Deoleo, S.A. and subsidiaries

V. EXPLANATORY NOTES ACCOMPANYING THE INTERIM FINANCIAL STATEMENTS

1.- Summary of significant accounting policies

A. Interim separate financial statements

The accounting criteria used to draw up these interim separate financial statements are those set down in Spain's General Accounting Plan (Spanish GAAP), enacted by means of Royal Decree 1514/2007, which took effect on January 1, 2008.

B. Interim consolidated financial statements

The accounting criteria used to draw up the interim consolidated financial statements are the International Financial Report Standards adopted to date by the European Union (IFRS-EU). Note that those standards were applied in a uniform manner with respect to the consolidated financial statements for the year ended December 31, 2019.

2.- Going concern

The Group's parent, Deoleo, S.A. (the Company or Parent) incurred a significant loss of 70,797 thousand euros in 2019. As a result of that loss, coupled with the losses accumulated in prior years, the Parent's equity stood at 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 as a result, mainly, of the classification of its revolving credit facility, due June 2020, within current liabilities.

As a result, as from July 2019, 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 (equity was negative in August), requiring that the imbalance be redressed by reducing share capital or increasing equity.

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 and materialized in the form of a lock-up agreement. The balance outstanding on the debt to be restructured amounted to 574.9 million euros (unchanged as of June 24, 2020, which is when the restructuring process concluded).

A framework refinancing agreement encompassing the implementation of the restructuring effort was executed on March 13, 2020, signed by the same creditors as signed and/or acceded to the lock-up agreement and the Deoleo Group companies affected by the restructuring. That agreement was legally ratified on March 20, 2020 (the "Refinancing Agreement"). That Agreement regulated, among other matters, the key terms of the restructured debt, the procedure to be followed during the following months to complete it and a binding commitment on the part of the banks to support, facilitate and implement the Group's financial restructuring effort.

The cornerstones of the Refinancing Agreement are:

(i) The injection of equity into Deoleo, S.A. by means of a cash rights issue of 50 million euros (the proceeds have been used to repay some of the Company's existing debt, having first reduced capital to zero to offset losses) (refer to sections VII and VIII of note 11).

(ii) The dissolution and liquidation of Deoleo Preferentes, S.A.U. (a wholly-owned subsidiary of Deoleo, S.A. which issued preferred shares in 2016), in keeping with section 4.7.1.3. of the securities note of the preferred share issue, and the attendant extinction of the preferred shares (refer to section VIII of note 11).

(iii) The corporate restructuring of the Group, by virtue of which Deoleo, S.A. has contributed most of its assets and liabilities to Deoleo Global, S.A.U. (a newly-incorporated Spanish subsidiary that will carry on the business previously conducted by Deoleo, S.A.). The following companies have been layered in between Deoleo, S.A. and Deoleo Global, S.A.U.: (i) a new sub-holding company, Deoleo Holding, S.L.U. (which was initially wholly-owned by Deoleo, S.A. and which, following conversion of the Mandatorily Convertible Loan (a transaction completed on January 19, 2021), is owned 50.996% by Deoleo, S.A. and 49.004% by the holders of the syndicated loan); and (ii) two new holding companies incorporated in the UK, Deoleo UK, Ltd. and Deoleo Financial, Ltd., wholly-owned by Deoleo Holding, S.L.U. and Deoleo UK, Ltd, respectively (note 6).

(iv) The refinancing at Deoleo Holding, S.L.U. of the remaining debt (524.9 million euros) in the form of two loans: (i) a Mandatorily Convertible Loan (Debt to be Capitalized) in the amount of 282.9 million euros, to be capitalized in the near term, so that the creditors become shareholders; and (ii) a 242 million euro loan, divided into two tranches with different terms and conditions and collateral, which mature in five and six years (refer to section VIII of note 11).

To that end, at the Extraordinary General Meeting held by the Parent on January 17, 2020 the following resolutions were ratified: (i) the reduction of Deoleo S.A.'s share capital to zero and a simultaneous capital increase of up to 50 million euros; (ii) the dissolution and liquidation of Deoleo Preferentes, S.A.U.; and (iii) the de-merger of the majority of the assets and liabilities of Deoleo, S.A., to Deoleo Holding, S.L.U. initially and Deoleo Global, S.A.U. subsequently.

