

deoleo



Hojiblanca

KOIPESOL



RESULTS 1ST QUARTER 2016

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1.- New Business & Service Units Configuration

- ⦿ As a part of the integral transformation of the Group that the new Deoleo management team is carrying out, aimed at turning Deoleo into a worldwide leader in olive oil, our business units have been reconfigured, and as of January 1st 2016, will be reported as follows:
 - ⦿ North America: United States and Canada.
 - ⦿ Southern Europe: Spain, Italy, and small countries in the Mediterranean region.
 - ⦿ Northern Europe: Consists of Germany, France, the Benelux countries and the countries of Central and Eastern Europe.
 - ⦿ International: Consists of Latin America, MENA, Asia, and the rest of the world.
 - ⦿ BtB: This business unit is maintained.
- ⦿ Under the concept of Corporation are included central expenditures & those inter-company incomes that are charged from corporate, service & industrial units to the commercial units.

2.- Highlights of the Period

- Results of the quarter were slightly above the budget, even though, as we announced in the previous quarter, the negative raw material price momentum has continued, leading to a negative comparison versus the first quarter of 2015.
- We have launched our quality commitments in Italy, a fundamental pillar of our new growth strategy for Deoleo. For more information: www.extravirginquality.es
- We experienced significant improvements in Gross Unit Margins, +12.9% compared to the previous year, led by USA, Italy, and Spain which performed better compared both to the budget and to 2015.
- Our new strategy, which we started implementing in the second half of 2015 and focuses on profitable sales, has led to a drop in volumes vs. the first quarter of 2015. These volumes will progressively recover over the remainder of the year.
- We see promising signs in the USA, with a progressive acceleration in volumes and market share earnings on the channels that we have defined as strategic.
- All of our savings plans across the value chain continue to progress in line with the budget, and we hope to see more visible impacts starting in the second quarter of 2016.
- The Net Financial Debt has grown 4.4%, coming to €548.4 million, mainly due to the seasonal effect of the campaign.

3.- General Environment and the Raw Material

- The 2015/16 agricultural season will close with an olive oil production in Spain of 1,400 thousand tons, in line with our estimates and above industry forecasts.
- The normalization of the season in Spain, with a growth of 66% vs. that of the pervious year and in Italy, + 57% compared to the previous one, leads to a worldwide production which is 22% greater than that of the previous year.
- Despite greater availability, the prices of the raw material have not adjusted to the supply, and have remained above €3/Kg in Spain over the quarter. In Italy, prices have dropped by around 12% from the beginning of the season.
- High prices are having their effect on consumption in mature countries. However the United States market has grown over LY.
- In Spain, the consumption of seed oils continues to grow, especially the “mixed seeds” segment, and on the other hand, in Italy, it continues slightly downwards.

Olive Oil Prices in Spain					
€/Tn.	mar-16	dec-15	% Quarter	mar-15	% Year
Extra Virgin	3.194	3.305	-3,4%	3.244	-1,5%
Lampante	2.858	2.981	-4,1%	2.708	5,5%

Average Prices Pool Red

Olive Oil Consumption in Major Markets			
(mm lit)	20161Q	20151Q	Var. %
Spain	70,4	73,6	-4,35%
Italia	42,8	45,3	-5,52%
USA	32,2	31,2	3,21%

Nielsen

4.- Business Performance

NORTH AMERICAN BUSINESS UNIT

- Performance was in line with the budget estimated for 2016 and below previous year due to the negative influence of expensive inventory and loss of volumes the Club channel.
- On a positive note we realized strong Volume (double digit), Profit and Share growth in the Grocery and Mass Merchandising channels.
- The exchange rate has had a negative effect in both USA and Canada.

NORTHERN EUROPE BUSINESS UNIT

- Volumes and margins were lower than the previous year, affected by the negotiations of annual contracts with main customers, in which we have focused on profitability to recover margins.
- This business unit contains the countries with the greatest concentration of distribution in Europe, namely France, Germany, and Holland.
- As the negotiation of the new contracts are finalized, we expect to see a recovery in all countries.

INTERNATIONAL MARKETS BUSINESS UNIT

- We experienced a decrease in volumes especially in Brazil due to its economic situation and in India due to a stock adjustment of the local distributor, which have affected the overall development of the unit with respect to the previous year and budget.
- Unit margins were better than the previous year, compensating in absolute terms for the lower sales volumes.

