Q1 2018 Results

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Contents

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Q1 Highlights

Markets

- **The downward trend** in **olive oil prices** announced in the previous quarter, mainly due to the **increased availability** of raw materials and **rains** in recent months, is confirmed now.
- Despite the increased availability of raw materials, the existence of **quality extra virgin olive** oil in Spain is very **low.**
- The main markets (Spain, Italy and the United States) continue to show a decrease in consumption associated with the high price of products in the shelves.

Q1 Highlights

- The impact of the **negative evolution of the U.S. dollar/Euro exchange rate** has penalized first-quarter EBITDA by approximately €3.9 million.
- We continue to improve our operating costs.
- The change of the distribution model in India, which will bring us significant improvements in EBITDA in the future, has generated a negative deviation of € 1.8 mm vs the EBITDA of the first quarter of the previous year, in the International Markets Business Unit. We expect to recover said deviation in the coming months.
- We have negotiated and **signed strategic agreements** with producers and institutions in Spain and Italy (Viñaoliva and FOOI).
- After the investments made in 2017, we launched the **new bottle of Bertolli**.
- We have reached an **agreement** to obtain **additional funding** to boost our growth plans. This agreement envisages the extension of the availability of a revolving credit line and **a capital increase by € 25 million.**

Outcome summary

Raw Material

	31-mar-18	31-mar-17	YTD
	€/Tn	*€/Tn*	*%*
Extra Virgin	3.069	3.841	*-20,1%*
Virgin	2.817	3.742	*-24,7%*
Lampante	2.710	3.676	*-26,3%*

- The improvement in the **availability of raw material** and **the end of the period of drought in Spain** is leading to a **fall in prices at origin higher than 20%** in all the varieties of olive oil with respect to the previous year.

Profit and Loss

	31-mar-18	31-mar-17	YTD
	m€	*m€*	*%*
Net Sales	161.506	175.135	*-7,8%*
EBITDA	8.574	11.862	*-27,7%*
Net Results	(1.471)	(7.567)	*80,6%*

- **We improved the net result** compared to the previous year, **reducing losses** by **80.6%.**
- **The impact of the euro/U.S. dollar exchange rate** and the slowdown of sales in **India due to the change of distribution model** are the main causes of the fall in EBITDA, which, however**, is recovering** with respect to the **preceding two quarters.**

Other financial data

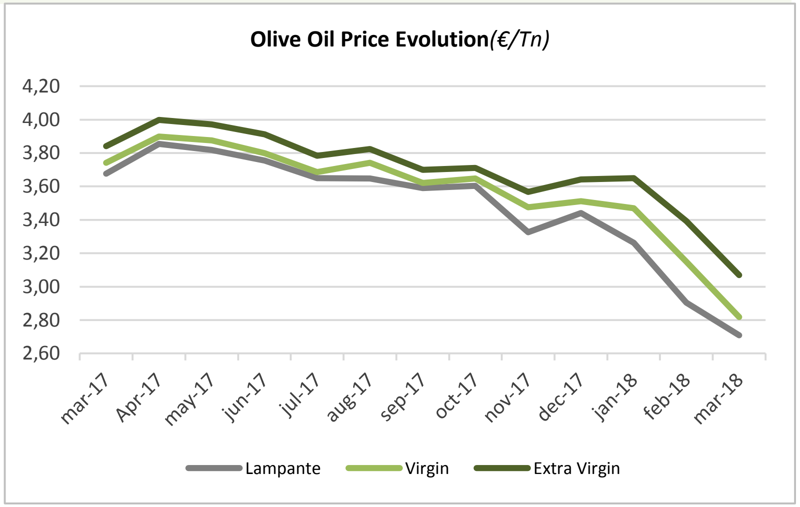
	31-mar-18	31-dic-17	YTD
	m€	*m€*	*%*
Net Financ. Debt	573.925	555.157	*3,4%*
Working Capital	121.649	104.453	*16,5%*

- **Net financial debt and working capital has increased** by 3.4% and 16.5% respectively, due to the **increase in inventories** associated mainly with the purchase of existing quality raw material at the beginning of the harvest

