

The average supplier payment terms was 52 days in 2019 (2018: 53 days).

As disclosed in note 19 of the consolidated financial statements, as a result of the agreements reached with virtually all the Group's suppliers and creditors, the maximum payment period negotiated by the Group is 60 days; framed by that criterion, the average payment term was within the legal threshold in both reporting periods.

Spanish Law 3/2004, establishing measures to tackle trade supplier non-payment, as amended by Law 11/2013, stipulates a maximum supplier and creditor payment term of 30 days, unless the parties mutually agree to extend it to up to 60 days at most. Note that the Group has agreements with most of its suppliers establishing an average payment term of 60 days.

13. Other relevant disclosures

Share price performance	**2019**	**2018**
Closing price (euros)	0.0260	0.0565
High for the year (euros)	0.0920	0.2040
Date of high	Feb. 26	Jan. 15
Low for the year (euros)	0.0210	0.0525
Date of low	Dec. 20	Dec. 31
Average for the year (euros)	0.0445	0.1486
Total volume of shares traded (000 shares)	732,768	170,127
Average daily trading volume (000 shares)	2,858	667
Trading volume by value (millions of euros)	38,627	24,361
Average daily trading volume by value (thousands of euros)	151	96
Number of shares (million)	1,405	1,405
Market capitalization at year-end (millions of euros)	37	79

Dividend policy

Under the terms and conditions of Group's syndicated loan agreement, it cannot pay dividends until the loan has been repaid in full without authorization from the creditor banks.

14. Non-financial statement

As stipulated in article 49 of Spain's Code of Commerce, the Group has included its non-financial statement for 2019 in the Integrated Report attached to this Management Report. The contents of the 2019 non-financial statement have been prepared in accordance with prevailing Spanish company law and following the selected Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI Standards), as well as other criteria, as detailed in the table included in section 9 of this statement as 'Table of non-financial statement contents'.

Table of contents
Non-financial Information statement

Chairman's statement

It is my pleasure to introduce this report in which we attempt to give an account of how Deoleo is working to spearhead the sector's transition towards sustainable development and share it with you, our stakeholders. At Deoleo we are proud to be the leading player in the global olive oil market. From that position of leadership, we are dedicated to setting the highest standards of commitment to the quality of our products, to consumers, employees and partners, to society and to environmental protection.

We want everyone vested in the process to benefit from it: from the farmers who work with us to grow the finest olive trees and the consumers who choose our products as healthy lifestyle choices to the investors who place their trust in us.

To achieve our goals we understand that we need to be realistic and tackle the challenges facing the olive oil market, not least of which growing inroads by the private label brands and the advent of new competitors.

Nevertheless, in 2019, leveraging our strength as the global leader and the impetus provided by a new business plan, we managed to outperform the targets we had set for ourselves, posting EBITDA of 27.7 million euros, up 80% from 2018. In 2019, global olive oil consumption topped 3 million tonnes. The International Olive Council (IOC) estimates that global olive oil consumption during the 2019/20 season will grow by 6.4%.

At Deoleo we firmly believe that as the sector leader we are duty-bound to be an agent of change. Our stakeholders accordingly expect us to contribute to the progress of all vested parties (employees, suppliers, communities and shareholders) and to sustainable development, an area in which awareness is growing fast.

In 2019, we established a business plan based on quality, brand management, global reach, value creation and sustainable growth. All of which underpinned by deep knowledge of our market derived from centuries of experience producing the finest olive oil in the world from olive groves all along the Mediterranean. I will attempt to sum up that plan here:

Our overriding goal as the market leader is to provide products that meet our own stringent quality standards in order to satisfy an increasingly demanding consumer, thus reversing the product category's loss of value. Our business model is based on managerial commitment to the sustainable production of extra virgin olive oil. We want - and we are working tirelessly to that end in every area of our business - to be socially, economically and environmentally sustainable and to raise the quality of our olive oil in a responsible manner.

To do so, we have created a Sustainability Protocol, in place since 2018, which sets out our key lines of initiative until 2025, inspired by our desire to contribute to delivery of the United Nations Sustainable Development Goals (SDGs). Our goal is to guarantee traceability, from the olive grove to the kitchen table, while protecting the environment and ensuring fair work practices propitious to local community development.

Secondly, as the leading brand-oriented player, we plan to strengthen ties between the market and our brands. We believe that our ability to inject value into our brands in the eyes of our customers and consumers, coupled with our complementary presence in seed oils, vinegars and table olives, will provide the springboard for ongoing value creation.

The third cornerstone of our business plan is leveraging our global footprint in 75 countries with a sales strategy that requires different policies in each market. We are also segmenting our markets using criteria related with their development potential, competitive environment, our positioning as a company, etc., in order to boost efficiency and flexibility.

All of the above leads us directly to our fourth objective: creating value through innovation. At Deoleo we are developing meticulous sustainability practices and standards across our activities to ensure that we add value for our consumers and partners. Framed by that strategic objective, we are working to boost our growth by enhancing our production, procurement model and distribution chain.

It would be remiss of me to finish up without recalling that one of Deoleo's hallmarks is its commitment to surpassing expectations, whether those of our consumers, communities, shareholders or partners.

I truly hope that this report manages to express our never-ending search for perfection, our tireless effort to outdo ourselves and create value at every step. Not to mention our utmost commitment to consumer health, environmental protection, employee wellbeing, community development and the sector's development.

With that I thank you for your vote of confidence in our enterprise and welcome you to this recap of the journey taken by Deoleo in 2019 on its path towards sustainable development.

Chapter 1. Welcome to Deoleo

"Our passion for making olive oil is written in our DNA, a centuries-long legacy"

Deoleo's history dates back to 1990, when an extraordinary group of enterprising investors decided to create a new food group. Tireless hard work in the search for excellence and new frontiers have been our hallmarks ever since.

Today we are the world's largest producer of olive oil. We work with olive growers and cooperatives all along the Mediterranean and boast the most widely recognized olive oil brands - including Bertolli, Carapelli and Carbonell - which we distribute in 75 countries, from Australia to Alaska.

Our solid financial base and favorable growth prospects leave us highly optimistic about the next 30 years.

a. What we do: Our brands, products and services

We operate in several countries, bottling and marketing vegetable oils, primarily olive oil; we also package and sell complementary products such as olives, sauces and mustard.

Underpinned by the olive oil value chain, at Deoleo we understand that our most valuable asset is our brands, which we ourselves package, distribute and market. Our brand positioning has made us the global leader in the sale of bottled olive oil.

We have a portfolio of more than 40 brands. Some are local and others boast global recognition. The following are some of the most important to our business development:

Bertolli, Carapelli, Carbonell, Hojiblanca, Sasso, Figaro, Kopie, Elosua, Giralda, San Giorgio, Lupi, Koipe Sol, Friol, Maya, Giglio Oro and Luit.

Bertolli is the world-leading olive oil brand. It, Carapelli and Sasso are the Group's most prominent brand internationally. Carbonell, thanks to its strong presence in Spain and Mexico and good positioning in other markets (US, Germany), ranks third globally in value terms (data from Euromonitor and Nielsen).

b. Our footprint

The Group's international diversification ambitions and the global reach of its brands constitute key growth and profitability drivers. We have managed to build leadership positions not only in traditional olive oil-consuming countries such as Spain and Italy, but also the US, Germany, Canada, Mexico, the Netherlands, Saudi Arabia and India.

- 65 countries worldwide
- 2 proprietary factories in Spain and Italy.
- 12 offices: Rivas Vaciamadrid (Madrid) and Alcolea (Almeria) in Spain, Tavarnelle (Italy), Paris (France), Brussels (Belgium), Amsterdam (Netherlands), Dallas (US), Toronto (Canada), Polanco (Mexico), Bogota (Colombia), Kuala Lumpur (Malaysia) and Mumbai (India).

c. Scale of the Group

The following map and figures depict the Group's scale at year-end 2019:

606 employees

Over 40 brands with a presence in 65 countries

Sales volume of over 160 million liters of vegetable oil

Sales volume growth of 3% in 2019

Revenue of 562 million euros and EBITDA of 27.7 million euros

d. Our vision, mission and values

VISION

A world of sustainable progress, development and life.

MISSION

To inspire healthy living and delight consumers' palates by offering top-quality products produced in a sustainable manner.

VALUES

- **Sustainability.** The earth, the olive groves and the air we breathe belong to us all. We protect the planet by ensuring that all of the processes used to make our vegetable oils are sustainable.
- **Quality.** Our brands are hallmarks of quality all over the world. We make the best vegetable oil to create unique sensory experiences for millions of people.
- **Health.** We have been making olive oil, one of the healthiest products in the world, for more than a century.
- **Pleasure**. Olive oil is the epitome of the Mediterranean diet, a culture of enjoying the simplest and healthiest pleasures in life.

e. Our stakeholders

Deoleo has identified its main stakeholders by grouping the communities we engage with in accordance with the responsibilities we have assumed with them; their influence on our ability to achieve our strategic objectives; their proximity to us in the form of everyday and close interactions; and their dependence on our decisions.

- **Stakeholders on account of responsibilities assumed**: Shareholders and investors.
- **Stakeholders on account of their influence**: Regulators and the financial community.
- **Stakeholders on account of their proximity**: Customers, consumers, suppliers, community.
- **Stakeholders on account of their dependence**: Professionals.

Chapter 2. Committed to integrity and sustainability

"We want to be the company that sets the global standard for quality; hence our commitment to leaving a legacy of excellence"

Ever since Deoleo was set up, we have been committed to stringent codes of conduct designed to ensure honest and ethical conduct both within the Group and in our dealings with consumers, suppliers, subcontractors and local communities.

Those rules are laid down in the following codes, policies and procedures:

- Code of Conduct
- Whistle-Blowing Channel Procedure
- Related-Party Transactions Procedure
- Best Practices in Anti-Corruption Endorsement Policy
- Risk Control and Management Policy
- Food Safety and Quality Policy
- Environmental Policy

a. We guarantee integrity and transparency

Our Group takes an express zero-tolerance stance on bribery and corruption and actively works to prevent irregular payments or money laundering.

Our Corporate Social Responsibility Policy aims to bring about honest conduct on the part all the people who work at and interact with the Group and to foster integrity and ethical behavior.

We have deployed tools to ensure that our dealings with the authorities are governed by respect for the law, framed by cooperation and transparency.

a.1. Code of Conduct

The Code of Conduct includes a specific anti-corruption section with the following rules of behavior:

- The acceptance/delivery of gifts and courtesies from/to customers, suppliers and third parties is limited to promotional gifts or courtesies of immaterial value.
- The acceptance/delivery of gifts and courtesies, regardless of the amount, with the intention of improperly influencing the recipient's decision-making or the relationship with the recipient is prohibited.
- Giving, offering or promising gifts or courtesies to persons acting in an official capacity, including public authorities and officials, whether from Spain or other countries, is prohibited.
- Supplier selection is governed by the principles of impartiality, transparency and objectivity end to end, so that the bids selected are in Deoleo's best interests, framed exclusively by cost and quality criteria.
- Employee and executive hiring and promotion must follow procedures that ensure ethical and objective assessment criteria and equal opportunities for all the candidates.
- Donations or contributions on behalf of the Company to political parties, federations, coalitions or groups of voters are not permitted. There is no record of infringement in this connection.

a.2. Best Practices in Anti-Corruption Endorsement Policy

This policy establishes binding anti-corruption guidance. It is based on the following laws and conventions:

- The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- The articles of the Spanish Criminal Code classifying corruption in the public and private sectors as an offence.

- Spanish Organic Law 1/2014, on the Judiciary, with respect to universal justice.
- The provisions of foreign legislation deemed conducive to best practices in anti-corruption efforts, such as The Foreign Corrupt Practice Act (United States) and The Bribery Act (United Kingdom).
- The organizations that endorse our Sustainability Protocol, which include cooperatives and other organizations, commit to fostering mutual cooperation, equality, fairness, social responsibility and transparent work practices.

a.3. Criminal Risk Prevention Manual

There is a compliance verification program under the scope of the criminal risk prevention framework for mitigating the risk of corruption.

This manual sets down the criteria to be upheld by all Deoleo employees and professionals in order to minimize the scope for materialization of corruption and bribery risks:

- The order and invoice authorization process is framed by approval methodology based on invoice types and amounts and ensures due segregation of duties and an appropriate chain of command. At least two people must be involved in the sign-off process and additional security measures apply to invoices above certain thresholds.
- Payments must be made in accordance with established procedures to ensure they are accounted for and monitored correctly. For example, payment orders require dual sign-off.
- Travel and third-party expenses must be duly justified and substantiated. The giving of gifts and courtesies is limited to promotional gifts or courtesies of immaterial value.

