Q1 2020 Results

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The Olive Oil Company.

Contents

Highlights

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Markets

- The 2019/2020 olive oil harvest in Spain, according to the latest data provided by the MAPA (Spanish Ministry of Agriculture, Fisheries and Food), is 35% below the previous season. However, the high stock levels at the end of the previous corporate year and the good harvest in the remainder of producer countries in the Mediterranean Basin guarantee adequate supply of raw material for this corporate year.
- Prices of raw material at source remain stable and low. According to MAPA data, the average price of olive oil is approximately 15% below the previous season.
- Consumption of olive oil on the retail channel, according to Nielsen and IRI data, has increased during this first quarter in Spain, the United States, and Italy, by 19%, 23%, and 7%, respectively.
- While a significant portion of this increase in consumption is due to the stockpiling carried out by consumers in the month of March as a result of the COVID-19 crisis, during the months of January and February, a trend of improvement in consumption could already be observed on these markets.

Highlights

- In line with the improvement in business observed during the 2019 corporate year, during this first quarter of 2020 this trend continues, obtaining an increase in EBITDA of 167% (€10.1 million) compared to the first quarter of the previous corporate year.
- Despite the reduction in the price of the raw material at the origin, our sales figures have increased 14%, mainly as a result of the 28% increase in volumes sold.
- While the stockpiling carried out by consumers during the month of March as a result of the COVID-19 crisis has had a significant impact on our financial figures during this first quarter, it is worth noting that in January and February, our volumes and EBITDA were already showing increases of 17% and 142%, respectively, compared to the previous corporate year.
- We have closed this first quarter of the corporate year with a net profit of €4.5 million, which, following 6 consecutive years of losses, appears to point to a change in the trend of the Group's results.
- The net financial debt increased 2.3% temporarily at the end of the month of March as a result of the increase in working capital associated with the high sales volume in March.

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Outcome summary

Raw Material

	31-Mar-20	31-Mar-19	YTD
	€/Tn	€/Tn	%
Extra Virgin	2.159	2.413	-11,5%
Virgin	1.885	2.150	-15,2%
Lampante	1.738	2.007	-15,1%

- During the first quarter of 2020, olive oil prices remained more than 10% below those of the same period of the previous corporate year, for all varieties.
- Since the beginning of the 2019/2020 harvest, prices have remained stable at these levels

Profit and Loss

	31-Mar-20	31-Mar-19	YTD
	m€	m€	%
Net Sales	151.385	132.233	14,5%
EBITDA	16.198	6.068	166,9%
Net Results	4.471	(7.511)	159,5%

- The positive evolution of the business has allowed us to close the first quarter with a 28% increase in volumes sold and a 14% increase in sales in relation to the previous corporate year.
- These positive changes in sales have occurred in all our business units, especially in Spain, Northern Europe, and North America, and have allowed us to end the quarter with an EBITDA of €16.25 million, 167% above the previous corporate year.
- As a consequence of the aforementioned improvement in circumstances, we made a net profit of €4.5 million during the period.

Other financial data

	31-Mar-20	31-Dec-19	YTD
	m€	m€	%
Net. Financ. Debt.	569.846	557.300	2,3%
Working Capital	88.330	77.686	13,7%

- The high sales figures for the month of March related to the stockpiling by consumers as a consequence of the COVID-19 crisis have caused a temporary increase in our working capital and in our net financial debt, of 14% and 2%, respectively.
- Following the schedule established for the refinancing process, we signed the Master Refinancing Agreement and obtained its judicial sanction during this month of March