Raw materials and evolution of consumption

Raw material evolution

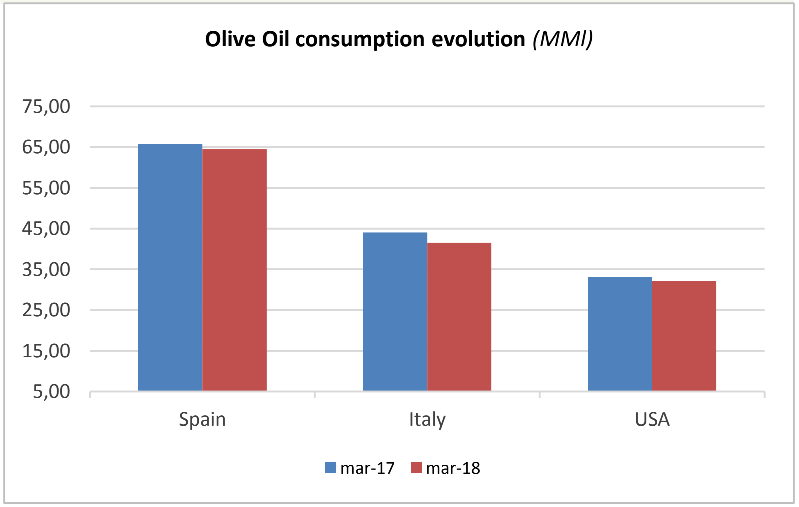
- The **official production data** of the current campaign yields a figure in Spain similar to that of the 2016/17 harvest but with lower quality.
- **Spring in Spain** is being **rainy**, which together with a **production higher** than estimated is causing a **fall in prices of more than 20%** in all oil varieties.
- The rest of the producer countries (Italy, Tunisia, Greece, etc.) meet their estimates, and we also find price reductions in these markets.



Source: Pool Red

Consumption evolution

- According to **Nielsen** data, for the first quarter of 2018, the **consumption of olive oil falls** in the three main **consumer markets** (Spain, Italy and the United States).
- It should be noted however, that the consumption of extra **virgin olive oil in Spain**, which already represents **almost 50% of the total consumption**, has grown in this first quarter by 4.5% compared to the same quarter of the previous year, which is our target segment.



Source: Nielsen

Profit and loss statement

	31-mar-18	31-mar-17	YTD
	m€	*m€*	*%*
Net Sales	**161.506**	**175.135**	***-7,8%***
Gross Margin	23.378	28.431	*-17,8%*
OPEX	(14.805)	(16.569)	*-10,6%*
EBITDA	**8.574**	**11.862**	***-27,7%***
EBITDA/Sales	*5,3%*	*6,8%*	
Net Results	**(1.471)**	**(7.567)**	***80,6%***

- **Significant improvement in the net result**, with a **reduction in losses of 81%** over the same period of the previous year. **EBIT** has been in €4.4 million in the first quarter of 2018, **€2.1 million more than in the first quarter of the previous year which represents a growth of 90%.**
- The **operational costs have fallen** mainly due to the effect of **the restructuring measures** adopted in 2017.
- The **gross margin** of the quarter has been affected by two very significant circumstances: the **evolution of the euro/U.S. dollar exchange rate** (€3.9mm) and the change of **distribution model in India** (€1.8 million that we hope to recover in the coming months).
- The **EBITDA** of the first quarter, despite the negative impact of the aspects indicated in the preceding paragraph, has practically **doubled the one obtained** in the **last quarter of year 2017**, which shows a change of trend and we consider that it places us in the position of achieving the objectives envisaged for 2018.