In 2019, the body tasked with crime prevention at the Group provided training to employees at the Madrid and Cordoba offices on the Code of Conduct and its ethics values, lines of initiative and application, and on how to use the Whistle-Blowing Channel.

a.4. Procurement Policy and Procurement Code of Ethics

Combined, these documents reinforce the ban on all Deoleo associates from getting involved in acts of corruption. They include a commitment engaging with suppliers lawfully and rules designed to ensure that supplier selection processes are transparent, fair and based on objective criteria.

The prevention of corruption vis-a-vis suppliers is reinforced by use of a standardized distribution agreement template for the entire Group. Moreover, the entire supplier selection process is governed by the principles of impartiality, transparency and objectivity.

a.5. Risk Control and Management Policy

This policy sets out the core principles of the ongoing management and assessment of the risks to which we are exposed due to the nature of the activities, the volume of our transactions and the countries in which we operate.

a.6. Whistle-Blowing Channel

Our Whistle-Blowing Channel, which is is confidential but not anonymous can be used by employees to report any infringement of the Code of Conduct or other irregularity. This communication channel can be accessed in several ways:

- Intranet
- Email
- Post

No complaints were received through the Whistle-Blowing Channel regarding potential corruption or bribery in the course of the Group's business activities in either 2019 or 2018. Nor was the Group party to any legal action alleging illicit conduct in the areas of corruption or bribery at the time of writing.

b. Commitment to sustainable development

Our Board of Directors is aware that corporate social responsibility, in addition to contributing value and underpinning the Group's profitability and competitiveness, actively generates valuable and tangible contributions to the community and surroundings. Acting responsibly is also a way of generating the trust and backing of our key stakeholders.

At Deoleo our firm commitment to sustainable development is articulated around four specific pledges:

1. **Commitment to nutrition**: Deoleo's mission is to inspire healthy lifestyle choices by bringing our premium quality vegetable oils to the tables of millions of households around the world.

2. **Commitment to product quality**: Our product quality pledge has its roots in centuries of tradition and *savoir-faire* in the art of making olive oil. We work daily to keep that tradition alive through our commitment to quality and transparency.

3. **Commitment to the environment**: At Deoleo we are aware of the impact our activities and products have on the environment. We are committed to building sustainable development into everything we do in order to minimize the impacts of our activities. We want to ensure a healthy and prosperous environment for future generations.

4. **Commitment to the vegetable oil sector** and the olive oil industry in particular: We are striving to foster transparency and integrity throughout the entire olive oil value chain. Our goal is to get the finest quality product to as many consumers as possible. We do that by ensuring stringent compliance with the rules and regulations governing the products we market.

We have aligned our commitments with the Sustainable Development Goals (SDGs) under the scope of the Agenda being championed by the United Nations in pursuit of solutions to the world's major challenges. In 2019, we formalized our membership of the Spanish Network of the Global Compact, an initiative similarly sponsored by the United Nations to foster business sustainability in the private sector.

Framed by those initiatives, at Deoleo we have identified the SDGs of greatest relevance to our business and layered them into our internal policies to ensure we embed sustainability criteria into everything we do, from the olive groves to our packaging.

To guarantee that we are making progress on delivering these commitments, we have approved a Corporate Social Responsibility (CSR) Policy and a Sustainability Protocol, which sets out the lines of initiative for the olive growers and mills we work with. We also have a process for identifying and monitoring corporate risks which includes analysis of environmental, social and governance (ESG) risks.

b.1. Our CSR Policy

We approved our Corporate Social Responsibility Policy in April 2018 to ensure we deliver on our commitments. The policy has three core objectives:

- Establishing the basic principles and general framework for governing the management of our CSR practices.
- Formally embedding those principles into our business model and strategy.

Ensuring that the CSR Policy is applied in and complied with across all of our entities and in all of the territories in which we operate. It is binding on all Deoleo employees, irrespective of the positions or duties they perform.

Sustainability governance

Implementing and complying with our CSR Policy is the entire organization's responsibility.

- The Board of Directors is tasked with approving the strategy and overseeing compliance, ensuring observance of applicable laws and regulations in its stakeholder relations and benchmarking of good practices in the sector.
- The Appointments and Remuneration Committee is responsible for supervising, assessing, coordinating and monitoring the activities emanating from the CSR Policy.
- Lastly, management and all Deoleo Group professionals and employees are responsible for developing and implementing the measures need to ensure compliance with the Corporate Social Responsibility Policy.

Material topics identified

Our sustainability and community engagement strategy requires meticulous identification of the key risks and material topics that affect our business.

In 2018, we assessed the state of CSR management at Deoleo, with the advice of an external consultancy firm, following the AccountAbility principles and AA1000 standards.

Specifically, we analyzed 36 topics deemed relevant on account of their importance to internal and/or external stakeholders, their significance in the sector and in sustainability reporting efforts and the interest expressed by our stakeholders during the various engagement processes.

Based on that assessment we identified 15 topics that are material for the Group and require constant attention, revision and updating:

Governance, responsibility and integrity:

- Strong governance.
- Ethics and integrity.
- Sustainability of the business endeavor.
- Risk and crisis management.

Concern for personnel and their development:

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

Environmental impact management:

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

Relations with the community and stakeholders:

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

In 2019, we identified the main objectives and lines of initiative for improving our impact in each of the 15 material topics itemized above.

b.2. Sustainability Protocol

With respect to its supply chain, we have devised an ambitious project whose aim is to have 80% of the extra virgin olive oil bottled by Deoleo in Spain originate from a sustainable, certified and audited olive-growing model within five years.

Materialization of that strategy entails having our olive growers and mills endorse our Sustainability Protocol, which encompasses sustainable management throughout the production cycle, including people management, energy efficiency and protection of biodiversity.

The purpose of the Protocol is to provide:

- A framework for the sustainable management of olive mills, olive farmers and their associates or partners.
- A standard for contributing to delivery of the Sustainable Development Goals.
- A sector benchmark for the production of extra virgin olive oil.

Deoleo is of the opinion that the Protocol is a living document, subject to constant revision and, therefore, susceptible to improvement. Intertek, an authorized, independent and prestigious provider of quality assurance solutions in the sustainability field, has validated it. Every year Intertek checks that the established requirements are met and conducts analysis with the aim of identifying areas for improvement.

The firms that endorse the Protocol can obtain a certificate of compliance, as well as gaining the opportunity to supply olive oil to Deoleo for use in products flagged by its proprietary sustainable oil seal. That seal guarantees that all of the olive oil marketed with that label has been produced and certified under the rules comprising our Sustainability Protocol and sourced from authorized producers.

The Group fosters the exchange of know-how among the various member firms through a procedure dubbed "Twinned mills" through which they can share experiences and good practices to help build a stronger and more standard system as a team.

c. Corporate risk management and control

In 2018, we also identified our biggest risks and classified them as either environmental, governance, labor, social and human rights risks. The Group has an internal procedure for evaluating critical indicators so that it can monitor the risk map annually and update it - at least every four years - in the event of changes in the organization's context.

c.1. Environmental performance

We have determined the internal and external situations that affect our ability to achieve the results expected of our environmental management system (EMS). Specifically, we looked at the organization's strengths, weaknesses, opportunities and threats. On the environmental front, the main risks identified are:

- Legislative and regulatory changes.
- Increase in energy costs.
- Legionella outbreaks in cooling towers.

To ensure an appropriate response to these risks, at Deoleo we apply the precautionary principle of applying environmental assessment criteria before approving new projects for facility amendments whenever possible. We also hold ample insurance cover in the event of environmental damage in spite of the precautions taken.

c.2. Governance

The main risks identified in the areas of corruption and bribery are as follows:

- Acceptance and/or giving of gifts and courtesies from/to customers, suppliers or third parties with the aim of improperly influencing the recipient's decision making.
- Giving, offering or promising of gifts or courtesies to persons acting in an official capacity.
- Giving of donations or contributions on behalf of the Group to political parties, federations, coalitions or groups of voters.
- Authorization or execution of an illegal payment to a third party as consideration for an unjustified benefit or advantage received by Deoleo.
- Selection of suppliers for Deoleo without regard for objective cost and quality criteria.

- Selection and hiring of personnel related to customers or suppliers as consideration for giving the Group an undue advantage.
- Receipt of customer funds from illicit sources so abetting the commission of a money laundering offence by a customer or third party.

c.3. Labor performance

On the social and labor fronts, the main risks identified are:

Risk relating to people management:

- The risk that the key personnel responsible for business processes lack, or fail to exercise, their management skills to influence, delegate tasks to, manage and motivate our employees, thereby failing to engage them in the task of delivering our strategic goals and objectives. The unanticipated loss, for any reason, of key personnel who cannot be appropriately replaced.
- A shortage of personnel with the skills and experience required to bring about the business objectives; a lack of interest in and/or failure to develop talent at the organization.
- A lack of objectives, processes or situations that enable the transfer of knowledge, skills and experience between people within the organization.
- An organizational structure that is not fit for the purpose of implementing the Group's long-term mission and strategies; is not optimally efficient; whose employees are not managed properly, are unable to react appropriately to certain problems or overstep the bounds of their authority either because there are no clear guidelines or they are unaware of any such guidelines.
- A shortfall of or shortcomings in policies, attitudes, culture and/or communication channels that could give rise to incoordination of functions, a failure to establish interdepartmental responsibilities, a lack of information and delays in decision-making where several departments are affected.

Risk of strikes or labor disputes: possible strikes or labor disputes. Deoleo is exposed to the risk that its organizational and human resources structure may not be capable of tackling changes in operational needs or business or growth strategy in a flexible and efficient manner in terms of costs.

c.4. Social performance

The main risks identified in terms of our impact on our communities are:

- Food quality and safety. Our goal is to guarantee quality all along the supply and production chain, emphasizing the control of critical aspects such as the use of pesticides or the quality of the glass bottles used.
- Regulatory compliance. We work hard to ensure we comply with all applicable regulations, adapting as required for local legislation in each market, particularly in the areas of food quality and safety, labor practice, civil liability and environmental management.
- Value chain and subcontracting: At Deoleo we oversee that the operations outsourced to third parties are carried out in compliance with our quality and sustainability criteria.
- Raw material supplies. We adjust our purchasing strategy to ensure we respond nimbly in the face of raw material volatility.

c.5. Risks related with human rights

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

- Compliance risks: violation of human rights regulations in the various countries in which we operate.
- Subcontracting risks: the risk of outsourced activities not meeting service or quality standards, or of the subcontractor not operating in line with the strategies and objectives set down in our policies.
- Corporate criminal liability risks: inadequate crime prevention controls or lack of specific human rights training.

Chapter 3. Committed to nutrition and quality

"Meeting consumer expectations is what drives us to outdo ourselves day after day"

There is broad consensus in the scientific community: olive oil is unquestionably the healthiest vegetable fat, providing consumers with multiple health benefits.

The Mediterranean diet, southern Europe's cultural heritage and a rich and healthy way of living, is inextricably associated with the consumption of olive oil.

Numerous scientific studies have endorsed the benefits of cooking with olive oil:

- It helps prevent heart disease. It reduces the level of 'bad' cholesterol and enhances circulation.
- It boosts the digestive system.
- It provides nutrients needed to develop and preserve cell structures.
- It revitalizes and protects skin and hair thanks to its anti-oxidant properties, vitamin E content and polyphenols.
- It contributes to a healthy diet and is the cornerstone of the Mediterranean diet.
- Daily consumption of olive oil helps prevent high blood pressure, calcium deficiencies and skin diseases.

a. Committed to consumer health and safety

Since Deoleo's creation, one of its core tenets has been to bring the finest and healthiest olive oil to the tables of millions of consumers all over the world.

a.1. Rules and standards in place

In order to guarantee the health and safety of our consumers, we have implemented a raft of measures targeted at excellence. Excellence with respect to the raw materials used the production chain and the correct distribution of our products.

HACCP system through our hazard analysis and critical control points (HACCP) system we analyze every point in the process and identify the risks implicit in each. This control system guarantees food safety compliance throughout our processes. To enhance food safety further, the HACCP system is reviewed on an ongoing basis, verified internally at least once a year by the multidisciplinary team that configured it and audited by external entities, also annually.

GFSI standards. These standards, such as the BRC and IFS, address food safety and quality in food manufacturing activities.

ISO 9001:2015. Adherence to this standard ensures process standardization and documentation.

Ecological product certification standard. Enables eco- or bio-labelling for our qualifying products.

Other standards. Some of our products are additionally Kosher and/or Halal certified.