Raw material and evolution of consumption

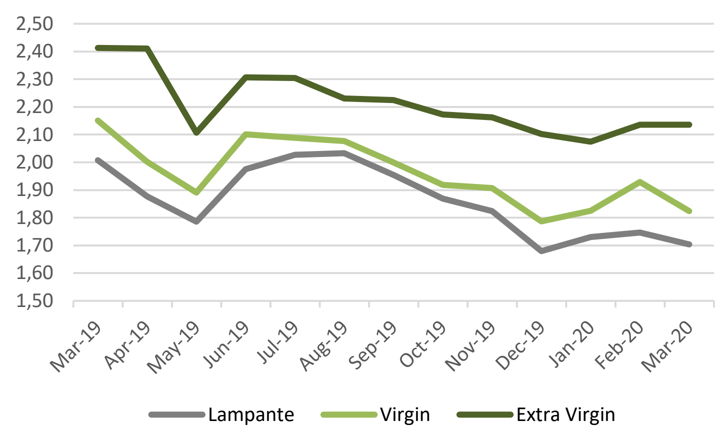
Evolution of the raw material

- The most recent estimates from the IOC and the EU on the global production of olive oil indicate 3.1 million tons for the 2019/2020 season, 2% less than the previous harvest.
- Production in Spain, as already mentioned, is estimated to be 35% less than that of the previous season, with this smaller harvest being offset by higher production of countries such as Italy, Greece, Portugal, or Tunisia.
- The level of remaining stock at the end of the previous season (the period between harvests) in Spain was 756,000 tons.
- Olive oil prices in Spain at the end of the quarter were more than 10% lower than the previous year.

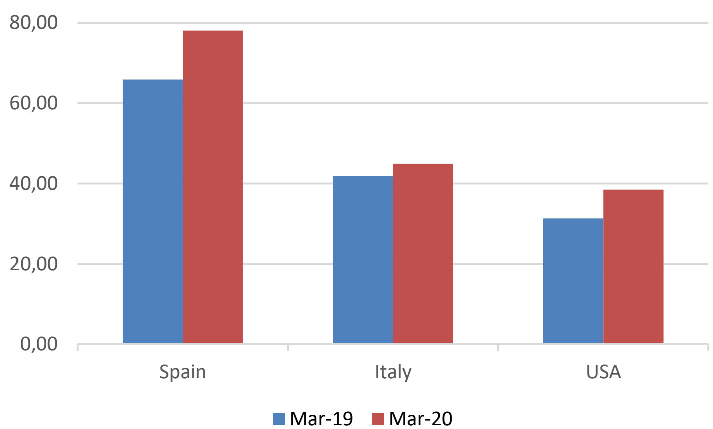
Evolution of consumption

- The drop in the price of the raw material of olive oil at source, the stability of prices over the past months, and the business actions taken by Deoleo have driven consumption on the company's main markets.
- In the United States, the market, according to IRI, has grown by 23% in volume during this first quarter, also growing by 7% and 19% in Italy and Spain, respectively, according to Nielsen data.
- Likewise, according to the same sources, our market shares during the same period have increased by 2 percentage points in the United States, 0.2 in Italy, and 1.7 in Spain

Olive Oil Price Evolution *(€/Tn)*



Olive Oil Consumption *(MMl)*



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Profit and loss statement

	31-Mar-20	31-Mar-19	YTD
	m€	*m€*	*%*
Net Sales	**151.385**	**132.233**	***14,5%***
Gross Margin	34.650	23.700	*46,2%*
OPEX	(18.452)	(17.632)	*4,6%*
EBITDA	**16.198**	**6.068**	***166,9%***
EBITDA/Sales	*10,7%*	*4,6%*	
Net Results	**4.471**	**(7.511)**	***159,5%***

- We have increased our volumes sold by 28% compared to the first quarter of the previous corporate year. While a part of this improvement in volumes sold is related to the stockpiling by consumers during the month of March as a consequence of the COVID-19 crisis, it is worth noting that the evolution of the business during the first two months of the corporate year was already showing a positive trend, with an increase in volumes sold of 17% in the months of January and February compared to the 2019 corporate year.
- Sales have increased by 14.5%, as the drop in the price of the raw material at source has been offset by the 28% increase in volumes sold, as mentioned above.
- Mainly as a result of the increase in volume sold, we increased the gross margin by 46% (€10.9 million), closing the first quarter of the corporate year with an EBITDA of €16.2 million, amounting to an increase of 167% compared to that obtained during the first quarter of the previous corporate year. The EBITDA obtained during January and February of this corporate year, prior to the COVID-19 crisis, was €8.9 million, 142% above the same period of the 2019 corporate year.
- Following 6 consecutive corporate years of losses, we closed the quarter with a net profit of €4.5 million