The restructuring effort concluded on June 24, 2020, having duly executed and registered the above transactions, along with other ancillary actions, and finished documenting the contractual aspects needed to execute the resolutions, such that they have taken full effect since that date.

By means of the above restructuring, Deoleo, S.A. has replenished its equity, downsized its borrowings and set up a corporate and financial structure that gives it greater flexibility for meeting its financial commitments, while injecting stability in the short and medium term.

Consequently, the Parent’s directors have prepared and authorized the interim separate and consolidated financial statements on a going-concern basis.

3.- Transaction cyclicality or seasonality

The business activities of the various entities comprising the Deoleo Group, taken together, for the current reporting period, are not materially seasonal or cyclical, which means that its recurring operating earnings were generated evenly over the period.

4.- Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires the Company's management to make significant accounting judgments, estimates and assumptions. Those judgments, estimates and assumptions were the same as those applied in the last set of annual consolidated financial statements.

Certain new accounting standards took effect in 2020 and were accordingly considered in preparing these consolidated financial statements; they did not imply any changes in the Group's accounting policies.

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 initial application will not have a significant impact on its interim consolidated financial statements.

COVID-19: Implications of the pandemic on this interim financial report

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 unfolded, in Spain and abroad, has caused an unprecedented health crisis that has impacted the macroeconomic environment and the Group's business performance. To tackle that situation, among other things, the Spanish government declared a state of emergency and passed a raft of extraordinary urgent measures designed to mitigate the economic and social fallout from COVID-19. The governments of other countries have adopted similar measures.

Visibility as to the duration and scale of the crisis remains limited. Nevertheless, the accompanying interim separate and consolidated financial statements adequately reflect the Group's financial situation and provide the information needed to understand the Group's business performance since it issued its 2019 annual financial statements. Below is a summary of the most significant effects of COVID-19 on the interim separate and consolidated financial statements for 2020:

- To date there have been no adverse ramifications on the Group's financial position, earnings performance or cash flows.
- The COVID-19 pandemic has not had significant adverse effects on the Group's direct activities; nor has it given rise to the need to recognize any impairment losses.
- As disclosed in section III of note 11, the Group has tested its intangible assets and goodwill for impairment; those impairment tests did not indicate the need to recognize any impairment charges at December 31, 2020.
- With respect to its financial liabilities, the refinancing process outlined in notes 2 and 11 (section VIII) concluded during the first half of 2020, as anticipated.
- Note, in keeping with IFRS 9, in relation to the estimation of expected credit losses on accounts receivable, that there have been no significant changes in the assumptions and judgments used to analyze the Group's accounts receivable with respect to those used at year-end 2019 (i.e., the analysis performed did not indicate the need to recognize any additional extraordinary losses on account of the pandemic).
- As for the Group's lease contracts (IFRS 16), there have been no changes in the agreements as a result of the pandemic.
- Elsewhere, the Group has not rolled out any furlough schemes as a result of COVID-19.
- Lastly, the Group has verified that the prevailing extraordinary circumstances have not had any impact on the recognition of deferred tax assets or the utilization of tax credits in keeping with IAS 12, the measurement of fair value in keeping with IFRS 13 or the measurement of provisions or onerous contracts in accordance with IAS 37.

5.- Contingent assets and liabilities

Notes 12.5 and 19.2 of the Group's consolidated financial statements for the year ended December 31, 2019 and note 10 of the condensed consolidated interim financial statements for the six months ended June 30, 2020 provide disclosures in respect of the Group’s contingent assets and liabilities as of those reporting dates.

The most significant changes in those assets and liabilities in 2020 were as follows:

Warrants

As part of the restructuring work and the associated simultaneous capital reduction and rights issue, the Parent issued warrants, free of charge, to the shareholders with preemptive subscription rights that did not qualify as professional investors and did not expressly renounce the warrants to which they were entitled. Those shareholders received one warrant for every preemptive subscription right assigned to them (i.e., one warrant for every Deoleo share they owned). The total number of warrants issued as a result was 491,298,921.