Corporate Responsibility Certificate from Autocontrol. We partake in the standard issued by Autocontrol, Spain's independent advertising self-regulation organization, which manages the advertising self-regulation system in Spain. In 2019, all of the advertising run by Deoleo complied with this association's code of ethics. We did not receive any complaints regarding the ethics of our advertisements.

a.2. Claims and complaints system

We use claims management tools to measure the satisfaction of our consumers and customers. Each negative report received from outside the organization, whether or not justified, is input that we view as an opportunity for improving our processes.

In 2019, we implemented a digital tool that collects and manages all claims and suggestions received from consumers and customers in any of the markets where we sell our products. Receipt of that information triggers analysis designed to pinpoint the root cause and implement corrective measures. Once all of the information concerning the case investigation has been uploaded into the tool, the claimant is informed of the outcome.

Claims assessment is managed centrally and implies monthly monitoring.

Total claims declined year-on-year in 2019. Consumer claims in particular declined by 25%.

b. Quality assurance system

Our food safety system is articulated around the hazard analysis and critical control points (HACCP) system. That system is based on analysis of each phase of the process and determination of the potential risks implicit in each, the implementation of controls, the establishment of limits and the definition of the corresponding corrective measures for each identified control point or critical control point.

We carry out the following inspections and analyses:

- Periodic inspections of the production and quality assurance systems.
- Compilation of data tracking corruption and bribery. The data is analyzed weekly to identify potential anomalies.
- The GFSI food safety standards.
- Manufacturing process risk analysis with the aim of identifying the risks intrinsic to each stage of the production chain and implementing preventative controls in the various processes.
- Useful life analysis for all product categories to ensure that the products remain stable and are of the highest quality.
- Safety plan to analyze critical vulnerability from the standpoint of product tampering by individuals from inside or outside the firm. Application of control measures to prevent the entry of intruders who may engage in product tampering or criminal or malicious acts.
- A specific procedure for identifying and managing the recall of non-conforming products that is applicable to all of the organization's factories as well as its subcontracted production facilities. A crisis drill is held yearly at the Group's two production plants to ensure their smooth operation. The Group did not have to recall any products in 2019.
- System for managing internal non-conformance (incidents related with quality or safety problems or process breaches) and a procedure for managing customer and consumer claims and enquiries. We review non-conformance and claims monthly.

This system is fine-tuned constantly so that any rules added can be audited annually by external firms. At Deoleo, we also audit the processes and requirements emanating from the standards adhered to internally. The frequency and scope of these internal audits depends on the results of previous audits and the outcome of the process risk assessment.

Annual revision of the quality assurance system yields continuous improvement of our products and processes. That annual review process looks at the outcomes of the internal and external audits, corrective/preventive actions, customer and relevant stakeholder satisfaction feedback, compliance with quality objectives, process performance, results monitoring and measurement and supplier performance. The review therefore generates multiple improvements and forms the basis of the quality objectives plan for the following year.

c. Committed to science-based research and development

Here at Deoleo we work extremely hard to secure olive oil of the very highest quality that is also safe, healthy and both environmentally- and community-friendly. We tackle this challenge by investing in research into agricultural technology and leveraging our Sustainability Protocol to push sustainable practices along our supply chain.

Deoleo's product quality promise entails the development of science-based standards so that we can assure consumers that they are getting the full value and health benefits corresponding to the qualities of olive oil grade of their choice.

<u>c.1. FDA application (US)</u>
In 2019, Deoleo joined the American Olive Oil Producers Association and with the latter submitted a citizen petition urging the US Food and Drug Administration (FDA) to adopt science-based, enforceable standards for olive oil. The petition constitutes an opportunity to boost quality across the category and help to restore consumer trust in olive oil.

c.2. Carapelli Nutritional Institute

Nutrition has consistently been at the heart of the studies spearheaded by this non-profit institution. The Institute's objectives include the following:

- To generate, through multidisciplinary research, knowledge about olive oil's nutritional values.
- To promote activities to educate about healthy eating.
- To finance scientific studies in the olive oil field to be evaluated by a scientific committee.
- To create a forum for high-level debate about olive oil.
- To publish the results of the research work conducted.
- To promote studies, conferences, seminars, talks and other events related with the olive oil sector and to create a virtual site for the scientific community.

Three research papers were written in collaboration with the Carapelli Institute in 2019, all addressing scientific matters related with the world of olive oil and its production.

Chapter 4. Committed to the environment

"Our wish is to spread our sustainable practices so that the entire olive oil industry becomes environmentally-friendly

One of our main aims is to have each and every one of us who work at Deoleo, and indeed everyone involved in any part of our business process, carry out their duties with the utmost respect for their surroundings.

With that objective in mind we have fleshed out our commitment to the environment, not only by analyzing the environmental impact of our factories but also by extending our good practices to our suppliers, via the Sustainability Protocol, and to the entire value chain, via awareness initiatives.

Some of the key initiatives undertaken in 2019:

- Action plan at the factories in Alcolea and Tavarnelle to reduce their environmental impact by decreasing energy consumption, the volume of waste water and of waste that gets sent to landfills. Those efforts have enabled the Group to retain its ISO 14001 certification at both facilities.
- Innovation to make the Group's packaging more environmentally friendly.
    - Reducing packaging weight. The weight of our 2-litre PET bottle has been reduced from 69g to 64g, which has translated into a reduction in the amount of plastic put onto the market of 3,000kg. The weight of the Hojiblanca Maestro 1-litre PET bottle was reduced from 48g to 43gr, enabling an 8,000kg reduction in plastic in the market.
    - In Italy we were awarded the CONAI prize for packaging sustainability improvements, thanks to innovation in dark glass bottles.
- Lastly, we engaged our employees, suppliers and customers via awareness drives and volunteering projects.

a. Circular economy and waste prevention and management

At Deoleo we are aware of the nature of the direct and indirect impacts of our activities and products on the environment. That is why we are committed to working to ensure the sustainability of our business and products, respecting and preserving the areas surrounding our business activities.

a.1. Commitment to waste recovery and management

Waste management plays a vital role in circular economy efforts as its paves the way for establishment of a waste hierarchy, i.e., an order of priority when it comes to managing the waste generated, from the most preferred option (prevention) to the least preferred option (disposal).

It is worth noting that although the volume of non-hazardous waste increased in 2019 compared to 2018, the slight increase is attributable to the growth in production (volume in liters). The work done to improve waste separation, raise awareness among staff and find new forms of waste recovery at the production plants are key to this effort.

We also designed two lines of initiative to reduce the quantity of waste generated:

- Elimination of food waste. Deoleo is not a source of food waste. Any product rejected in the production line is recovered so that the full volume of oil can be reused.
- Improved management of non-conformance in bottling lines.

a.2. Packaging: innovation and eco-design

We want to minimize the environmental impact of our products, even after they reach our consumers. Our packaging plays a leading role in our objective of reducing waste generation and promoting the circular economy: we are working to reduce the weight of our bottles per volume of product; use a growing percentage of recycled materials; and create 100% recyclable packaging.

This packaging streamlining effort is compatible with the Group's food safety and quality imperatives.

In order to comply more fully with Spain's Packaging and Packaging Waste Law, we are participating in the 2018-2020 Corporate Prevention Plan spearheaded by Ecoembes, the main packaging waste manager in Spain. (ECOEMBES emissions reduction certificate).

- **Glass bottles.** Our glass bottles are single-use bottles so that they can be recycled after use. Glass can be recycled countless times. Approximately 60% of our dark glass bottles consists of recycled glass.
- **Plastic bottles**: All of our PET bottles are 100% recyclable. Moreover, we have reduced the weight of some of these containers, thanks to which we are putting 11,000kg less plastic onto supermarket shelves.
- **Cans**: Cans are 100% recyclable and can be recycled indefinitely, i.e. their raw materials can be reused as many times as they are discarded to produce new cans or to serve other industries such as the construction, automotive, domestic appliance, electronics and decoration industries. Approximately 20-30% of our can materials are recycled inputs.

a.3. Commitment to the product life cycle approach

We are educating the consumer community about the importance of safely discarding olive oil. Most of the labels attached to our products include the collection and recycling symbols to help consumers with their recycling efforts.

a.4. Employee education and training

We ran several employee drives last year, including:

- The collection of used oil to prevent water contamination.
- The 3 Rs (recycle, reduce, reuse) initiative. We gave employees recyclable water bottles to prevent plastic water bottle waste. The recycling efforts undertaken at the offices in Rivas and Alcolea (Spain) drove a 36% reduction in plastic bag usage.
- Individual bins have been removed from our offices. That has eliminated the use of plastic bags and improved waste sorting and recycling.

b. Sustainable use of resources

Our goal is to reduce the use of resources and the generation of waste by enhancing our processes and reusing materials (without jeopardizing product quality or safety) and improving the quality of our effluents.

	ALCOLEA+TAV	ALCOLEA+TAV	CHANGE
Energy consumption, kWh	2018	2019	%
Natural gas, MWh I	4,904	4,607	-6
Electricity, MWh	11,044	11,730	+6
Water consumption (m^3)	33,161	29,269	-13
Non-hazardous waste generated (t)	1,721	1,864	+8
Purified waste water discharged (m^3)	6,710	6,705	-0.07

At our production centers we are working on continuous improvement using the Kaizen approach. The key aspects of the commitment to environmental protection and sustainable development translate into:

- Integration of the environmental dimension into the organization’s processes and activities.

- Continuous evolution of the environmental management systems by maintaining all of the factories' ISO 14001 certification.
- Compliance with legislation in the geographical areas in which we operate, duly audited each year.
- Streamlining of resource consumption.
- Reduction of waste generation.
- Continuous improvement as a principle of excellence.
- Monitoring and systematic establishment of objectives and plans.

b.1. Energy consumption

Our environmental policy and action plans set targets and goals for our energy consumption and emissions. Specifically, we have rolled out three lines of initiative:

1. Reduction of energy consumption:
    - 6% in fossil fuel energy consumption at our productive facilities.
    - Investment in energy-efficient and low-carbon technologies.
    - Participation in national and/or industry-specific energy efficiency schemes.
    - Energy consumption audits and viability studies.
    - Installation of a PV solar power plant in Tavarnelle with production capacity of 1,000 kWh/month.
2. Reduction in product and service energy requirements
    - Packaging eco-design.
    - Measures to encourage corporate transportation for employee mobility.
    - Integration and continuous improvement of all facilities under the environmental management systems in accordance with ISO 14001.
3. Reduction in scope 1 greenhouse gas emissions. Deoleo does not generate significant NOx or SOx emissions.

b.2. Water consumption

Sustainable water management and consumption monitoring is a cornerstone of the environmental strategy and a vital element of both agricultural and industrial operations.

We are working hard to reduce our water consumption in Spain having rolled out measures aimed at cutting usage and improving waste water quality by enhancing processes and reusing water, without affecting the quality or safety of our products. Deoleo's water management effort involves preventative and corrective strategies:

- **Preventative strategy**. Reducing consumption, volumes and pollutant loads in olive groves and at mills.
- **Corrective strategy**. Preservation of water quality by transforming operations that pollute water bodies into sustainable operations by means of emulsion filtering and decanting processes, in compliance with prevailing legislative requirements.

At the factory in Alcolea we draw both groundwater and municipal water. At Tavarnelle the water used is drawn from the municipal supply network. We are working to ensure that the neighboring towns are not affected by the water consumed by our facilities.

b.3. Consumption of raw and ancillary materials

Raw and ancillary material consumption at Deoleo is determined on the basis of the procurement of packaging, together with other articles for bottling, for the factories in Spain and Italy in 2019. The data provided refer to the ancillary materials acquired during the reporting period rather than actual consumption levels.

ANCILLARY MATERIAL PURCHASES ITALY + SPAIN	
2019	
Category	Volume (M units)
Containers	171.6
PET	84.1
Glass	69.0
Cans	18.5
Labels	319.4
Labels	296.7
Sleeves	22.7
Lids	184.1
Aluminum lids	64.4
Plastic lids	96.6
Cap	23.1
Cardboard	18.4
TOTAL	693.5

c. Climate change

At Deoleo we aim to gradually and steadily reduce our greenhouse gas (GHG) emissions in the short, medium and long term. To achieve our targets we have taken several measures:

- Environmental footprint calculations for the extra virgin olive oil bottled in PET or glass in order to inform consumers of the sustainable use being made of the resource and the role of olive groves in the fight against climate change.
- Investment in energy-efficient and low-carbon technologies.
- Participation in national and/or industry-specific energy efficiency schemes.
- Energy consumption audits and viability studies.
- Packaging light-weighting efforts

- Reduction in energy consumption, growing use of renewable energy sources and adaptation of the bottling plants.

- Changes in production models to render the packaging processes more efficient and foster investment in energy-efficient and low-carbon technologies.