Results per business units

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BU	SALES Q1 2020	SALES Q1 2019	SALES YTD	EBITDA Q1 2020	EBITDA Q1 2019	EBITDA YTD	Margen Q1 2020	Margen Q1 2019
	m€	*m€*	*%*	*m€*	*m€*	*%*	*%*	*%*
Spain	38.827	34.330	*13%*	3.335	1.981	*68%*	*9%*	*6%*
Italy	27.951	26.600	*5%*	1.614	1.319	*22%*	*6%*	*5%*
NE	21.119	16.254	*30%*	4.103	402	*921%*	*19%*	*2%*
NA	35.565	27.712	*28%*	6.591	3.136	*110%*	*19%*	*11%*
International	25.354	25.669	*(1%)*	5.832	4.170	*40%*	*23%*	*16%*
Operative, Corporative, Others	2.568	1.668	*54%*	(5.276)	(4.939)	*-7%*	*(205%)*	*(296%)*
Total	151.385	132.233	*14%*	16.198	6.068	*167%*	*11%*	*5%*

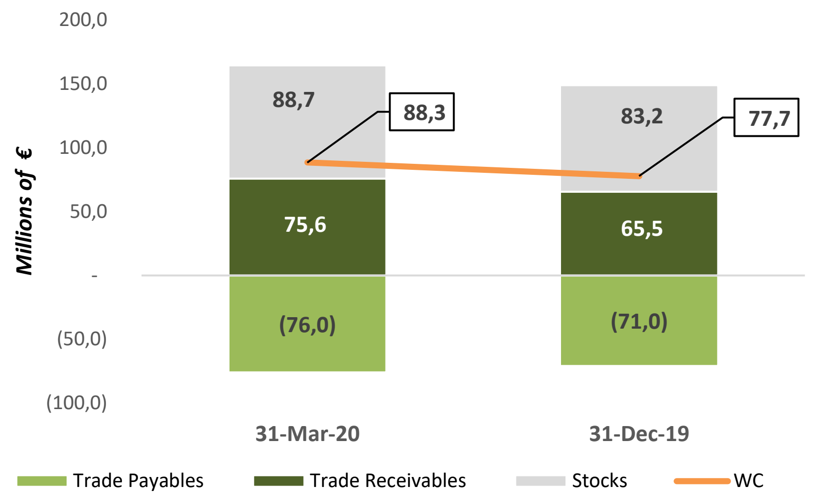
- Volumes have increased by 31% in the **Spain** BU, in which the total growth of the olive oil market was 19%. This difference is reflected in an increase of 1.7 percentage points (approximately 14%) in the market share of our brands on this market. This growth triples that obtained by the competitor with the highest growth over the same period. The increase in volume has driven the business unit's EBITDA, which has grown by 68%.
- In the **Italy** BU, we are starting to observe some evidence of improvement following the actions adopted to resume growth track. Volumes have increased by 17% and EBITDA has increased by 22% despite a 30% increase in business expenses and marketing investment.
- In the **Northern Europe** BU, where the business development is focused on achieving better distribution and presence as a added-value producer, we have achieved a 37% increase in volumes and a 58% increase in margins, thus increasing EBITDA by €3.7 million (€0.4 million in 2019).
- **International Markets** has improved its EBITDA by 40% compared to the same period of 2019, mainly as a result of a 15% increase in volumes sold and improvement in gross unit margins by 13%.
- The EBITDA of the **North America** BU has increased by 110% (€3.5 million, of which approximately €0.8 million correspond to the impact of currency rate changes) compared to the same quarter of 2019, in a difficult context due to the implementation of import duties on olive oil of Spanish origin. The actions taken, which already showed effect during the last quarter of the previous year, intensified during the first quarter of 2020, in which our volumes sold grew by 49%, reversing the negative trend of previous corporate years.

Balance sheet

Balance Sheet Data

	31-Mar-20	31-Dec-19	YTD
	m€	m€	%
Non Currents Assets	577.734	581.431	*(0,6%)*
Working Capital	88.330	77.686	*13,7%*
Equity	28.159	26.506	*6,2%*
Net Financial Debt	569.846	557.300	*2,3%*

Working Capital



- The significant sales volumes for the month of March (48% above the previous corporate year) combined with the need to maintain higher stock levels required by the current situation have generated a temporary increase of 14% in working capital.
- This increase in working capital has mainly been financed via a 2% increase in net financial debt, an increase that is also temporary.