Results per Business Unit

Unidad de Negocio	Sales Q1 2018	Sales Q1 2017	Sales YTD	EBITDA Q1 2018	EBITDA Q1 2017	EBITDA YTD	Q1 2018 Margin	Q1 2017 Margin
	m€	m€	%	m€	m€	%	%	%
SE	79.447	80.902	-2%	4.546	5.499	-17%	5,7%	6,8%
NE	15.579	19.439	-20%	368	592	-38%	2,4%	3,0%
NA	34.988	37.055	-6%	3.854	7.307	-47%	11,0%	19,7%
International	26.381	31.339	-16%	3.644	5.125	-29%	13,8%	16,4%
Operative, Corporative & Others	5.111	6.399	-20%	(3.839)	(6.663)	42%	-75,1%	-104,1%
Total	161.506	175.135	-8%	8.574	11.862	-28%	5,3%	6,8%

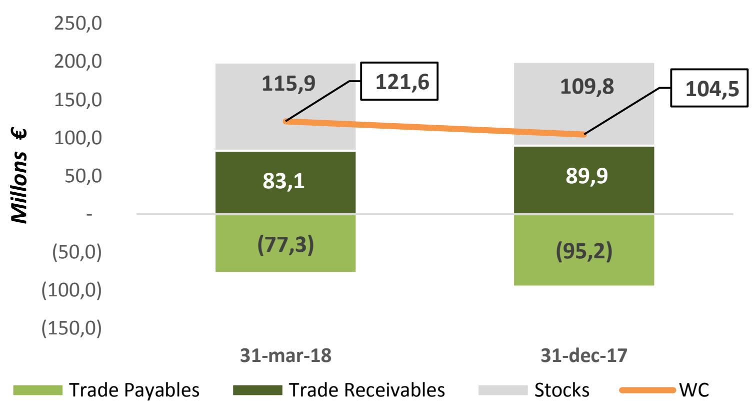
- The **evolution of the EBITDA** of the business units, although negative in comparison with the first quarter of year 2017, **shows a positive trend with respect** to the evolution observed in the last half of the preceding year.
- The **fall in sales** is in **line** with the **behavior of the markets**, we improve however **in market shares** in **Italy, Spain and the United States** with respect to the same quarter of the previous year.
- **North America** has been affected in this first quarter due to the euro/U. S. dollar **exchange rate**, with an impact of approximately €3.9 million.
- **The change in our distribution model that we are carrying out in India has impacted international markets, where we will manage distribution directly from April onwards. This has resulted in a slowdown in sales in this first quarter that we hope to recover in the coming months. This measure will allow us to save the distribution margin.**

Balance Sheet

Balance Sheet Data

	31-mar-18	31-dec-17	YTD
	m€	m€	%
Non Current Assets	900.309	903.940	*-0,4%*
Working Capital	121.649	104.453	*16,5%*
Equity	296.514	299.831	*-1,1%*
Net Financial Debt	573.925	555.157	*3,4%*

Working Capital



- **Net financial debt** and **working capital increase** by **3.4% and 16.5% respectively**, because of **the increase in inventories,** associated mainly with the purchase of quality raw material at the beginning of the harvest.

- Although the harvest **has been better than estimated** and prices are going down, **the availability** of **high quality extra virgin olive oil** in Spain is low, and therefore we have increased our stocks of these varieties with the consequent increase in inventories.

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Cash generation

Cash generation managing analysis

	31-mar-18	31-mar-17	YTD
	m€	*m€*	*%*
Cash at the begining	23.424	29.906	
EBITDA	8.574	11.862	*-27,7%*
Changes in WC	(16.172)	(14.845)	*8,9%*
Interest Payment	(6.896)	(6.822)	*1,1%*
Tax income Payment	(1.563)	(22)	*7071,2%*
NRI and others	(1.730)	(9.311)	*-81,4%*
CF Investment Activities	(600)	(1.323)	*-54,7%*
CF Financing Activities	20.938	16.899	*-23,9%*
YTD Cash generated	**2.551**	**(3.561)**	***171,6%***
Cash at the end	25.975	26.345	

Source: Managing Accounts

- **We maintain stable cash levels** thanks to the drawing of the RCF line and the lower payouts in non-recurrent expenses, despite increasing our circulating capital because of the hoarding of quality oil at the beginning of the year, coincident with the harvest.
- **We met** our **financial covenants** at March 31st, 2018

Conclusions

- We continue with **the improvement started in previous quarters** of the **Net Outcome**, **reducing losses by 81%** in comparison to the previous year. **EBIT has increased** by 90% over the same period of time.