SOUTHERN EUROPE BUSINESS UNIT

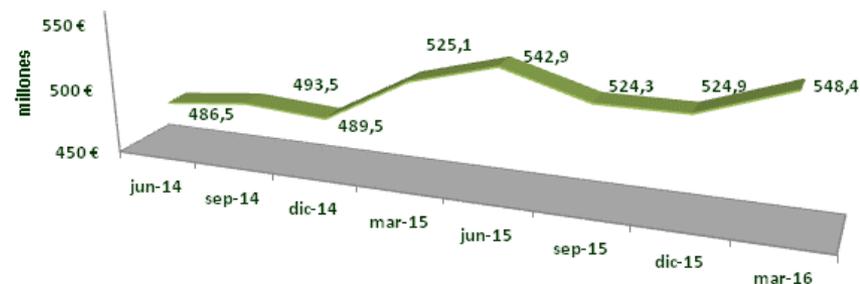
- This business unit encompasses Spain and Italy, the countries with the highest consumption and with the most mature markets.
- The performance over the quarter is clearly above the plan and is better than previous year in terms of Ebitda, due to the measures implemented to improve gross unit margins.
- Sales volumes have fell in both countries, in Spain due to the elimination of non-profitable volumes and in Italy due to the rationalization of promotional intensity.

5.- Financial Situation

BALANCE DATA

millions of Euros	31.03.2016	%	31.03.2015	%	31.03.2014
Non-current assets	1.092,3	-4,2%	1.139,7	-8,1%	1.240,5
Working capital	134,8	-9,9%	149,7	27,0%	117,9
Net wealth	493,5	-12,9%	566,5	-10,0%	629,7
Net financial debt	548,4	4,4%	525,1	3,8%	505,7
ROCE	0,9%		4,5%		5,4%

QUARTERLY PROGRESSION OF DFN



⦿ The net financial debt was €548,4 mm at the close of the quarter, slightly growing with respect to December, 2015 mainly due to the start of the crop season.

⦿ Improvement in the management of working capital, which is becoming normalized at around €140 million annually on average.

Working Capital 2016-2015

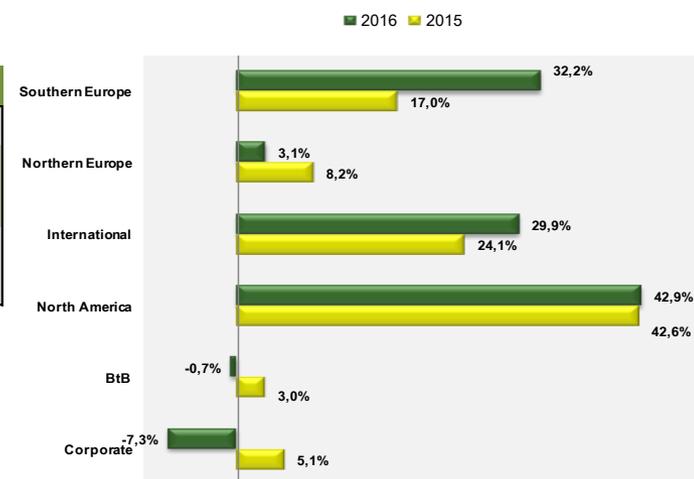


5.- Financial Situation

PROFIT AND LOSS ACCOUNT

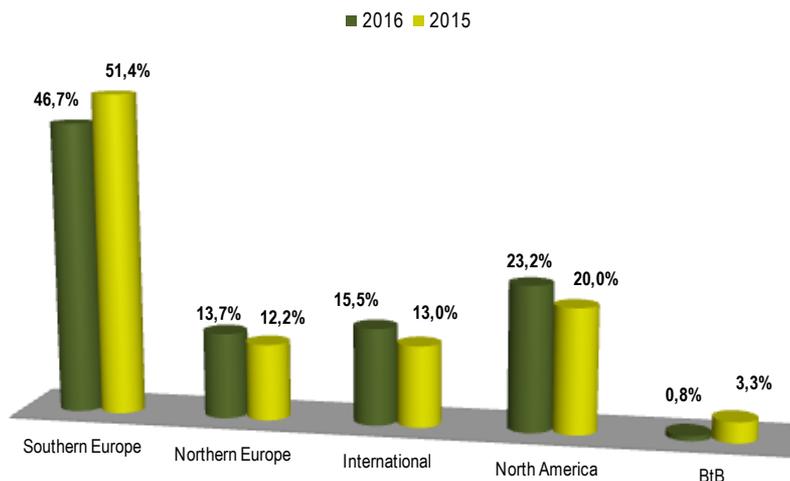
thousands of Euros	31.03.2016	%	31.03.2015	%	31.03.2014
Sales	169.076	-16,2%	201.770	18,1%	170.899
EBITDA	9.627	-25,6%	12.946	-33,9%	19.586
EBITDA/Sales	5,7%		6,4%		11,5%
TOTAL BEFORE TAXES	(8.863)	166,6%	(3.324)	-135,5%	9.362
TOTAL FOR PERIOD	(9.892)	57,3%	(6.288)	-273,4%	3.627

Contribution to EBITDA by UN



The Ebitda of the current graph is from management accounts.

Contribution to Sales by UN



⦿ The decrease of sales in terms of volume and value are mainly a consequence of the focus on profitable sales.

⦿ The gross unit margin has improved 12.9% with respect to the same quarter of 2015.