Cash generation

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Cash Generation managing analysis

	31-Mar-20	31-Mar-19	YTD
	m€	*m€*	*%*
Cash at the begining	78.628	47.947	*64,0%*
EBITDA	16.198	6.068	*167,0%*
Changes in WC	(21.322)	7.214	*-395,6%*
Cash Flow	**(5.124)**	**13.282**	***-138,6%***
Interest Payment	(6.872)	(6.592)	*-4,2%*
Tax Income Payment	333	1.783	*-81,3%*
NRI and others	303	608	*-50,2%*
CF Investment Activities	(763)	(1.817)	*58,0%*
CF before Financing Activities	**(12.123)**	**7.263**	***-266,9%***
CF Financing Activities	4.914	23.775	*-79,3%*
YTD Cash generated	**(7.209)**	**31.038**	***-123,2%***
Cash at the end	71.419	78.985	*-9,6%*

* The change in Working Capital in the first quarter of 2020 does not reflect the change related to the agreement reached with the former management, which was, per close of FY 2019, reflected as short term receivables, and, in the first quarter of the present FY, has been reclassified to other sections within the balance sheet.

- As indicated, the greater need for working capital has being financed via an increase in net financial debt, mainly generated by the consumption of €12 million of cash before financing.
- We comply with all of our financial covenants as of March 31, 2020.

Conclusions (1/2)

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- The first quarter of the 2020 corporate year is demonstrative of the positive evolution of Deoleo initiated during the 2019 corporate year. We closed the quarter with a profit of €4.5 million following 6 consecutive years of losses, thanks to a 28% increase in volumes sold and a 167% increase in EBITDA compared to the previous corporate year.

- While the stockpiling carried out by consumers during the month of March as a consequence of the COVID-19 crisis has had a significant impact on our profit/loss during this first quarter, it is worth noting that in January and February prior to the aforementioned crisis, our volumes had grown by 17% and our EBITDA had grown by 142%.

- All of our business units have grown in terms of sales and EBITDA, without exception (and were already doing so prior to the COVID-19 crisis), which is a clear indication that we have successfully reversed the negative trends of the previous corporate years in Italy and the United States, consolidated the business in Northern Europe, and achieved very significant improvements in profitability in the international business.

- In Spain, which has been severely affected by the COVID-19 pandemic, our volumes sold have grown by 31% whereas the olive oil market has grown by 19%. The market share of our olive oil brands has grown by 1.7 percentage points, three times the growth of the competitor that grew the most during this period.

- Following the declaration of the State of Alarm on March 14 and the mobility restrictions then imposed, we have been working to match the requirements and expectations of our clients, consumers, etc. Thanks to the actions adopted (security measures at our factories, implementation of remote work policies and tools, etc.), the commitment of our employees and suppliers, and the efforts of the organization as a whole, we have been successful in meeting all of these expectations, providing our contribution to the difficult times that we, as a society, are undergoing.

Conclusions (2/2)

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- In relation to the refinancing process, everything is progressing according to schedule. Following the signing of the Master Refinancing Agreement on March 13, which has been joined by 100% of the creditor financial institutions involved, the judicial sanction of the aforementioned agreement was obtained from the Mercantile Court of Córdoba [Juzgado de lo Mercantil de Córdoba] on March 20. As indicated in the Extraordinary General Meeting of Shareholders held on January 17, this legal process implies a series of advantages and legal protections for the restructuring process underway.

- We are currently working on the refinancing process, where the following relevant milestone would be the launch of the new capital issue for a maximum amount of €50 million as approved during the aforementioned Extraordinary General Meeting of Shareholders. Once the necessary documentation has received the required approvals, the Company's Board of Directors, taking market conditions into account, will establish the specific schedule of execution of the aforementioned capital issue and its final conditions.

- We continue to trust that we will be able to complete the restructuring agreement during the first six months of this corporate year, dependent on the measures that could be in place with relation to the current State of Alarm and the impact that these measures, as well as the current pandemic situation itself, could have on financial markets.