Greenhouse gas emissions in 2019:

2018 emissions	tCO2eq
Scope 1	941
Scope 2	3,765
Total	4,706

Note. The emission factors used to calculate the GHG emissions were as follows: for scope 1, those established by DEFRA 2019, and for scope 2, those designated by OCCC 2018.

d. Biodiversity and soil protection

Sustainable management of olive groves must encompass biodiversity and soil recovery initiatives. At Deoleo we worry about practices such as the elimination of herbaceous vegetation cover and the homogenization of olive groves, driving the loss of over 30% of species compared to olive groves in structurally complex, managed landscapes which retain their ground cover.

Against that backdrop, expansion of our Sustainability Protocol guarantees implementation of measures designed to protect biodiversity and endangered animals and plants.

The soil maintenance plans introduced ensure the estates' long-term fertility (by conserving the quantity of organic material), reduce the risk of soil erosion, structural degradation and land compacting while preserving biodiversity and indigenous species. The Protocol additionally emphasizes the role of soil as a carbon sink, so helping to mitigate the effects of climate change.

Lastly, thanks to the Protocol, we are collaborating with local producer associations in order to educate the public about the extra virgin oil oil varieties specific to each region.

Chapter 5. Committed to our people

"We are fully committed to the wellbeing of the people who work at Deoleo"

Caring for the people who work at Deoleo is one of our top priorities. Motivating our teams so that they enjoy their roles and commit to their career development, continuous learning and growth as professionals is a mission to which we devote financial and human resources all year round.

a. Our policy

We articulate our people management policies around the following principles:

- Selection and hiring based on the principles of equal opportunities, non-discrimination, respect for diversity and personality and professional skills aligned with the our values.
- Professional training and development to boost skills and improve internal job prospects and performance.
- Internal promotion and mobility on the basis of objective criteria such as ability, experience, results and potential.
- Work-life balance measures so that our employees can do their best at work and at home.
- Safe and healthy working environment, enabling people to reach their full potential.
- Labor relations based on respect for personal rights, freedom of association and effective recognition of the right to collective bargaining.

And we have added another principle:

- Diversity, so that we embrace differences and create an inclusive culture.

In 2019, we took our people management effort a step further by asking all of our employees worldwide for feedback about our: strategy, leadership, efficiency, communication and sustainable commitment. In 2020, we will devise an action plan on the basis of the priorities flagged by Deoleo's people.

Last year we all expanded our reporting effort to include occupational health and safety and management-employee relations indicators for all the countries in which we have a significant and stable presence. In addition to Spain and Italy, we are now providing that information for India and the US, such that our reporting boundary now covers around 90% of our headcount. We are also providing information about activities at other smaller-sized workplaces.

b. Our people: the Deoleo team

We are proud to say that we ended 2019 with a headcount of 606 professionals based in 12 different countries. Thirty-seven per cent of our headcount is female and the percentage of worldwide employees on indefinite contracts is 95%.

In the years to come we plan to continue to prioritize measures designed to care for and motivate the people working at Deoleo, specifically including diversity management and maternity protection measures.

b.1. Key performance indicators

Number of employees

COMPANY | COUNTRY	Employees at Dec. 31, 2018	Employees at Dec. 31, 2019
ITALY	163	140
FRANCE	8	9
AUSTRALIA	7	0
BELGIUM	2	1
CANADA	7	9
COLOMBIA	2	2
MEXICO	15	16
GERMANY	17	16
INDIA	79	79
MALAYSIA	4	2
US	43	33
NETHERLANDS	4	4
SPAIN	299	295
Total	650	606

	2018	2019
Average headcount	**606**	**640**

Job	<35		>35<50		>50		By gender		
category	M	F	M	F	M	F	M	F	Total
Executives		2	18	5	15	7	33	14	47
Clerical supervisors	4	9	25	24	15	8	44	41	85
Skilled employees	8	9	23	11	16	1	47	21	68
Sales	40	11	53	9	17	3	110	23	133
Clerical staff	25	31	20	56	15	28	60	115	175
Factory employees	17	1	28	5	43	4	88	10	98
Total	**94**	**63**	**167**	**110**	**121**	**51**	**382**	**224**	**606**

Employees by contract type

Deoleo has employees on indefinite contracts, temporary contracts and internships (who by law must be added to the social security registers), broken down as follows.

		<35		>35<50		>50		
Job category	Contract type	M	F	M	F	M	F	Total
Executives	Indefinite	0	2	18	5	15	7	47
	Temporary	0	0	0	0	0	0	0
Clerical supervisors	Indefinite	4	9	25	24	15	8	85
	Temporary	0	0	0	0	0	0	0
Skilled employees	Indefinite	7	8	23	11	16	1	66
	Temporary	1	1	0	0	0	0	2
Sales	Indefinite	39	10	53	9	17	3	131
	Interns	1	1	0	0	0	0	2
Clerical staff	Indefinite	23	25	19	53	14	27	161
	Temporary	0	1	1	3	1	1	7
	Interns	2	5	0	0	0	0	7
Factory employees	Indefinite	9	1	24	4	43	4	85
	Temporary	8	0	4	1	0	0	13
Total		94	63	167	110	121	51	606

Contract type	Men	Women	Total
Indefinite	364	211	575
Temporary	15	7	22
Interns	3	6	9
Total	382	224	606

Full-time versus part-time

		<35		>35<50		>50		
Job category	Working day	M	F	M	F	M	F	Total
Executives	Full-time		2	18	5	15	6	46
	Part-time	0	0	0	0	0	1	1
Clerical supervisors	Full-time	4	9	25	24	15	7	84
	Part-time						1	1
Skilled employees	Full-time	8	9	23	10	16	1	67
	Part-time				1			1
Sales	Full-time	40	10	53	8	16	3	130
	Part-time		1		1	1		3
Clerical staff	Full-time	25	30	19	50	15	27	166
	Part-time		1	1	6		1	9
Factory employees	Full-time	17	1	28	5	43	4	98
	Part-time	0	0	0	0	0	0	0

Working day	M	F	Total
Full-time	380	211	591
Part-time	2	13	15
Total	382	224	606

No. of dismissals during the reporting period:
In 2019, a total of 107 people left the company voluntarily or due to dismissal (42 were dismissed). That implies an employee turnover rate of 16.71%; voluntary turnover was 9.37%, calculated with respect to the average headcount.

Job	<35		>35<50		>50		Total
category	M	F	M	F	M	F	Total
Executives			3	1	3		7
Managers			4	4	2		10
Skilled employees					2		2
Sales	1		2	2	2		7
Clerical staff	1	3	1	2	2	5	14
Factory employees					2		2
Total in age category	2	3	10	9	13	5	42

	M	F
By gender	25	17

b.2. We embrace different abilities
At Deoleo we emphasize accessibility and integration for people with different abilities. We engage and work with companies and associations that employ people with different abilities.

In Spain, Italy, India and the US, markets which account for 90% of our employees, we comply with the legal requirements for hiring people with disabilities. In Spain, between direct hires and the purchase of services from special employment centers, we meet the minimum quota of employees with disabilities required under Royal Decree 364/2005.

Moreover, our facilities in Italy and Spain, which is where our employees with disabilities work, have been adapted accessibility-wise.

Employees with disabilities

	Women	Men	Total
SPAIN	1	2	3
ITALY	1	1	2
TOTAL	2	3	5

c. Remuneration policy

Faithfully reflecting our hiring principles of equal opportunities, non-discrimination and respect for diversity and personality, at Deoleo we make sure that the starting salary of all new hires is above the national minimum wage or the minimum established in the collective bargaining agreement, regardless of position or job category.

Furthermore, in countries in which the salary for each category is defined in the collective bargaining agreements (Spain, Italy and Belgium), Deoleo ensures that the basic remuneration for equivalent positions in the same job category is similar and that any differences are based solely on seniority or performance.

In Spain, the lowest starting salary for all job categories –as defined for each salary band in the collective bargaining agreement – is higher than the national minimum wage.

In the other countries in which we operate, our employees hold sales or management positions and negotiate their salaries and benefits individually. Deoleo ensures that their conditions never fall below the country's national minimum wage, where there is one.

c.1. Average remuneration

Average remuneration was calculated including all employees at year-end in all Group companies. It was calculated in euros, translating from local currencies into euros at the average exchange rate in 2019.

The calculation takes into account fixed salaries and bonuses as well as remuneration in kind. The calculations do not include overtime or company car benefits. Key management personnel and directors were excluded from the calculations. The figures also exclude the interns, whose stipends are not considered to be salary and, therefore, are not comparable to the remuneration received by the rest of the staff.

By gender:

	MEN	WOMEN
2018	€52,775	€49,046
2019	€52,186	€48,997

By age bracket:

	Age bracket <35	Age bracket ≥35<50	Age bracket ≥50
2018	€35,803	€56,581	€58,256
2019	€38,105	€51,111	€62,457

By job category:

	Executives	Clerical supervisors	Skilled employees	Sales staff	Clerical staff	Factory staff
2018	€164,724	€71,003	€34,134	€47,336	€38,784	€29,872
2019	€163,573	€70,600	€34,515	€46,988	€38,236	€30,590

c.2. Gender pay gap

We have managed to reduce the gender pay gap at Deoleo to 2.5%, which is significantly better than the numbers presented by the International Labor Organization, which estimates a gender pay gap of between 16% and 22% in 2018/2019. That reduction in pay gap is attributable to initiatives and policies rolled out to ensure equal pay, enshrined in all of the collective bargaining agreements, favor internal mobility and commit strategically to the hiring, development and promotion of women in roles with greater responsibilities and decision-making power.

	Average salary
Gender	Total
Men	€43,928
Women	€42,829
Total	€43,529
Difference in average salary	€1,099
Gender pay gap	2.50%

Note: calculated on the basis of the fixed annual salaries of the employee base as of December 31, 2019

c.3. Average remuneration of directors and key management personnel

The director remuneration policy for 2019, 2020 and 2021 was approved at the Annual General Meeting held on June 3, 2019. The policy is available on Deoleo's website (www.deoleo.com).

The policy provides for the following types of remuneration:

1) Executive directors:

- **Fixed remuneration**, an annual sum set contractually
- **Variable remuneration**, an annual sum calculated as 50% of fixed remuneration in the event of full delivery of the related targets. In the event the targets are surpassed, the Board has the power to approve an annual bonus in excess of 50% of fixed remuneration.
- **Stock appreciation rights**. This scheme is for several members of the executive team, including the CEO. It involves the assignment of a number of rights that will entitle their holders to a long-term bonus, in cash or shares, calculated as a function of the increase in the minimum value of an equal number of shares in the Parent on the date on which the Parent's current majority shareholder sells its shares in the Company.
- The executive director does not receive attendance fees or any other additional remuneration for the performance of his director-related duties.

2) External directors:

Their remuneration consists primarily of fees for attending the meetings of the Board of Directors and its committees, which range from 1,500 euros to 3,500 euros. However, in light of the Parent's circumstances, the Board of Directors agreed on March 25, 2019 to cut attendance fees by half, leaving them at between 750 euros and 1,750 euros per meeting since March 1, 2019.

The total remuneration received by the directors in their capacity as such may not exceed a ceiling of 41,000 euros per annum per director or an aggregate of 750,000 per annum.

Deoleo publishes an Annual Director Remuneration Report and an Annual Corporate Governance Report, both of which are available on the corporate website (www.deoleo.com) and the securities market regulator's website (www.cnmv.es).

Average director and officer remuneration
As for the average remuneration received by officers, shown in the table below, the figures include their average annual fixed salary as per their contracts, the amount of their bonuses assuming that all targets are met, and other items of remuneration in kind, the amounts corresponding to retention plans for the corresponding officers (from 2019) and other in-kind remuneration.

In 2019, there were 5.2 male and 4 female officers (7 men and 4 women in 2018).

The officers' average remuneration disclosed in the table below corresponds to the maximum amounts that they can theoretically receive under their contracts, including remuneration in kind. The actual remuneration earned by the Parent's officers in 2019 was 3,108 thousand euros (2018: 1,974 thousand euros).

	2019		2018	
	Men	Women	Men	Women
Average remuneration of directors	66	0	74	0
Key management personnel (officers)				
Number	5.2	4	7	4
Amount	354	158	302	163

Note: The calculations were made on the basis of the average number of directors and officers considering the length of time in their posts during the year.

Average director remuneration excludes short-term variable remuneration, termination benefits and a service provision agreement in effect for some of 2019 that were received by the executive directors.

Average officer remuneration excludes a termination benefit paid out in 2019.

d. Organization of work and work-life balance

d.1. Organization of working hours
Organization of working hours - working days, breaks, vacation days, personal days (paid) – at Deoleo complies with labor legislation in the various countries in which it has employees and/or with the agreements adopted under collective bargaining agreements with employees at the state or company level.