The warrants are represented via book entries and are not admitted to trading on any secondary market, organized or otherwise.

The warrants will automatically be executed in the event the Group closes a transaction that implies the sale, directly or indirectly, of the business or shares of Deoleo Global, S.A.U. (the "Sale") and will accrue the dividend rights for their holders indicated below insofar as its enterprise value and/or the assets subject to the Sale exceed 575 million euros.

The warrants entitle their holders to the receipt, in the corresponding proportion, of 10% of the lower of (a) the equity value corresponding to 100% of the shares of Deoleo Holding, S.L.U. in the context of the Sale; and (b) the surplus over the 575 million euros benchmark enterprise value and/or Sale assets value. If the enterprise value and/or assets subject to the Sale do not exceed the minimum threshold of 575 million euros, the warrant holders would not be entitled to any payment.

By virtue of the Shareholder Agreement entered into between Deoleo, S.A. and its lender banks, the amount payable to the warrant holders in the event the foregoing conditions are met would be borne by the shareholders of Deoleo Holding, S.L.U. and would take the form of a preferred dividend payable by Deoleo Holding, S.L.U. to Deoleo, S.A., unless the Sale consists of the sale of shares of Deoleo Holding, S.L.U., in which case the payment to the warrant holders would be borne only by the selling shareholders, in the proportion corresponding to each.

The warrants will expire: (i) 10 years from their date of issuance in the event of no Sale; or (ii) if a Sale takes place within 10 years from their issuance: (a) on the date contemplated for the payment of the above-mentioned dividend rights; or (b) on the date on which Deoleo notifies that a Sale has taken place but without triggering the right to any payment.

The Parent's directors have deemed that at December 31, 2020 the information available is insufficient to determine the fair value of this commitment, as its intrinsic value is zero and the probability of a Sale and its possible date cannot be determined. Against that backdrop, they have decided to carry the warrants at zero and to review that judgment on future reporting dates in light of the trends in the different variables that affect their valuation.

Long-Term Bonus Plan

In the context of the restructuring work, the Shareholder Agreement between Deoleo, S.A. and the lender banks agrees the creation of an extraordinary long-term remuneration scheme (the "Long-Term Bonus Plan") for the members of the executive team of the Deoleo Holding Subgroup, including the chief executive officer of the Deoleo Holding Subgroup, with the goal of: (i) compensating them for their efforts to deliver the key strategic objectives of the Deoleo Holding Subgroup defined in the long-term business plan; and (ii) provide them with competitive remuneration tied to the Deoleo Holding Subgroup's strategy with the aim of retaining key management personnel; and (iii) align their interests with those of the shareholders and stakeholders of the Deoleo Holding Subgroup. The Plan took effect on the same day as the Refinancing Agreement, i.e. June 24, 2020.

Under the Long-Term Bonus Plan, the beneficiaries (or their successors, as warranted) are entitled to receive an extraordinary cash bonus to be determined as a function of the increase in the value of Deoleo Holding, S.L.U. whenever a potential Sale takes place, so long as the amount paid for Deoleo Holding, S.L.U. by a third party in any such process (the "Sale Price") is higher than the result of dividing the effective size of the rights issue by 51% (the "Initial Equity Value"). The rights issue amounted to 50,000,000.40 euros, such that the Initial Equity Value amounts to 98,039,216.47 euros.

The remuneration due under the Long-Term Bonus Plan is payable in cash and is conditional upon the beneficiaries remaining in active employment or service with the Deoleo Holding Group on the date on which the Sale closes (except in the special

termination events stipulated in the Long-Term Bonus Plan, in which case the bonuses would be calculated in accordance with a specific formula).

The remuneration payable to the universe of beneficiaries will be calculated as follows:

	Maximum remuneration
If the Sale Price is <= 98,039,216.47 euros	0
If 98,039,216.47 euros < Sale Price <= 105,418,512.33 euros	The Sale Price less 98,039,216.47 euros
If the Sale Price is > 105,418,512.33 euros	7% of the Sale Price

The bonus would be payable to the beneficiaries in the proportion corresponding to each and would be paid by Deoleo Holding, S.L.U., which is the Group company assuming this commitment.

