



deoleo

**RESULTS Q1 2017**



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# 1.- Highlights of the Period

- In a very complicated raw materials context, marked by the continued rise in producer prices, the performance of Deoleo has been satisfactory by improving the results obtained during the first quarter of the previous year.
- EBITDA for the third quarter of 2017 was € 11.9 mm, with a 23% increase compared to the same period of the last year.
- The sales figure grows by 3.6% in value, thus breaking the trend shown in previous quarters.
- The improvement can be extended to all fundamental variables like this: with regard to the 1st quarter of 2016:
  - The Gross Margin increases by 14% and the unit margin Ebitda €/liter improves by 25%.
  - The EBITDA/Sales margin grows by 1.1 pp, setting the ratio at 6.8%.
- Compared to the same quarter of the past year, all Business Units are experiencing improvement except for the North European Unit.
- The North American Business Unit maintains its contribution to the group's total EBITDA, the International Markets grow significantly, as well as Southern Europe.
- Net Financial Debt grows slightly by 1% compared to the same period of 2016, by €5.7 mm, mainly due to the increase in raw material stocks.

## 2. Raw materials and markets

- The upward trend in the olive oil prices continued during the first quarter of 2017, with year-on-year growth of 20% for the Extra Virgin olive oil.
- Spain is the only producer that maintains stocks in reasonable quantities, until the season progresses and we have more visibility on future harvest, this boom scenario is helpful.
- With data up to March, the harvest in Spain for 2017 points toward 1,270,000 tons, in line with our estimates.
- The United States continues with the consumption growth rates noted in previous quarters, posting an increase of 2.5% in the first quarter of 2017.
- Consumption of olive oil in mature markets such as Spain and Italy, according to Nielsen data, has had uneven performance: in Spain, consumption of olive oil is low, with a transfer toward the seed oil, which is normal in an environment of high prices, and in turn, the Italian market shows a slight recovery.

Olive Oil Consumption - Main Markets

(M litres)	20171T	20161T	Var. %
Spain	65,7	70,4	-6,7%
Italy	44,0	42,8	2,8%
USA	33,0	32,2	2,5%

Nielsen

Raw Materials: Olive Oil Prices - Spain

€/T	Mar-17	Dec-16	% Trimestre	Mar-16	% Year
Extra Virgin	3.841	3.504	9,6%	3.194	20,3%
Lampante	3.676	3.199	14,9%	2.858	28,6%