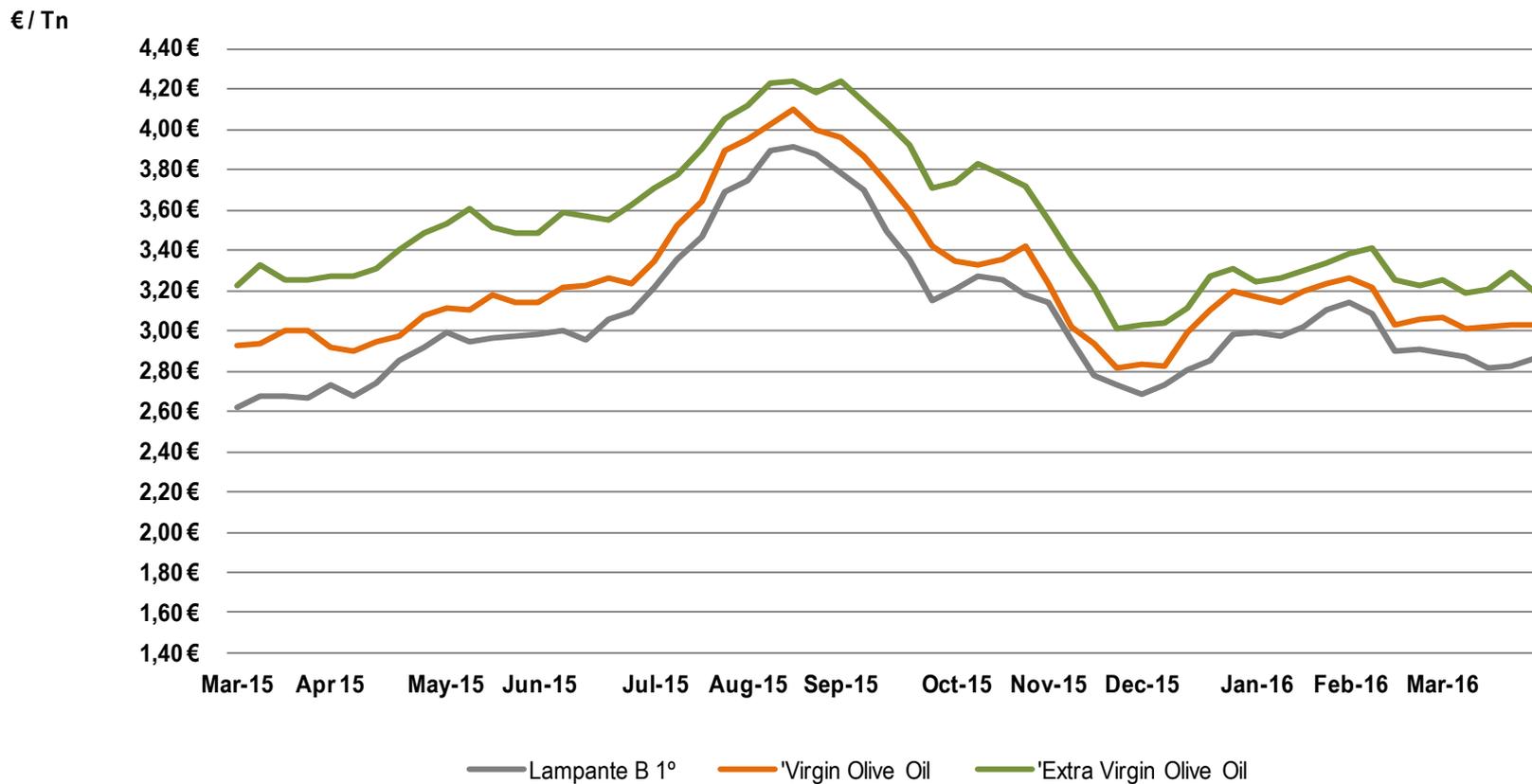
⦿ The negative gap between the increase in prices to customers and the increase in our cost prices has been substantially reduced, the two being practically equal at the closing of the quarter. As a consequence the recovery of the estimated sales for the following months will have a positive effect on Ebitda.

6.- Conclusions

- ✓ The first months of the corporate year 2016 are still facing a complicated market context, but are developing in line with our estimates.
- ✓ The prices of the raw material still remain high and are still likely to undergo periods of volatility, which affect our business. Despite this, we are working on win-win policies with producers and vendors of oil, which will help to mitigate this variable.
- ✓ We believe that quality is an essential attribute of the value of our brands. Because of this, we have implemented an ambitious plan which, although it has an initial cost, will have a very positive result and will constitute essential leverage for our future growth. For more information:

www.extravirginquality.com
www.extravirginquality.es
www.qualitaextravergine.info
- ✓ We continue to develop the initiatives implemented at the end of 2015. The results in all areas of business will become clearer during the coming months.

Evolution of Olive Oil 2015/16



Source: Poolred.



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