At the productive facilities, work is organized into special shifts. The shift system allows the organization of production to meet customer demands.

The table below shows how working time is organized in its workplaces in the various countries other than Colombia and Malaysia:

Organization of working hours	Spain (Alcolea)	Spain (Rivas)	Italy	France	Netherlands	Germany	Belgium	US	Canada	Mexico	India
Working days per week	5	5	5	5	5	5	5	5	5	5	5
Free days per week	2	2	2	2	2	2	2	2	2	2	2
Working hours per day	8	8	7.8	7	8	8	8	8	8	8	8.3
Working hours per week	40	40	39	35	40	40	40	40	40	40	41.5
Working hours per annum	1,752	1,761.13	1,816	1,820	1,832	1,768	1,744	1,848	1,848	1,896	1,850.9
Vacation days per annum	23	22	25	35	25	30	32	18	18	12	19
Personal days per annum	-	1	1	1	-	-	-	-	-	7	21

d.2. Work-life balance and measures fostering sharing of domestic responsibilities

Deoleo's efforts on the work-life balance front were rewarded with the prize for fostering work-life balance and social responsibility awarded by the Alares Foundation in the large enterprise category in April 2019.

In Spain, the measures in place for promoting work-life balance and shared responsibility for childcare are mainly set down in the applicable collective bargaining agreements. The agreement covering the office staff in Rivas Vaciamadrid stands out for its breadth of measures. Specifically those office workers enjoy:

- paid leave for illness, death of relatives up to second-degree kinship or affinity, attendance at doctors' appointments of relatives up to first-degree kinship in need of accompaniment, measures that are more generous than those stipulated by law.
- Leave for urgent medical services, both for employees themselves and for first-degree dependents.
- Leave to accompany first-degree relatives who are under 16 years of age or dependent to doctors' appointments.
- Leave for physiotherapy sessions.
- One hour's flexibility at the start of the working day.
- Flexible hours and shifts for employees who are single parents, divorced parents with sole custody of children or who have dependent relatives with a certified disability.
- Access to the services offered by the Alares Foundation, whose mission is to drive and participate in initiatives to generally improve people's living conditions and foster economic, business and institutional competitiveness. With Alares, employees have access to assistance with paperwork and procedures, family care, holiday advice and finding private tutors.

In 2019, the Group rolled out the following initiatives which mark a significant milestone in its work-life balance efforts:

- Rollout of the E-work Program whereby employees can work from home one day a month (to be extended to two days a month in 2020).
- In December 2019, we introduced our Right to Disconnect Policy, following entry into effect of Organic Law 3/2018, transposing the General Data Protection Regulation into Spanish law.

Alares Seal
All of these efforts earned us the Alares Seal in 2018. The companies that receive this award are assessed by a committee of outside experts on the basis of the services they provide to employees and their relatives (workforce responsibility) and, in certain cases, to their customers (without discriminating) (social responsibility).

Maternity/paternity leave
In 2019, 19 employees at the workplaces with the highest numbers of employees took maternity/paternity leave, broken down as follows:

	Women	Men	Total
Spain	3	6	9
Italy	1	2	3
India	1	0	1
US	0	0	0
Total	**5**	**8**	**13**

e. Workplace health and safety

One of our goals is to continuously improve the working conditions of each and every person working in our workplaces. Deoleo's management is aware of the importance of health and safety to its employees and is committed to meeting all legal requirements on the occupational health and safety front.

e.1. Occupational health and safety systems in place at the Group's main workplaces

Spain

At the Group's workplaces in Spain, occupational health and safety is framed by applicable legislation (Law 31/1995). New hires receive training in occupational health and safety.

Occupational safety is managed by a duly accredited external service provider in the workplaces in Spain. The services engaged include:

- Occupational safety
- Industrial hygiene
- Ergonomics and psychosociology
- Health checks

The Group's occupational health and safety plan is made available to all employees, providing them with the following information:

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

The workplaces in Spain have health and safety committees, joint management-employee bodies that are responsible for regular oversight of Deoleo's efforts in this field.

The committees are made up of an equal number of safety officers and the employer/employer representatives. They meet at the request of any of their members and adopt their own rules of operation.

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

	Alcolea workplace	Rivas workplace
SAFETY OFFICERS	3	3
COMPANY REPRESENTATIVES	3	3

Health and safety indicators

In 2019, 892 hours of occupational health and safety training were imparted at the Group's head offices in Spain.

The Group's injury rates in Spain declined year-on-year, with three accidents in 2019.

	Men	Women
Number of accidents	1	2
Injury frequency rate (1)	3.15	8.84
Injury severity rate (2)	0.01	0.09
Occupational diseases	0	0
Number of fatalities	0	0

(1) Injury frequency rate: (no. of injuries in lost days / (no. of employees × hours worked in the period)) × 1,000,000
(2) Injury severity rate (lost days in the period / (no. of employees × hours worked in the period)) × 1,000

Italy

At its head offices in Italy, the Group similarly complies with applicable occupational health and safety legislation (Legislative Decree 81/2008). That includes an organization, management and control model as defined in Legislative Decree 231/2001. There is a supervisory body, appointed by the firm. Implementation of the measures required to protect employees' health and safety is audited systematically. The most recent audit, carried out on May 27, 2019, confirmed due legal compliance. The supervisory body also carries out quarterly reviews.

The duties and powers of the Italian Health and Safety Service, which meets annually, include participating in the drafting, implementation and assessment of the entity's health and safety plans and programs, running initiatives to promote effective risk prevention methods and practices and making proposals for improvements to conditions or the correction of deficiencies.

The composition of the Italian Health and Safety Service is as follows:

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

Health and safety indicators

In Italy, 1,160 hours of occupational health and safety training were given in 2019. In addition, safety training was provided to all new hires (an average of 10 hours per employee).

Injury rates were flat year on year, with one accident in 2019.

	Men	Women
Number of accidents	1	0
Injury frequency rate (1)	3.59	0
Injury severity rate (2)	0.06	0
Occupational diseases	0	0
Number of fatalities	0	0

(1) Injury frequency rate: (no. of injuries in lost days / (no. of employees × hours worked in the period)) × 1,000,000
(2) Injury severity rate (lost days in the period / (no. of employees × hours worked in the period)) × 1,000

India
In India, workplace health and safety is addressed in the constitution which empowers the state to implement policies for the promotion of workplace safety. That means that in India there is no basic occupational health and safety law equivalent to those prevailing in Spain or Italy, for example.

Under the Indian constitution, it is the government that must take measures to ensure and foster worker health and skills training, specifically including:

- Measures to guarantee the socioeconomic wellbeing of its citizens so they they are not forced into inappropriate forms of work.
- Measures to raise awareness of and eliminate discriminatory or uncomfortable workplace conduct.
- Protection of children from exploitation.

The government of India, through its Ministry of Work and Employment, has a national policy for workplace health, safety and environmental management which contemplates the adoption of national health and safety standards and the provision of government resources to enable control and regulation of their application.

Health and safety indicators

At Deoleo, we go beyond the requirements stipulated in the above-mentioned national policy. In 2019, we emphasized health and safety measures for our female employees in India, facilitating medical tests for the early detection of cervical and breast cancer.

The Group did not record any workplace injuries in India in 2019.

US
As with the rest of our workplaces, workplace health and safety is a priority concern in the US, as is compliance with applicable regulations.

Health and safety policy in the US operations is set down in the Basic Employment Policies Manual which is in turn part of the Employee Handbook.

Health and safety indicators

The Group did not record any workplace injuries in the US in 2019.

e.2. Absenteeism (in hours)
Deoleo's business does not involve high-risk activities. The number of workplace injuries declined year-on-year in 2019 and all were minor. No occupational diseases were recorded.

The table below provides the working hours lost due to absenteeism during the year. The numbers encompass the Group workplaces which account for 90% of all employees (Spain, Italy, India and the US), as these are the countries with significant operations and home to the production facilities:

	Spain	Italy	US	India
Working hours lost due to absenteeism.	18,815	10,505	-	7,333

Note. Hours lost due to absenteeism include hours lost due to illness, injuries, paid leave and absences not substantiated in any way. The figures do not include paternity or maternity leave or time off for trade union matters.
The method used to convert calendar days into working hours is as follows: (calendar days of absence × contractual annual hours) / 365

f. Labor relations

We are aware of the importance of management-employee relations, to which end we facilitate briefing and consultation procedures. More specifically, we provide employees with bulletin boards, video screens displaying information related to the Group and a corporate intranet, where we publish corporate news, new hires, advertising campaigns, and events and news featured in magazines and on television programs.

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

SPAIN	67%
ITALY	94%

f.1. Labor-management relations
Labor relations are channeled through works councils. The bargaining committees, made up of company and workers' representatives as well as advisers to both parties, are the main instrument for articulating labor-management relations. There are also frequent meetings between management and the unions, in addition to personal and direct contact with employees.

The unions can call assemblies to keep employees up to date on any collective bargaining under negotiation.

At Deoleo there are three works councils (two in Spanish workplaces and one in Italy). Labor relations are not articulated through works committees or similar bodies in India or the US.

Spain
The last elections to the works councils in Spain were held in 2017 and 2019. The Spanish unions with representation are Comisiones Obreras, UGT and CSIF and CTA.

	TRADE UNIONS			
	Comisiones Obreras	UGT	CSIF	CTA
No. of REPRESENTATIVES	10	4	1	1

In Spain, two collective bargaining agreements apply in the workplace, both of which were agreed in 2018 with a term of four years.

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

	UNION
	Flai CGIL
No. of REPRESENTATIVES	4

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

US
In the US, labor-management engagement takes the form of direct meetings with employees and internal communication. Our employees are free to bring up any issue related with their working conditions with their supervisors or the manager.

The Basic Employment Policies Manual and the Employee Handbook in the US address matters related to employment, equal opportunities, workplace harassment, workplace violence, employee protection, time controls, permits, health and safety and conduct.

India
In India, labor-management engagement similarly takes the form of direct meetings with employees and internal communication. Our employees are free to bring up any issue related with their working conditions with their supervisors or the center manager.

The workplace policies address work rules, sexual harassment policies, travel policy and permits.

g. Talent development

Training is a core component of employee development at Deoleo. Training contributes to internal mobility and adds to our competitive advantages.

g.1. Training
We group our training initiatives into four major categories:

1. **Mandatory training - compliance**. The compulsory training courses are designed to address compliance with prevailing legislation in a number of areas pertinent to the workplace, including employee health and safety, food safety, regulatory matters, data protection and cybersecurity. Deoleo has also rolled out initiatives designed to reinforce familiarity with internal rules of ethics in order to prevent reputational crises.
2. **Specific skills - new skills and skills refresher courses.** This category includes all language training (English, Italian, Spanish and German). It also includes computer and analytics training: SAP, SAGE, Oracle, Power Pivot, Power BI, data science. Lastly, it includes specific training for each area of expertise:
    - Finance: skills upgrades in accounting, control and tax matters.
    - Supply chain: logistics and transportation, customer service and the Kaizen approach in the productive areas.
    - Sales: product category management, promotional plans, retail sector and e-commerce content.

3. **Soft skills.** The third category is growing in importance: personal and interpersonal skills and learning to embrace change. These programs work on leadership, personal productivity, time management, conflict management and resolution, communication skills, among others. Within this category we have launched a training program addressing the seven Franklin Covey habits of highly effective people for all managers in Spain and Italy and the sales offices in Mexico, Colombia and Kuala Lumpur. The idea is to roll this program out to the rest of our workplaces in 2020. We have also provided training on improving interpersonal communication, presenting and speaking in public, effective negotiation, skills for working on cross-departmental projects and design-thinking methodologies in order to boost and accelerate our digital transformation.
4. **Sustainability.** The fourth category is sustainability-related, a topic of relevance to our entire value chain and of importance to our circular economy efforts.

Lastly, it is worth noting that in 2019 we worked to adapt our training initiatives for the new digital environment, rolling out e-learning formulae to complement the face-to-face, experiential and online methodologies already being used.

Training hours provided per employee
In 2019, our training effort encompassed nearly everyone who works at Deoleo - reaching 92.5% of the headcount. Training hours increased by 15% from 2018. In Spain, the number of training initiatives increased by 57% compared to 2018.

By job category, our executives, shift managers, lab managers, and team managers in the industrial and clerical departments received the most training. Age-wise, our Gen-X professionals, the most represented generation at Deoleo, received the highest number of training hours.