Participation by the beneficiaries in the Long-Term Bonus Plan is voluntary. The Plan will terminate when the Sale closes or, 10 years from the Plan start date if no Sale has taken place.

The Parent's directors have concluded that as of December 31, 2020, the employee benefits expense to be accrued cannot be determined: the information available is deemed insufficient to determine the fair value of this commitment as the probability of a Sale and its possible date cannot be determined. Against that backdrop, they have decided to carry the related contingent liability at zero and to review that judgment on future reporting dates in light of the trends in the different variables that affect its valuation.

Below is an update regarding ongoing claims and inspections affecting the Group:

Tax inspections in Italy

In 2011 and 2012, provisional assessments were handed down 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 received favorable rulings from courts of first and second instance in the first case and from a court of first instance in the second. A favorable ruling was also handed down for the second case by a court of second instance in 2018. 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., a Group subsidiary, 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 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 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 is awaiting an appeal ruling. At December 31, 2020, the provision recognized in respect of this claim stood at 2,303 thousand euros.

Other tax inspections

In accordance with prevailing Spanish 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, 2020, the Spanish entities had their tax returns open to inspection for the last four years in respect of all major applicable taxes. Elsewhere, Deoleo, S.A. is currently being inspected in relation to the following taxes and tax periods: (i) business tax at Alcolea (2015-2018) and Villarejo de Salvanés (2014-2018); (ii) import duties and VAT for 2019; and (iii) at the behest of the Parent, with respect to the tax consolidation 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; so far, two of the three requests made by the Company in that respect have been upheld and the third, which was dismissed, has been appealed. Lastly, the tax authorities are inspecting the September 2020 VAT returns of Deoleo Global, S.A.U., a Group subsidiary.

With respect to the Group companies not resident in Spain for tax purposes, the following inspections are ongoing: (i) Deoleo Canada, Inc.: Transactions with Non-Residents, 2015-2018; (ii) Deoleo USA, Inc.: Federal Corporate Income Tax, 2018; (iii) Deoleo India, Private Ltd.: GST, 2017/18 to 2018/19, corporate tax, 2017-2019, and customs tax in Calcutta; and (iv) Deoleo Antilles Guyane, S.L.: corporate tax, 2017 - 2019.

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 interim separate and consolidated financial statements.

Quality claims

In 2015 and 2016, the Italian authorities carried out two quality inspections locally, determining the existence of discrepancies between the quality of the oil marketed and that indicated by the labelling. In respect of one of those inspections, the authorities handed down a fine of 2,094 thousand euros. Although the Group filed the corresponding defense case in an attempt to have the claims dismissed, it recognized a provision in the amount of 4 million euros at the time. In 2018, it received notification from the Italian authorities that the above assessment, initially seeking 2,094 thousand euros, had been dismissed, without penalties. At December 31, 2020, the provision recognized for the oil quality assessments pending resolution stood at 1,900 thousand euros.

In 2016, certain provisional assessments were received from the Spanish customs authorities in relation to allegedly incorrect settlements, which are guaranteed by the Company as part of the Group's procedural 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 2017, it used 1,279 thousand euros of that provision to pay for certain amounts. 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. At December 31, 2020, the provision recognized for the oil quality assessments pending resolution stood at 2,544 thousand euros.

6.- Changes in the Group's composition

2020:

As a result of the Refinancing Agreement, the following changes affected the Group's composition in 2020.

As disclosed in note 2, a core component of the restructuring effort was the corporate reorganization of the Deoleo Group, which was executed so as to take full and simultaneous effect on June 24, 2020, having been articulated around the following steps:

1. (i) Deoleo, S.A. (as transferor) transferred all of its assets and liabilities (except for those related with Deoleo Preferentes, S.A.U., all of which were extinguished following the dissolution and liquidation of the latter) to Deoleo Holding, S.L.U.