Annex I – Profit and loss statement

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Profit and Loss Statement

(Thousand of €)

	31-Mar-20	31-Mar-19	YTD
Net Sales	**151.385**	**132.233**	**14,5%**
COGS	(116.735)	(108.533)	7,6%
Gross Margin	**34.650**	**23.700**	**46,2%**
Staff Costs	(12.423)	(11.482)	8,2%
OPEX	(6.029)	(6.150)	(2,0%)
Operating Expenses	**(18.452)**	**(17.632)**	**(4,6%)**
EBITDA	**16.198**	**6.068**	**166,9%**
% Sales	***10,7%***	***4,6%***	
Amortization and Depreciation	(3.234)	(3.812)	(15,2%)
EBIT before NRI	**12.964**	**2.256**	**474,6%**
NRI	(385)	(490)	(21,4%)
EBIT	**12.579**	**1.766**	**612,1%**
% Sales	***8,3%***	***1,3%***	
Financials Results	(6.623)	(8.073)	(18,0%)
BAI	**5.956**	**(6.307)**	**194,4%**
Income Tax	(1.485)	(1.204)	23,3%
Attributable Profit (Loss) for the period	**4.471**	**(7.511)**	**159,5%**

Annex II – Balance sheet

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Balance Sheet
(Thousand of €)

	31-Mar-20	31-Dec-19
Non-current Assets	577.734	581.431
Stocks	88.716	83.179
Payables	75.607	65.521
Other current assets	47.220	38.321
Cash and Cash Equivalents	71.419	78.628
Total Assets	**860.696**	**847.080**
Equity	28.159	26.506
Financial liabilities (preferred shares)	42.453	42.453
Long term debt	512.976	512.553
Provisions	18.344	17.948
Deferred tax liabilities	94.388	94.175
Short Term Debt	85.836	80.922
Receivables	75.993	71.014
Other current liabilities	2.547	1.509
Total Liabilities	**860.696**	**847.080**

Annex III – Net Financial Debt

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Net Financial Debt

(Thousand of €)

	31-Mar-20	31-Dec-19	YTD
	m€	*m€*	*%*
Long Term Debt	**555.429**	**555.006**	***0,1%***
Syndicated Loan	*511.230*	*510.444*	*0,2%*
Preferred Shares	*42.453*	*42.453*	*0,0%*
Other Debt	*1.746*	*2.109*	*(17,2%)*
Short Term Debt	**85.836**	**80.922**	***6,1%***
Financial Debt	**641.265**	**635.928**	***0,8%***
Cash and Cash Equivalents	(71.419)	(78.628)	*9,2%*
Net Financial Debt	**569.846**	**557.300**	***2,3%***

Disclaimer

- This document contains future statements on intentions, expectations and forecasts of Deoleo, S.A. or its management on the date on which it was written.

- These future statements or forecasts are not guarantees of future fulfilment, as they are conditioned by risks, uncertainties and other relevant factors which could cause the developments and end results to differ materially from those expressed in these intentions, expectations or forecasts.

- Deoleo, S.A. is not obligated to publicly divulge the result of any revision that it might make of these statements to adapt them to facts or circumstances subsequent to this presentation, including changes in the Company's business, its business development strategy or any other possible unforeseen circumstance, among others.

- The statements contained in this document must be borne in mind by all persons or entities that may have to adopt decisions or disseminate opinions on the shares issued by Deoleo and, in particular, by the analysts and investors who are privy to this document.

- The documentation and public information shared or registered by Deoleo in the supervisory organisations and in particular in the Spanish National Securities Market Commission may be viewed.

- This document contains unaudited financial information, so it is not definitive information and may be modified in the future.

- In accordance with the European Securities and Markets Authority (**ESMA**), below we include a **description of the key indicators (APMs) used in this report**. These indicators are used recurrently and consistently by the Group to explain the evolution of its activity, and their definition has not been changed:

  - **EBITDA:** The earnings before depreciation, amortisation and earnings due to disposals and transfers of real estate and non-current assets maintained for sale and corresponding impacts as well as other non-recurring income and expenses (the elements considered non-recurring are those primarily associated with the comprehensive redesign of the Group's global model affecting processes, systems and structures that allow a more solid company and growth to be maintained).
  - **Net Financial Debt:** Gross financial debt minus cash and other equivalent liquid assets.
  - **Working capital (rolling fund):** Part of the non-financial working capital which is financed by permanent resources. It is calculated as: Stocks + Commercial debtors and other accounts payable – Commercial creditors and other accounts due.


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