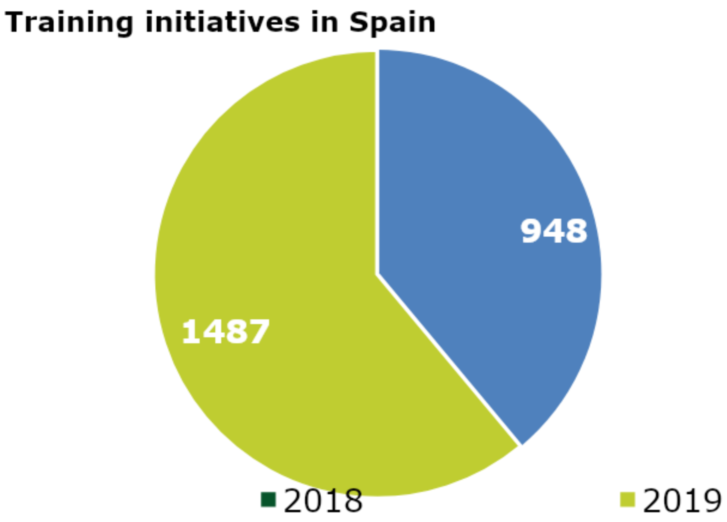
Category	Total hours, 2018	Total hours, 2019
Clerical staff	4,491.00	5,559.25
Managers	2,558.50	3,260.00
Sales	1,823.50	1,098.00
Executives	1,413.50	1,003.00
Skilled employees	1,392.30	2,846.75
Factory staff	1,091.50	1,077.25
Total	12,770.30	14,844.25

By generation	Training hours	No. of people receiving training
Baby boomers	1376.5	63
Gen-X	9,566.75	331
Millennials	3,901	159
Total	14,844.25	553

From a gender perspective, echoing our strategic commitment to developing female talent and internal promotion, our female employees received 51% of our training initiatives despite only representing 33.8% of our headcount.

Gender	Training hours	No. of days
Women	7,543.50	3,862.00
Men	7,300.75	2,580.5
Total	14,844.25	6,442.5

Geographically, the Spanish operations received the highest number of training initiatives (average of 36 hours per employee per year), reflecting the fact that the Group is headquartered in Spain.



g.2. Internal mobility
At Deoleo we are firmly committed to internal development and mobility. That commitment is tangible in the increase in the number of vacancies covered through internal promotions in 2019: 48.8% compared to 28.35% in 2018, up 20 percentage points.

h. Human rights

One of the goals of our Corporate Social Responsibility Policy is to ensure that everyone populating Deoleo and interacting with us behaves honestly. We try to encourage honest and ethical conduct, in keeping with the human rights and public liberties enumerated in the United Nations Universal Declaration of Human Rights.

Specifically, the following principles govern our conduct:

- A zero-tolerance stance towards all forms of forced labor, child labor or any other type of labor that violates human rights. Similarly zero tolerance of any form of discrimination or harassment in or outside the workplace.
- Adoption of the practices established in the Group's Code of Conduct (available at www.deoleo.com) and policies on human rights, among others.
- Respect for and promotion of the freedom of association and right to collective bargaining.

These principles are addressed in greater detail in the following documents:

- Code of Conduct
  - We reject all forms of forced labor, slavery, child labor or any other type of labor that violates human rights. Deoleo respects and promotes of the freedom of association and right to collective bargaining.

- We strictly forbid any form of discrimination or harassment in or outside the workplace. We will not tolerate any form of discrimination whether related to gender, race, ideology, religion, culture, nationality, marital status, age, sexual orientation or any other aspect.
- We expressly forbid sexual, psychological or any other type of harassment or discrimination that is intended to humiliate, torment, intimidate or infringe upon the dignity of an employee or any other individual.

- Procurement Policy

  Deoleo ensures that the suppliers selected and engaged are aligned with its corporate values, management style and Code of Conduct for employees and will only do business with suppliers that comply with and respect prevailing human and labor rights.

- Risk Control and Management Policy

  This policy sets down the core principles of risk management and the periodic assessment of the risks to which Deoleo is exposed due to the nature of its business activities, transaction volumes and business markets.

- Protocol for preventing and handling psychological, sexual and gender-based harassment in the workplace

  This policy sets down Deoleo's zero-tolerance stance on on psychological, sexual, gender-based, political, religious, racial or disability-related harassment under any circumstances and prescribes how any cases of harassment must be handled internally and sanctioned.

  It establishes guidelines for responsible conduct in the workplace that are designed to foster mutual respect among all employees and a rules-based framework to ensure Deoleo workplaces remain free from harassment, particularly sexual and gender-based harassment, in keeping with applicable legislation.

- Guide for the development of holistic measures against domestic violence

  The guide sets down the firm's comprehensive and coordinated support for employees who are victims of domestic violence, urging everyone at the firm no matter their seniority to become involved in enabling the rights established in the guide and bringing about a society free of discrimination.

- Diversity charter
  This document formalizes Deoleo's commitment to observing prevailing equal opportunities and anti-discrimination legislation by specifically undertaking to:
  - Raise awareness of the principles of equal opportunities and respect for diversity
  - Make headway in building a diverse workforce
  - Promote inclusion
  - Build diversity into our HR policies
  - Foster a work-life balance
  - Acknowledge diversity in customers, suppliers and business partners
  - Encourage all stakeholders to embrace similar principles
- Whistle-Blowing Channel
  This confidential but not anonymous channel can be used by any employee to report any infringement of the Code of Conduct or other irregularity. This communication channel can be accessed in several ways:
  - Intranet
  - E-mail
  - Post

We did not receive any complaints through the Whistle-Blowing Channel in 2019 (one in 2018). Nor was the Deoleo Group fined for any human rights violations in 2019.

Chapter 6. Committed to sector development

"As the leading player in the olive oil sector, it is our duty to set an example for our partners, while continuing to advance on the innovation, sustainability and development fronts"

Framed by the lines of initiative established in our 2018-2025 Sustainability Plan and our strategic commitment to contributing to delivery of the United Nations Sustainable Development Goals (SDGs), at Deoleo we are orienting our sustainability effort towards the producer segment, creating alliances in the supply chain so that 80% of the extra virgin olive oil we sell to consumers will be obtained sustainably by 2025.

The main focus of our effort to make the extra virgin olive oil production chain sustainable is to guarantee traceability from the olive grove to the table. Other specific goals include protecting the environment and its natural resources, preserving olive grove biodiversity, upholding human rights and fair labor practices and encouraging local community development.

a. The olive oil sector in numbers

According to the International Olive Council (IOC), olive oil production has tripled over the last 60 years. In 2019, global production reached 3.1 million tonnes. Spain, Italy and Greece, the top three producers, account for over 65% of global production. Spain is the leading producer, accounting for more than 54% of worldwide output in 2019.

The production of olive oil has a significant impact on biodiversity in producer countries. The cultivated area in the IOC member countries stands at 10 million hectares. Most of it is located in Mediterranean countries, which are also the biggest consumers of olive oil.

Olive oil consumption
The key factor driving olive oil consumption is its health benefits and association with the Mediterranean diet. Olive oil currently accounts for approximately 4% of the vegetable fat consumed worldwide.

For years, global olive oil consumption has been trending lower in the main consumer and producer nations (such as Spain) and growth has also stalled in emerging consumer markets (such as the US). As a result, the gap between supply and demand for olive oil is expected to widen in the coming years.

Oil consumption in Spain has grown by 11.2% in the last 16 years, which is very much in line with the country's population growth (+11.1%). However, consumption of seed oil (mainly sunflower oil) has grown by 37.5% over that time horizon, while total consumption of olive oil has contracted by 2.1%.

Sector outlook
International olive oil production is growing faster than olive oil consumption. Forty per cent of all oil is already being produced in groves deemed efficient by international standards, with yields that are 51% above those of traditional groves.

Moreover, they are more cost efficient: their costs are 49% below those of traditional plantations. These productivity advances ad gains imply nominal productive capacity of 4.9 million tonnes at present.

Olive groves: efficient versus traditional farming
Efficient groves present higher olive tree density per hectare; harvesting is done using machines; and they are more focused on maximizing profits. Traditional olive groves, on the other hand, are more sparsely populated and by older olive trees. The traditional groves (which account for 20% of the cultivated area in Spain) find it hard to compete on price and are therefore suffering the most from the category's loss of value and consumption.

Traditional groves are an iconic part of the Spanish landscape and are key to its conservation. Maintenance and cultivation of those groves are important for enhancing soil quality, stopping desertification and mitigating climate change, thanks to their ability to absorb CO_2.

That is why Deoleo is strategically committed to spearheading the sector's sustainability transition.

b. Sustainability Protocol

In 2019, we continued to work on a project launched in 2018 aimed at securing a significant percentage of olive oil supplies that carry the sustainable seal provided by Intertek, an independent certification firm.

The 'Sustainably-Produced Olive Oil' seal is underpinned by the implementation by cooperatives, mills and farmers of our Sustainability Protocol which sets down the guidelines for embedding sustainable management into an organization along the social, economic, environmental and quality dimensions.

	1. SOCIALLY SUSTAINABLE	2. ECONOMICALLY SUSTAINABLE	3. ENVIROMENTALLY SUSTAINABLE	4. QUALITATIVELY SUSTAINABLE
WHAT	Quality job creation	Economic development of the whole chain	Environmental care impact reduction	Ensuring and improving the quality of a healthy product
WHY	Rural areas and risk of depopulation	Poor profitability of more traditional olive groves and their impact on the economy	Tension in the water, pollution due to the use of agrochemicals and fertilizers, loss of biodiversity, soil erosion and desertification.	Raise quality standards responsibly
HOW	· Local employment · Training /experience · Equality	· Entrepreneurship · Professionalization · Promotion	· Efficient water management · Energy management · Waste management · Soil management · Actions promoting increased biodiversity	· Defense of indigenous varieties and their specific flavors · Promotion and education
DEOLEO ACTIONS	· Direct training · Support small associations of farmers	Framework agreements long term supply	· Internal audit · Awareness-raising actions and training of the equipment of the oil mills and technicians · Workshop techniques fulfillment	· Communication · Definition of stricter specifications for Virgin Extra oils · Launch of monovarietal oils, DOP and IGP under our brands
	DEOLEO CERTIFICATION OF SUSTAINABLE PRODUCTION The points mentioned below are the chapters from which our protocol is developed and the compliance with the requirements of the DEOLEO sustainable production is verified.			
	3.1 Organization and people	3.1 Organization and people	3.6 Biodiversity Management. 3.3 Water Management. 3.4 Energy Efficiency management 3.5 Land management and conservation 3.7 Residue and by-product management	3.2 Nutritional safety 3.8 Agrochemical application management

Deoleo's Sustainability Protocol translates into the following eight lines of initiative for making a contribution to delivery of the United Nations Sustainable Development Goals (SDGs).

Application of the Protocol yields a product that adds more value while respecting the environment and the species indigenous to our olive groves and halting the tide of rural depopulation.

We have implemented our Sustainability Protocol through agreements with olive growers in Spain, Italy and Portugal encompassing more than 230,000 hectares of olive groves, via 50 cooperatives and mills on which over 30,000 households depend for their livelihoods. More specifically, the agreements include:

- **In Spain**, Viñaoliva, Grupo Almaviva, Grupo JaenCoop and Molino del Genil S.L. Deoleo also has an agreement with the small farmers and breeders union, UPA, an organization that represents more than 80,000 farmers and livestock breeders in Spain, with the aim of reinforcing quality and traceability in the olive oil sector.
- **In Italy**, Produttori Olivicoli Bitonto, Frantoio Oleario Domenico De Palma, Frantoio Oleario Miracolo Domenico and Frantoio Oleario Fratelli Macchia, olive oil mills.
- **In Portugal**, OlivoMundo and Lagar do Sobrado.

c. Dialogue with sector agents

At Deoleo we engage openly with our local communities in an attempt to understand and meet their needs and expectations. To that end we participate in several sector and business associations. However we do not belong to any political, religious or ideological associations. Some of our noteworthy initiatives include:

c.1. Let's Save our Fine Oil' campaign
This initiative is designed to contribute to the sustainability of Spain's olive groves and extra virgin olive oil production. We collaborate with 96,000 families devoted to olive farming and milling who boast official Intertek certification. That international certificate attests that these growers meet the prerequisites for producing olive oil in a sustainable manner, which means sustainably along four dimensions: economic, environmental, social and quality.

c.2. Deoleo Reports
Similarly framed by our commitment to promoting the sector, we are relaunching 'Deoleo Reports', an educational publication devoted to the world of olive oil.

c.3. Alliances and training
Framed by our commitment to spearheading the olive oil sector's transition to sustainable economics, in 2019, we provided sustainability training at plantations in Spain and Greece. Moreover, Deoleo is part of the following initiatives:

- **PROValor**, made up of representatives from the olive oil sector and farming associations with which we share the goals of rerating product value and quality, revitalizing consumption, improving prices for olive growers, establishing even more stringent quality standards, promoting new sector legislation aligned with new farming and extraction techniques and educating consumers all around the world.
- **Sustainability Agreement** executed with UPA, Grupo Almaliva and Viñaoliva in order to protect and defend Spain's traditional olive groves, foster sector collaboration and improve quality.

d. Committed to our suppliers and subcontractors

Our commitment to offering consumers the finest quality olive oil requires collaborating with a team of partners who share Deoleo's principles of excellence and our vision for the business, building long-term relationships based on trust.