- **EBITDA** shows its **recovery vs the last two** quarters of 2017, and reflects the **impact** of the **exchange rate** and the launch of the new distribution model in India.

- **Operational costs continue to drop driven** by the restructuring measures adopted in the previous financial year.

- We continue our **strategic alliances** to differentiate ourselves in quality, such as the agreement with **Viñaoliva** in Spain and **FOOI** in Italy.

- We have reached an agreement with the financial institutions participating in the revolving credit line, approved by the Board of Directors, which implies an improvement in the conditions of use of such line (which implies the access to **additional € 25 million of financing**) and a capital increase, with preemptive subscription rights, and with the **majority shareholder** as underwriter, for another € 25 million**.**

- The **new additional financial capacity** of €50 million will allow us to fuel **our growth** plans and will materialize in investments for **the expansion in international markets** with high growth potential, in **support of the leading brands** of the company's portfolio and in the search of **strategic business agreements** with those **suppliers that defend quality.**

Annex I: Profit and loss statement

Profit and Loss Statement
(Thousand of €)

	31-mar-18	31-mar-17	YTD
Net Sales	**161.506**	**175.135**	**-7,8%**
COGS	(138.128)	(146.704)	-5,8%
Gross Margin	**23.378**	**28.431**	**-17,8%**
Staff Costs	(10.662)	(12.294)	-13,3%
OPEX	(4.142)	(4.275)	-3,1%
Operating Expenses	**(14.805)**	**(16.569)**	**10,6%**
Adjusted EBITDA	**8.574**	**11.862**	**-27,7%**
% Sales	***5,3%***	***6,8%***	
Amortization and Depreciation	(3.960)	(4.381)	-9,6%
EBIT before NRI	**4.614**	**7.481**	**-38,3%**
NRI	(213)	(5.161)	-95,9%
EBIT	**4.401**	**2.320**	**89,7%**
% Sales	***2,7%***	***1,3%***	
Financial Result	(6.231)	(7.520)	-17,1%
Profit (Loss) Before Tax	**(1.830)**	**(5.201)**	**64,8%**
Income Tx	359	(2.367)	-115,2%
Profit (Loss) for the period	**(1.471)**	**(7.567)**	**80,6%**
Attributable Profit (Loss) for the period	**(1.471)**	**(7.567)**	**80,6%**

Annex II: Balance Sheet

Balance Sheet

(Thousand of €)

	31-mar-18	31-dec-17
Non-Current Assets	900.309	903.940
Stocks	115.856	109.790
Payables	83.113	89.868
Other current assets	15.789	17.508
Cash and Cash Equivalents	19.422	16.831
Total Assets	**1.134.489**	**1.137.937**
Equty	296.514	299.831
Financial liabilities (preferred shares)	42.453	42.453
Long Term Debt	535.860	505.376
Provisions	18.644	19.594
Deferred tax liabilities	141.540	143.825
Short Term Debt	21.587	30.712
Receivables	77.320	95.205
Other current liabilities	570	941
Total Liabilities	**1.134.489**	**1.137.937**

Annex III: Net Financial Debt

Net Financial Debt

(Thousand of €)

	31-mar-18	31-dec-17	YTD
	m€	*m€*	*%*
Long Term Debt	**578.313**	**547.829**	***5,6%***
Syndicated Loan	*534.946*	*504.161*	*6,1%*
Preferred Shares	*42.453*	*42.453*	*0,0%*
Other Debt	*914*	*1.215*	*-24,8%*
Short Term Debt	**21.587**	**30.712**	***-29,7%***
Financial Debt	**599.900**	**578.541**	***3,7%***
Cash and Cash Equivalent	(25.975)	(23.383)	*-11,1%*
Net Financial Debt	**573.925**	**555.157**	***3,4%***

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- *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.*