(transferee) and, in tandem, once that de-merger was complete; (ii) Deoleo Holding, S.L.U. (as transferor) transferred all of the assets and liabilities received pursuant to the first de-merger (except for the balance receivable by virtue of the Debt to be Restructured) to Deoleo Global, S.A.U. (transferee). Deoleo Global, S.A.U. is the Spanish company that has been carrying on the business formerly performed by Deoleo, S.A. since the Refinancing Agreement took effect.

Given that the de-mergers qualify as intra-group transactions under prevailing accounting rules, the assets de-merged have been accounted for by Deoleo Holding, S.L.U. and Deoleo Global, S.A., in their separate financial statements, at their pre-existing carrying amounts in the books of Deoleo, S.A. and Deoleo Holding, S.L.U., respectively.

The de-mergers took effect for accounting purposes from January 1, 2020, which is the date of the start of the year in which the transactions took effect (Measurement Rule 21.2.2.2 of the Spanish General Accounting Plan).

2. Two new UK-incorporated companies have been layered in between Deoleo Holding, S.L.U. and Deoleo Global, S.A.U. - Deoleo UK, Ltd. and Deoleo Financial, Ltd. -, both of which will be wholly owned by Deoleo Holding, S.L.U. and Deoleo UK, Ltd., respectively.

3. The Debt to be Capitalized, in the sum of 282.9 million euros, has been legally transferred to Deoleo Holding, S.L.U. by means of the Mandatorily Convertible Loan, while the loan in the amount of 242 million euros (Sustainable Debt) has been legally transferred to Deoleo Financial, Ltd. by means of the Senior Financing Agreement and the Junior Financing Agreement (refer to section VIII of note 11).

4. The Mandatorily Convertible Loan has been canceled by means of an equity issue at Deoleo Holding, S.L.U., which issued 28,290,000,000 Class B shares with a unit par value of 0.000000102 euros, representing 49.004% of issued share capital, which were subscribed for in full by the Mandatorily Convertible Loan holders. As a result, the creditor banks that used to hold the Debt to be Restructured now hold, directly and indirectly, 49.004% of Deoleo Global, S.A.U., while the shareholders of the Company that participated in the Rights Issue control, indirectly, through Deoleo, S.A. itself, the remaining 50.996% of Deoleo Global, S.A.U. Deoleo Holding, S.L.U. is the holding company through which Deoleo, S.A. and the holders of the Debt to be Restructured are articulating their (indirect) shareholdings in Deoleo Global, S.A.U.

   The Mandatorily Convertible Loan was capitalized on January 19, 2021.

5. To complement the reorganization and debt capitalization arrangements outlined above, Deoleo, S.A. and the Mandatorily Convertible Loan creditors have executed a Shareholder Agreement, to which Deoleo Holding, S.L.U. and Deoleo UK, Ltd. are also party. The purpose of the Shareholder Agreement is to regulate: (i) relations between the shareholders of Deoleo Holding, S.L.U. until the time of the capitalization; (ii) relations between the shareholders of Deoleo Holding, S.L.U. in their capacity as such after the capitalization; (iii) relations between the shareholders of Deoleo Holding, S.L.U. and Deoleo Holding, S.L.U. and the subsidiaries of Deoleo Holding, S.L.U., and those companies' governance and management regimes; (iv) the regime governing the sale of shares of Deoleo Holding, S.L.U.; and (v) other undertakings incumbent on the shareholders of Deoleo Holding, S.L.U. in relation to the Deoleo Group's business.