Framed by the utmost respect for human, labor and environmental rights, we are striking alliances with farmers, associations and cooperatives in Spain, Greece, Italy and Portugal. Our relationship with our suppliers is articulated around the following guiding principles:

1. Purchasing Policy. This collaborative approach enables us to develop solid and long-lasting business relationships that yield mutual benefits. It also requires that suppliers adopt the Group's corporate responsibility commitments, stipulating that:

   - Relationships with suppliers must be conducted in accordance with criteria of honesty, respect for individuals and social and environmental values.
   - The purchase of goods and services must be aligned with the principles of need, suitability, functionality and value.
2. Procurement Code of Ethics. This code guides conduct in the course of business relations.
3. Code of Conduct. The suppliers we work with must comply at all times with the terms of Deoleo's Code of Conduct. Supplier relations must be conducted in accordance with criteria of honesty, respect for individuals and social and environmental values.
4. Environmental Management Systems. Deoleo has certified its two production facilities, Alcolea and Tavarnelle, under ISO 14001. Contractors are required to meet the environmental management system requirements whenever their activities could have an impact on the environment.
5. Supplier audits. The Quality Department performs audits with a frequency defined by the risk map developed by that same department.

6. Basic environmental plan for subcontractors. Deoleo's Sustainability Protocol includes a basic environmental plan applicable to all of the businesses that work with us and have an impact on the environment.

d.1. Social and environmental responsibilities of suppliers and subcontractors

To achieve sustainable and responsible development, it is vital our suppliers be as engaged as we are. We are firmly convinced that sustainability needs to be a commitment that is shared with our entire supply chain. To that end, we incorporate sustainability, ethics and human rights criteria into our supplier agreements.

All Deoleo suppliers must undergo a certification process: we are committed to ensuring that 100% of our purchases come from internally-approved suppliers. We currently have 331 certified oil suppliers, 28 certified co-packers and 49 certified packaging suppliers.

Supplier life cycle management

Having selected a potential supplier, the purchasing team notifies the quality team that they'd like to have the supplier formally approved. The first step of the certification process is to have the supplier endorse Deoleo's general requirements, complete the requested questionnaires and provide all the documentation sought.

In 2017, we added environmental criteria in the form of a questionnaire worded to verify due compliance with environmental legislation, the existence of an environmental management system and approved management of effluents and waste. The second step is to audit the selected supplier. That audit depends on the responses obtained from the documentation process.

Service suppliers that work with the Group must follow all the policies and procedures we have implemented internally. Furthermore, subcontractors must comply with the requirements established by the health and safety department.

Once a supplier has been certified, supplier performance is assessed continually so that we can rest assured that they are meeting our requirements on an ongoing basis.

Chapter 7. Committed to our community

"We want to make a difference to the development of our communities. Halting rural depopulation is a top priority"

At Deoleo we want to be a catalyst for employment in the places where we conduct our activities. We also want to promote best practices on the part of our suppliers. Our goal is to seek out quality product while remaining socially sustainable throughout.

Below are a few of the initiatives we have run in our business communities:

a. Fighting depopulation

Rural depopulation is one of our greatest concerns. To achieve sustainable growth and create decent work for vulnerable people, we make sure that the firms endorsing our Sustainability Protocol similarly commit to combating depopulation.

Moreover, the Protocol obliges our partners (whether or not cooperatives) to strive to achieve inclusive growth that benefits everyone equally. We firmly believe that an organization committed to development, whose employees are motivated, stands a better chance of achieving steady and long-lasting growth.

b. Community engagement

In 2019, we formalized our membership of the Spanish Network of the Global Compact, the UN's global initiative fostering business sustainability in the private sector. The goal of the Compact is to act as a catalyst for delivery of the Sustainable Development Goals in the business community.

In 2019, we supported the work of various charitable organizations, donating 26,104 euros to NGOs such as the Food Bank, Tavarnelle, Caritas, ATT (Cancer Association of Tuscany), Misericordia and Bar Milleluci (Down's Syndrome). Our employees also participated in a number of community support activities.

Spain
We continue to support the work of food banks and other charities with our 'No child without breakfast' campaign and the donation of olive oil to schools to promote healthy breakfasts.

Project Carbonell. We launched a limited edition of 200,000 bottles on which we changed the traditional image of a woman from Andalusia for a charitable symbol to collaborate with the work done by Action against Hunger to mitigate malnutrition and scarce drinking water.

Our employees also participated in solidarity events such as the the stoppage of the Alcolea factory on March 8 to mark Women's Day, charity runs and Project Libera, an annual event which takes place on June 15 where several communities come together to pick up garbage in nature reserves and urban settings all over Spain.

Italy
2019 marked 20 years of sponsorship of the Fish Festival in Camogli. Deoleo also repeated the Carapelli gastronomy and culture event.

Carapelli Institute (Florence) is a non-profit foundation which educates the community about the health benefits of olive oil in a balanced diet.

In 2019, the Institute organized the second edition of its international visual arts competition, Carapelli for Art; the theme was Blending, inspired by the mixes Deoleo uses to create each bottle of extra virgin olive oil. Over 1,350 people from 52 different countries participated in the event.

US
Our US employees enjoyed the first employee volunteering initiative organized together with the Tree Foundation, a non-profit entity whose mission is to inspire environmental awareness in northern Texas.

Chapter 8. Tax information

The income tax paid in each of the countries where the Deoleo Group has tax residence, and the underlying profit or loss in 2019, are detailed in the table below.
The grants received from various public authorities are also disclosed.

COUNTRY		INCOME TAX PAID IN 2019	CURRENCY	EQUIVALENT IN EUROS (APPROX)	AVERAGE RATE IN 2019 (ECB)
1	SPAIN	363,971.57	EUR	363,971.57	1
2	GERMANY	340,906.50	EUR	340,906.50	1
3	BELGIUM	94,519.00	EUR	94,519.00	1
4	NETHERLANDS	4,999.00	EUR	4,999.00	1
5	ITALY	-294,651.00	EUR	-294,651.00	1
6	FRANCE	161,794.00	EUR	161,794.00	1
7	US	-1,498,024.81	USD	-1,338,335.37	0.8934
8	CANADA	671,313.77	CAD	451,995.56	0.6733
9	AUSTRALIA	0.00	AUD	0.00	N/A
10	MEXICO	0.00	MXN	0.00	N/A
11	COLOMBIA	127,340,000.00	COP	34,658.44	3,674.14
12	MALAYSIA	50,614.76	MYR	10,917.60	0.2157
13	INDIA	12,237,398.00	INR	155,292.58	0.0127
14	BRAZIL	0.00	BRL	0.00	N/A
15	GUAYANA	0.00	EUR	0.00	N/A
				-13,932.11	

In addition, the Parent received tax benefits of 15,000 euros in 2019 under the so-called specific supply regime under which aid is provided in exchange for the supply of certain agricultural products to regions such as the Canary Islands.

Events after the reporting date

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, is causing an unprecedented health crisis that is set to impact the macroeconomic environment and the Group's business performance. The Spanish government is passing a raft of measures to help mitigate the situation, including declaration of a state of alarm (via Royal Decree 463/2020, of March 14, 2020) and approval of a series of extraordinary emergency measures to combat the economic and social ramifications of COVID-19 (via Royal Decree-Law 8/2020, of March 17, 2020).
The Group believes that these developments do not imply the need to make any adjustments to its financial statements for the year ended December 31, 2019; they could, however, have a significant impact on its operations and, by extension, on its future earnings and cash flows.
Given the complexity of the situation and the speed with which it is developing, it is not presently feasible to make a reliable quantitative estimate of its potential impact on the Group which, if any, would be recognized prospectively in the 2020 financial statements.
The Group is taking the steps required to tackle the situation and minimize its impact. It believes that the situation is circumstantial and, based on its most recent estimates and liquidity position as of the reporting date, will not compromise its ability to continue as a going concern.

Chapter 9. Non-Financial Information Statement table of contents

Contents of Law 11/2018 on non-financial reporting		Standard used	Chapter of the report	Notes
Business model				
Description of the undertaking's business model	A brief description of the group's business model, including disclosures relating to its business environment, organization and structure, operating markets, objectives and strategies and the main trends and factors that may affect its future development.	GRI 102-2. Activities, brands, products, and services GRI 102-4 Location of operations GRI 102-6 Markets served GRI 102-15 Key impacts, risks and opportunities GRI 102-7 Scale of the organization	Chapter 1 Chapter 2	
Environmental matters				
Policies	A description of the policies pursued by the undertaking, including due diligence processes implemented to identify, assess, prevent and mitigate existing and potential adverse impacts and to monitor and control them, including a description of the measures adopted.	GRI 103-2 The management approach and its components GRI 103-3 Evaluation of the management approach	Chapter 4	
Main risks	The main risks related to those matters linked to the undertaking's activities, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks, explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities GRI 102-11 Precautionary principle or approach GRI 102-30 Effectiveness of risk management processes	Chapter 2 (c.1.)	
Total	The current and foreseeable impacts of the undertaking's activities on the environment and, as appropriate, on health and safety,	GRI 102-15 Key impacts, risks, and opportunities	Chapter 4	
	Environmental assessment and certification processes	GRI 102-11 Precautionary principle or approach GRI 102-30 Effectiveness of risk management processes	Chapter 2 (c.1.) Chapter 6 (d.)	

	Resources dedicated to preventing environmental risks	GRI 102-19 Identifying and managing economic, environmental, and social impacts	Chapter 4	
	How the precautionary principle is addressed	GRI 102-11 Precautionary principle or approach	Chapter 2 (c.1.)	
	Amount of provisions recorded or guarantees extended for environmental claims	GRI 307-1 Non-compliance with environmental laws and regulations	Note 27 of the financial statements	
Pollution	Measures to prevent, reduce or redress carbon emissions that seriously affect the environment, taking into account any type of activity-specific atmospheric pollutants including noise and light pollution.	GRI 103-2 Management approach (reduction of energy consumption and emissions) GRI 302-4 Reduction of energy consumption GRI 305-5 Reduction of GHG emissions	Chapter 4	
Circular economy and waste prevention and management	Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste. Initiatives undertaken to eliminate food waste	GRI 103-2 Management approach (effluents and waste) GRI 301-1 Materials used by weight or volume GRI 301-2 Recycled input materials used	Chapter 4 (a.) Chapter 4 (b.3.)	
Sustainable use of resources	Water consumption and supply, in keeping with local limitations	GRI 303-1 Water withdrawal by source GRI 306-1 Water discharge by quality and destination	Chapter 4 (b.) Chapter 4 (b.2.)	
	Consumption of raw materials and measures taken to use them more efficiently	GRI 103-2 Management approach (environment) GRI 301-1 Materials used by weight or volume GRI 301-2 Recycled input materials used	Chapter 4 (a.2.) Chapter 4 (b.3.)	
	Energy: Direct and indirect consumption; measures taken to enhance energy efficiency and use renewable sources	GRI 102-2 Management approach (energy) GRI 302-1 Energy consumption within the organization (renewable versus non-renewable) GRI 302-4 Reduction of energy consumption	Chapter 4 (b.1.) Chapter 4 (b.)	
Climate change	Greenhouse gas emissions	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Energy indirect (Scope 2) GHG emissions	Chapter 4 (c.)	