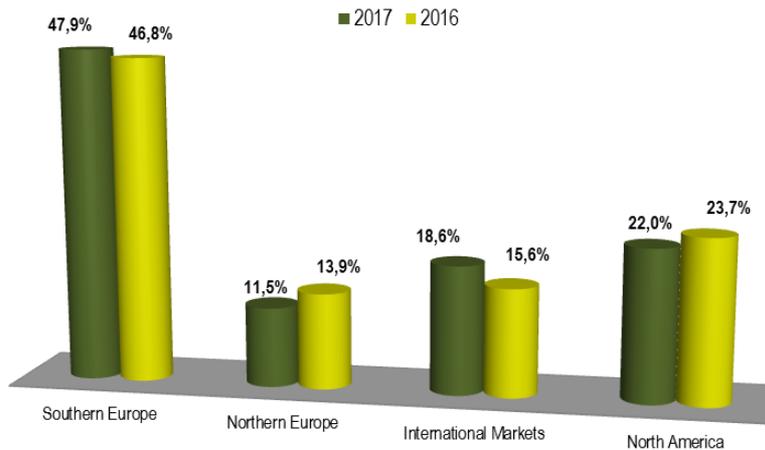
Average Prices - POOLed

# 3. Income Statement\*

## PROFIT AND LOSS STATEMENT

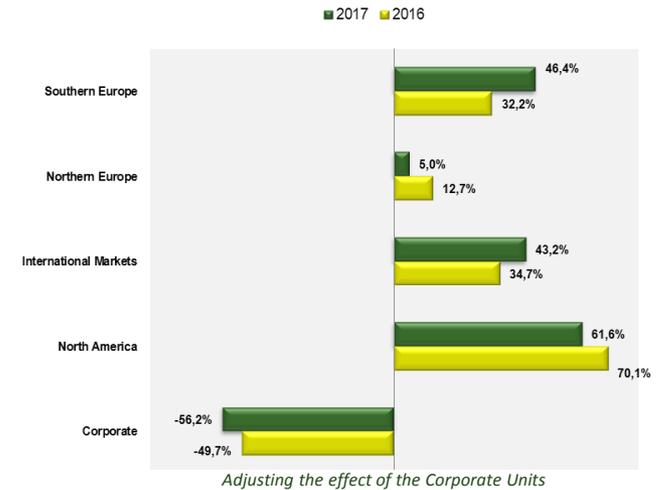
thousand euros	31.03.2017	%	31.03.2016
Sales	175.135	3,6%	169.076
EBITDA	11.862	23,2%	9.627
EBITDA/Sales	6,8%		5,7%
INCOME BEFORE TAXES	(5.200)	-41,3%	(8.863)
PROFIT AND LOSS FOR YEAR	(7.567)	-23,5%	(9.892)

Sales contribution by region



Adjusting the effect of the Corporate Units

EBITDA contribution by region



- We grew 3.6% in sales by changing the trend of the last quarters.
- A significant year-on-year growth of 23.2% of EBITDA supported by a sustained improvement in unit margins.
- The business profitability (Ebitda/Sales) has grown by 1.1 percentage points, which represents a 19.29% increase in the profitability ratio.
- Clear decline in non-recurring expenses, which stood at €5 mm as a consequence mainly of ERE (Workforce adjustment plan) in Spain.

(\* ) As a result of the comprehensive system and processes re-design that Deoleo is carrying out, as of January 01, 2017, a new cost allocation method has entered into force between the different Business Units, which affects the calculation of EBITDA per business unit. For this reason and in order to provide comparable information, a proforma has been prepared with the information for the year 2016.

# 4. Highlights by Business Unit



## NORTH AMERICAN UNIT

- In the United States, we have launched a new range, Carapelli, addressed to the Premium segment.
- Canada has had a good first quarter, with significant improvements in sales volumes.



## INTERNATIONAL MARKETS UNIT

- Good overall performance in most countries.
- India and Saudi Arabia stand out, which are high-margin markets.



## NORTHERN EUROPE UNIT

- This business unit has been the only one which has had a negative performance in year-on-year terms.
- We have had difficulties in France due to the loss of distribution and an intense promotional activity in Germany, which eroded the margins.



## SOUTHERN EUROPE UNIT

- In both Spain and Italy we have maintained the margin sales policy, which contributes to the improvement in the profitability of the Business Unit.
- In Italy, we have re-launched Carapelli and in Spain we have renewed the Hojiblanca range, both high quality segments. We have also re-launched the Carbonell brand for the Spanish market.

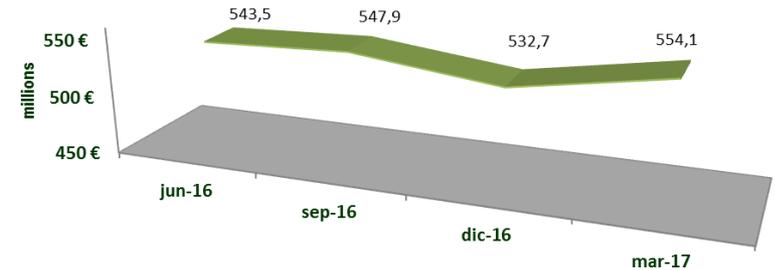
# 5. Balance Sheet Data

## BALANCE DATA

<i>million euros</i>	31.03.2017	%	31.03.2016
Non-current Asset	911,7	-16,5%	1.092,3
Working Capital	125,9	-6,6%	134,8
Net Equity	321,1	-34,9%	493,5
Net Financial Debt	554,1	1,0%	548,4

- We have improved the working capital compared to the same period of last year, thanks to the optimization of our inventory levels and accounts receivables.
- The net financial debt increases slightly due to the need to increase supply and ensure raw material stocks that comply with our quality standards.
- Cash generation allows us to maintain our liquidity levels.