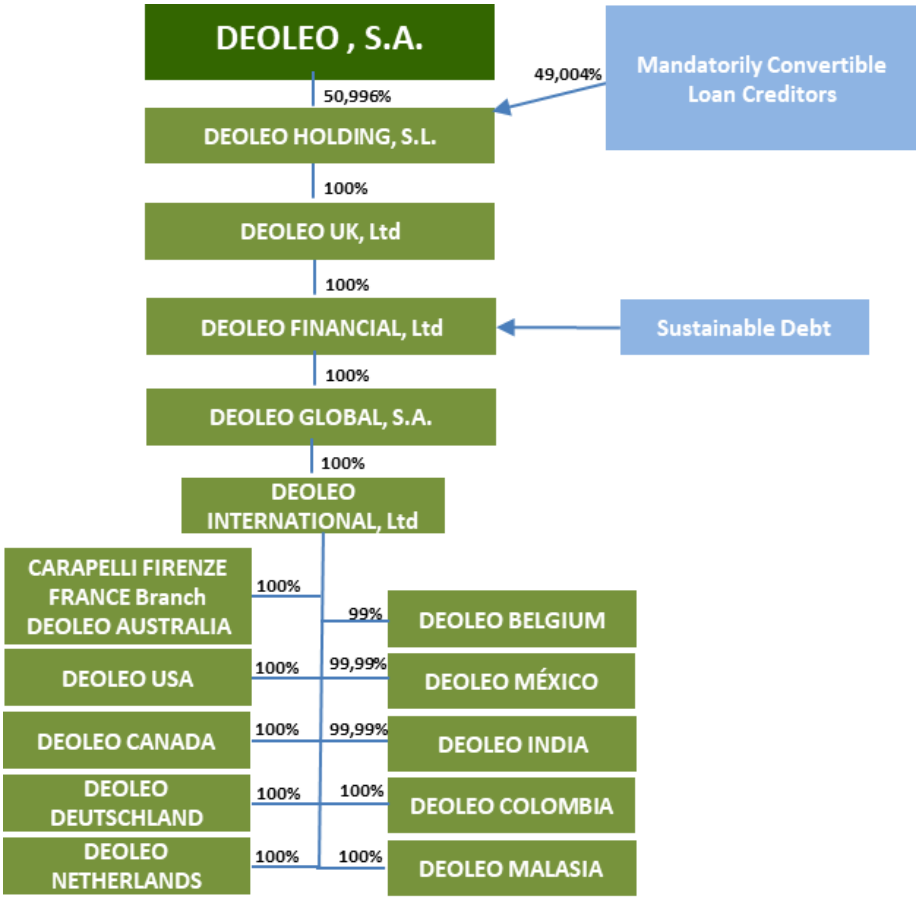
6. Also under the above Agreement, the rights, powers and entitlements accruing to the Mandatorily Convertible Loan holders as shareholders of Deoleo Holding, S.L.U. by virtue of the capitalization (which, as noted above, was formally executed on January 19, 2021) were extended to them from when the Refinancing Agreement and Shareholder Agreement took effect on June 24, 2020.

As a result, the Group began to recognize the accounting effects of the capitalization of the Mandatorily Convertible Loan as from the date on which the Refinancing and Shareholder Agreements took effect. Specifically:

(i) It derecognized the Mandatorily Convertible Loan and recognized an equity instrument at Deoleo Holding, S.L.U. at the fair value of 49.004% of Deoleo Holding, S.L.U. as if the capitalization had taken place on June 24, 2020, as stipulated in paragraph 22 of IAS 32, given that the conversion entails the delivery of a fixed number of shares for a fixed amount (refer to section VIII of note 11).

(ii) As a result, these interim consolidated financial statements for 2020 recognize the corresponding non-controlling interests in Deoleo Holding, S.L.U.

The following organizational chart depicts the Deoleo Group's structure in the wake of the corporate restructuring and capitalization transactions outlined:



2019:

Incorporation of Deoleo Holding, S.L.U., Deoleo Global, S.A.U., Deoleo UK, Ltd., Deoleo Financial, Ltd. and Deoleo International, Ltd. under the scope of the agreement reached with the Group's main banks in order to restructure its syndicated loan (note 2).

7.- Dividends paid

The Company did not pay any dividends during the reporting period.

8.- Segment reporting

Note 11 of Chapter IV of the Six-Monthly Financial Report for the second half of 2020 provides information about the Group's business activities. The operating segments identified by the Group are:

- Spain
- Italy
- North America
- Northern Europe
- International Markets
- Operations

9.- Events after the reporting period

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

10.- Related-party transactions

Note 14 of Chapter IV of the Six-Monthly Financial Report for the second half of 2020 provides information about the related-party transactions arranged in 2020.