	Measures adopted to adapt for the consequences of climate change.	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Energy indirect (Scope 2) GHG emissions	Chapter 4 (c.)	
	Medium- and long-term GHG emission-cutting targets voluntarily adhered to and the measures implemented to that end.	GRI 103-2 The management approach and its components	Chapter 4 (c.)	
Biodiversity protection	Measures taken to preserve or restore biodiversity	GRI 103-2 Management approach (biodiversity)	Chapter 4 (d.)	
	Impacts caused by the undertaking's activities or operations on protected areas	GRI 304-2 Significant impacts of activities, products, and services on biodiversity	- At industrial facilities: a. Neither of the two factories is located in a nature reserve or park, special protection area for birds or natural habitats, Site of Community Importance, or wetlands of international importance according to the Ramsar Convention, steppe areas, etc. b. Effluents and waste are managed in line with applicable legislation in Italy and in Spain. - In the supply chain: a. Deoleo ensures that its suppliers comply with the environmental questionnaire for certification which sets down all the environmental best practices included in Deoleo's Environmental Policy -	

Social and employee matters				
Policies	A description of the policies pursued by the undertaking, including due diligence processes implemented to identify, assess, prevent and mitigate existing and potential adverse impacts and to monitor and control them, including a description of the measures adopted.	GRI 103-2 The management approach and its components	Chapter 5 (a.)	
		GRI 103-3 Evaluation of the management approach		
Main risks	The main risks related to those matters linked to the undertaking's activities, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks, explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities	Chapter 2 (c.3.)	
		GRI 102-30 Effectiveness of risk management processes		
Employment	Total number and breakdown of employees by gender, age, country, job category and abilities.	GRI 102-7 Scale of the organization	Chapter 5 (b.1.)	
		GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories: gender and age group		
	Total number and breakdown by contract category	GRI 102-8 Information on employees and other workers	Chapter 5 (b.1.)	
	Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category	GRI 102-8 Information on employees and other workers	Chapter 5 (b.1.)	
	Number of dismissals by gender, age and job category	GRI 401-1. b) Total number and rate of employee turnover during the reporting period, by age group, gender and region	Chapter 5 (b.1.)	
	Average salaries and trend broken down by gender, age, job category or equivalent metric	GRI 102-35 Remuneration policies	Chapter 5 (c.) Chapter 5 (c.1.)	
		GRI 405-2: Ratio of basic salary and remuneration of women to men by job category		
	Gender pay gap	GRI 405-2: Ratio of basic salary and remuneration of women to men by job category	Chapter 5 (c.2.)	
	Remuneration per equivalent job or company average.	GRI 405-2: Ratio of basic salary and remuneration of women to men by job category	Chapter 5 (c.1.)	
	Average remuneration for directors and executives, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender	GRI 102-35 Remuneration policies	Chapter 5 (c.3.)	
		GRI 405-2: Ratio of basic salary and remuneration of women to men by job category		
	Implementation of measures in relation to the right to disconnect from work.	GRI 103-2 Management approach (right to disconnect)	Chapter 5 (d.2.)	
	Employees with disabilities	GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories: Other indicators of diversity where relevant (such as minority or vulnerable groups)	Chapter 5 (b.1.)	

Organization of work	Organization of working hours	GRI 103-2 Management approach (organization of work) GRI 102-8. c) Total number of employees by employment type (full-time and part-time), by gender.	Chapter 5 (d.1.) Chapter 5 (b.1.)	No data available for Colombia and Malaysia.
	Absenteeism (in hours)	GRI 403-2. a) Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Chapter 5 (e.2.)	These figures are reported for Spain, Italy, India and the US
	Measures designed to facilitate work-life balance and sharing of caring responsibilities.	GRI 103-2 Management approach	Chapter 5 (d.2.)	Reported for Spain
		GRI 401-3 Parental leave		These figures are reported for Spain, Italy, India and the US
Occupational health and safety	Health and safety at work	GRI 103-2 Management approach (health and safety)	Chapter 5 (e.1.)	These figures are reported for Spain, Italy, India and the US
	Workplace injuries (frequency and severity), broken down by gender	GRI 403-2. Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities GRI 403-3 Workers with high incidence or high risk of diseases related to their occupation		
	Occupational diseases (frequency and severity), broken down by gender	GRI 403-2. Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities GRI 403-3 Workers with high incidence or high risk of diseases related to their occupation		
Labor relations	Organization of labor-management engagement, including procedures for informing, consulting and negotiating with staff.	GRI 102-43 Approach to stakeholder engagement (with respect to unions and collective bargaining) GRI 403-1 Workers representation in formal joint management–worker health and safety committees	Chapter 5 (f.1.) Chapter 5 (e.1.)	These figures are reported for Spain, Italy, India and the US
	Percentage of employees covered by collective bargaining agreements by country	GRI 102-41 Collective bargaining agreements	Chapter 5 (f.)	Reported for Spain and Italy as there are no collective bargaining agreements in Deoleo's other markets
	Assessment of collective bargaining agreements, particularly with respect to occupational health and safety.	GRI 403-1 Workers representation in formal joint management–worker health and safety committees GRI 403-4 Health and safety topics covered in formal agreements with trade unions	Chapter 5 (f.1.) Chapter 5 (e.1.)	
Training	Policies implemented in the area of training	GRI 103-2 Management approach (training and education) GRI 402-2 Programs for upgrading employee skills	Chapter 5 (g.2.)	These figures are reported for Spain, Italy, India, the US and Mexico
	Total amount of training hours by job category.	GRI 404-1 Average training hours per employee	Chapter 5 (g.2.)	
Accessibility	Accessibility for persons with disabilities	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 5 (b.2.)	

Equality	Measures taken to foster equal treatment and opportunities for men and women.	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 5 (a.) Chapter 5 (h.)	
	Equality plans	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 2 (a.) Chapter 5 (h.)	At the date of publication of this report, Deoleo was still working on its Equality Plan
	Measures taken to foster employment	GRI 103-2 Management approach (employment)	Chapter 7	
	Anti-sexual/gender harassment protocols	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 5 (h.)	
	Integration of and accessibility for persons with disabilities	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 5 (b.2.)	
	Non-discrimination and diversity management policies	GRI 103-2 Management approach (diversity and equal opportunities and non-discrimination)	Chapter 5 (h.)	

Human rights matters				
Policies	A description of the policies pursued by the undertaking, including due diligence processes implemented to identify, assess, prevent and mitigate existing and potential adverse impacts and to monitor and control them, including a description of the measures adopted.	GRI 103-2 The management approach and its components	Chapter 5 (h.)	
		GRI 103-3 Evaluation of the management approach		
Main risks	The main risks related to those matters linked to the undertaking's activities, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks, explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities	Chapter 2 (c.5.)	
		GRI 102-30 Effectiveness of risk management processes		
Human rights	Human rights due diligence procedures	GRI 103-2 Management approach (human rights assessments)	Chapter 5 (h.)	
	Processes and arrangements for preventing human rights abuses and any measures taken to mitigate, manage and repair possible abuses that have materialized	GRI 103-2 Management approach (human rights assessments)	Chapter 5 (h.)	
	Claims of human rights abuses.	GRI 102-17 Mechanisms for advice and concerns about ethics	Chapter 5 (h.)	
		GRI 103-2 Management approach (human rights assessments)		
		GRI 419-1 Non-compliance with laws and regulations in the social and economic area		
	Promotion of and compliance with the provisions contained in the ILO's fundamental conventions on the freedom of association, the right to collective bargaining, the elimination of workplace discrimination and of all forms of forced or compulsory labor and the abolition of child labor.	GRI 103-2 Management approach (non-discrimination; freedom of association and collective bargaining; child labor; forced or compulsory labor; human rights)	Chapter 5 (a.)	

Anti-corruption and bribery matters				
Policies	A description of the policies pursued by the undertaking, including due diligence processes implemented to identify, assess, prevent and mitigate existing and potential adverse impacts and to monitor and control them, including a description of the measures adopted.	GRI 103-2 The management approach and its components	Chapter 2 (a.)	
		GRI 103-3 Evaluation of the management approach		
Main risks	The main risks related to those matters linked to the undertaking's activities, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks, explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities	Chapter 2 (c.2.)	
		GRI 102-30 Effectiveness of risk management processes		
Corruption and bribery	Measures taken to prevent corruption and bribery	GRI 103-2 Management approach (anti-corruption) - If the undertaking reports GRI 205-2, disclosure of that indicator serves to meet this legal requirement	Chapter 2 (a.)	
	Measures taken to combat money laundering	GRI 103-2 Management approach (anti-corruption)	Chapter 2 (a.)	
	Contributions to non-profit entities	GRI 103-2 Management approach (anti-corruption)	Chapter 7 (b.)	

Society matters				
Policies	A description of the policies pursued by the undertaking, including due diligence processes implemented to identify, assess, prevent and mitigate existing and potential adverse impacts and to monitor and control them, including a description of the measures adopted.	GRI 103-2 The management approach and its components GRI 103-3 Evaluation of the management approach	Chapters 6 & 7	
Main risks	The main risks related to those matters linked to the undertaking's activities, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks, explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	GRI 102-15 Key impacts, risks and opportunities GRI 102-30 Effectiveness of risk management processes	Chapter 2 (c.4.)	
Commitment to sustainable development	Impact of the undertaking's activities on society in terms of employment and local development	GRI 103-2 The management approach and its components GRI 203-1 Financial assistance received from government	Chapter 6 Chapter 7 Chapter 3 (c.)	
	Impact of the undertaking's activities on society in terms of local communities and territories	GRI 103-2 The management approach and its components GRI 203-1 Financial assistance received from government	Chapter 6 Chapter 7	
	Engagement with local community representatives; communication channels in place	GRI 102-43 Approach to stakeholder engagement (with respect to community relations) GRI 413-1 Operations with local community engagement, impact assessments, and development programs	Chapter 6 (c.) Chapter 7 (b.)	
	Membership of associations and sponsorships	GRI 102-13 Membership of associations	Chapter 6 (c.)	
Outsourcing and suppliers	Inclusion in the purchasing policy of social, gender equality and environmental matters	GRI 103-2 The management approach and its components	Chapter 6 (d.)	
	Contemplation of social and environmental records in supplier and subcontractor engagement.	GRI 102-9 Supply chain GRI 103-3 Management approach (supplier screening)	Chapter 7 (d.1.)	
	Supervision and audit systems and their outcomes	GRI 308-1 New suppliers that were screened using environmental criteria GRI 414-1 New suppliers that were screened using social criteria	Chapter 7 (d.1.)	
Consumers	Consumer health and safety measures	GRI 103-2 Management approach (customer health and safety)	Chapter 3 (a.1) Chapter 3 (b.)	

		GRI 416-1 Assessment of the health and safety impacts of product and service categories		
	Consumer claims, complaints and grievance systems	GRI 102-17 Mechanisms for advice and concerns about ethics (complaints received and grievance)	Chapter 3 (a.2.)	
		GRI 103-2 Management approach (customer health and safety)		
Tax information	Profit or loss by country.	GRI 201-1 with respect to payments to public authorities in keeping with the OECD reporting guide http://www.oecd.org/tax/beps/country-by-country-reporting.htm	Note 29 of the financial statements	
	Corporate income tax paid	GRI 201-1 with respect to payments to public authorities in keeping with the OECD reporting guide http://www.oecd.org/tax/beps/country-by-country-reporting.htm	Chapter 8	
	Government grants received	GRI 201-4 Financial assistance received from government	Chapter 8 Note 20 of the financial statements Note 22 of the financial statements	

Deoleo, S.A. and Subsidiaries

Independent Assurance Report on the Consolidated Non-financial Information Statement 2019 of Deoleo, S.A. and Subsidiaries

April 8th, 2020

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

Tel: +34 915 14 50 00

www.deloitte.es

INDEPENDENT ASSURANCE REPORT

To the Shareholders of Deoleo, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement (NFIS) for the year ended 31 December 2019 of Deoleo, S.A. and subsidiaries (hereinafter "Deoleo"), which forms part of the Consolidated Directors' Report of Deoleo.

The NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in chapter 9 "Non-Financial Information Statement table of contents".

Responsibilities of the Directors and the Management

The preparation and content of the NFIS are the responsibility of the Board of Directors of Deoleo. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation, and with the criteria of the Sustainability Reporting Standards of Global Reporting Initiative (hereinafter "GRI Standards") selected, as well as other criteria described as indicated for each matter in the chapter 9 "Non-Financial Information Statement table of contents" of the NFIS.

This responsibility also includes the design, implementation and maintenance of such internal control as is determined to be necessary to enable the 2019 NFIS to be free from material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

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

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

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which relates exclusively to the financial year 2019.

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

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

Our work consisted in requesting information from management and the various units of Deoleo that participated in the preparation of the 2019 NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Deoleo personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, relevance and completeness of the contents included in the 2019 NFIS according to the business, sector and nature of Deoleo's operations, considering the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2019 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters identified in the 2019 NFIS.
- Verification, by means of sample-based tests, of the non-financial information relating to the contents included in the 2019 NFIS and the appropriate compilation thereof based on the data furnished by Deoleo's information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained, no matter has come to our attention that causes us to believe that the NFIS of Deoleo for the year ended 31 December 2019 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in chapter 9 "Non-Financial Information Statement table of contents" of the 2019 NFIS.

Use and Distribution

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

DELOITTE, S.L.

Ignacio Ramirez
April 8th, 2020

This report corresponds to the distinctive stamp no. 01/20/09899 issued by the Spanish Institute of Chartered Accountants.