## QUARTERLY EVOLUTION NFD



## Working Capital 2017-2016





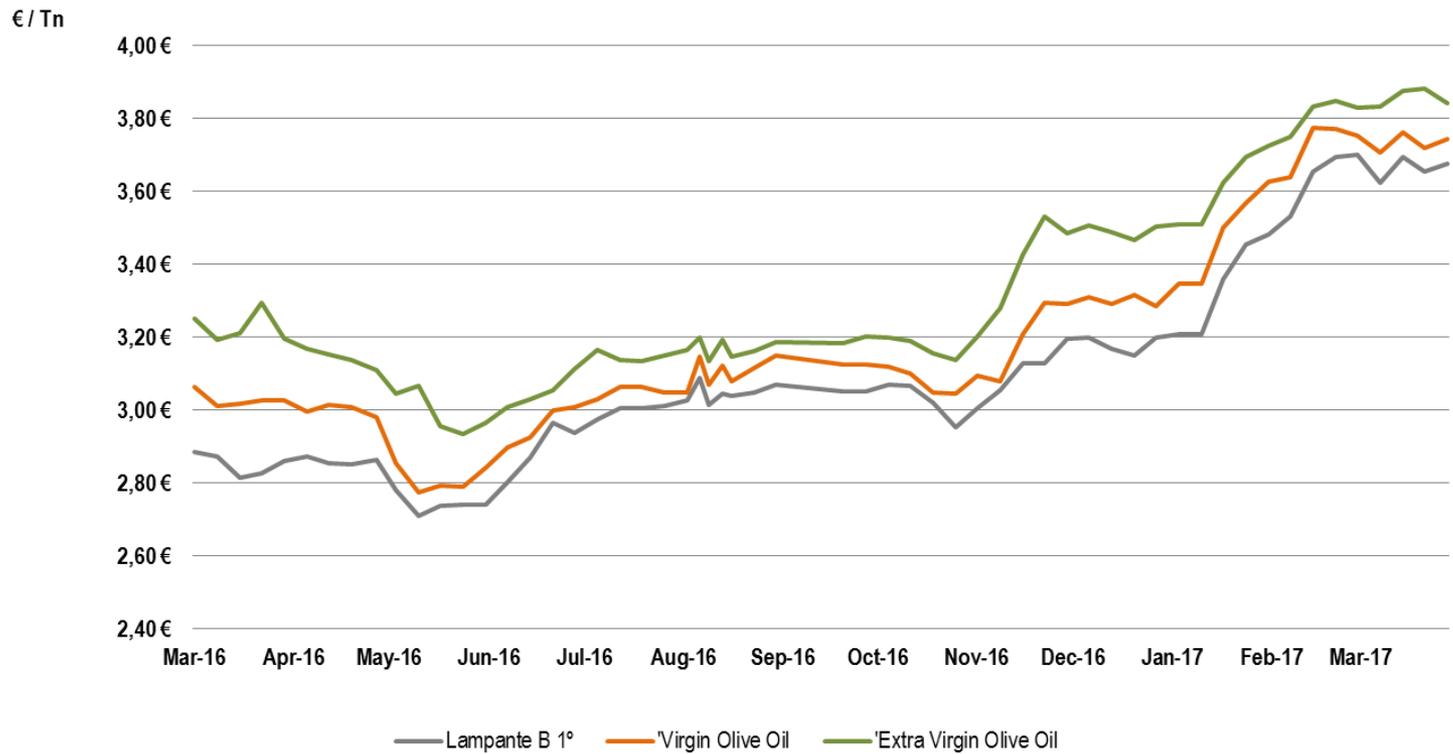
## 6. Conclusions

- The results for the first quarter of the year 2017 are solid and significantly better than those of the same period of the previous year.
- We continue to prioritize higher-margin markets, products and clients.
- These results are more relevant given the context of upward price tension and the scarcity of quality product supply, anticipating that we are facing a complicated year.
- We have carried out draft decisions such as the workforce adjustment plan in Spain and Italy, necessary measures to guarantee the future and competitiveness of the company.
- Parallel to the above measures, we are transforming our industrial and organizational structure, with concrete measures, such as the Antequera plant and the rental of the Inveruno plant. We are accompanying these actions with an investment plan in order to have efficient and more productive industrial plants.
- We are also developing a redesign of processes and decision making which will allow us to significantly improve our cost structure.
- The above measures are carried out in the noted times and their return will have be soon reflected in the results of the company.



# Annex: Olive Oil Price History

## Olive Oil Price Evolution 2016/2017



Source: POOLred