The transactions performed with significant shareholders, directors and other related parties in 2020 were as follows:

	Thousands of euros	
	2020	**2019**
Income:		
Sale of goods	-	5,689
	-	**5,689**
Expenses:		
Purchase of goods	8,035	14,664
Purchase of services	3,326	2,720
Finance costs	4,934	241
	16,295	**17,625**

The main transactions under "Purchase of goods" were raw material purchases. "Purchases of services" related mainly to work associated with product marketing, promotion and distribution services.

As a result of the above related-party transactions, at year-end, the Group had the following balances receivable from and payable to related parties:

	Thousands of euros	
	2020	**2019**
Current financial assets:		
Cash and cash equivalents	-	13
Accounts receivable:		
Trade receivables	-	47
Bank borrowings		
Non-current	(183,848)	-
Current	(177)	(7,047)
Trade and other payables:		
Trade payables	(80)	(618)

At December 31, 2020, the balances with financial institutions related to the portion of the Sustainable Debt corresponding to entities that are, in turn, shareholders of the Group company, Deoleo Holding, S.L.U. (refer to notes 2 and 6 and section VIII of note 11).

The Parent did not receive any dividends from its subsidiaries in 2020 (2019: 21,853 thousand euros). Group subsidiary Deoleo Financial, Ltd. received 16,000 thousand euros in dividends from its subsidiary in 2020. Group subsidiary Deoleo Global, S.A.U. received 13,217 thousand euros in dividends from its subsidiaries in 2020. Group subsidiary Carapelli Firenze, S.p.A. received 647 thousand euros in dividends from its subsidiary in 2020 (3,106 thousand euros in 2019).

11.- Qualitative and quantitative information about the changes in the Group's assets and liabilities

I. Discontinued operations

No operations were classified as discontinued in either 2020 or 2019.

II. Property, plant and equipment

Capital expenditure in the vegetable oil business amounted to approximately 4.9 million euros in 2020 and was earmarked mainly to modernizing and upgrading the equipment at the Alcolea (Cordiba, Spain) and Tavarnelle (Italy) factories.

Property, plant and equipment depreciation charges amounted to 5,369 thousand euros in 2020 (2019: 6,889 thousand euros).

In 2020, the following assets were reclassified to "Non-current assets held for sale". (i) garages in San Sebastián, Spain belonging to Group subsidiary Deoleo Global, S.A.U. with a carrying amount of 301 thousand euros; and (ii) a site in Alcalá de Guadaira, Spain, with a carrying amount of 632 thousand euros, and another in Pilas, Spain, with a carrying amount of 119 thousand euros, owned by Group subsidiary Cetro Aceitunas, S.A.

III. Goodwill and other intangible assets

The main changes in 2020:

- Amortization charges for the year totaling 7,057 thousand euros, corresponding mainly to the Bertolli customer portfolio and finite-lived trademarks (2019: 6,783 thousand euros).

- Capital expenditure of 1,346 thousand euros, corresponding to software and computer program licenses (2019: 332 thousand euros).

- The Company tested the Group's non-financial fixed assets (property, plant and equipment, intangible assets and goodwill) for impairment at December 31, 2020.

  <u>Impairment test</u>

  Even if there are no indications of impairment, 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.

  For Group CGU identification purposes, the Group's management conducts its 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. Accordingly, the tests are based on:

  (i) The manner in which the Group organizes and manages its vegetable oil production and bottling resources which, albeit located in different regions of Italy and Spain, are 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 five existing sales units (Spain; Italy; Northern Europe; Americas; and International Markets), whose activity consists 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 groups its assets into those six CGUs and allocates the value of its corporate assets to them as appropriate.

Cash-generating unit (CGU)	Type	Markets
Spain	Sales unit	Spain
Italy	Sales unit	Italy
Northern Europe	Sales unit	Germany, Belgium, Netherlands, France, the rest of Europe and MEA
North America	Sales unit	US and Canada
International Markets	Sales unit	Latin America, 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 trademarks; 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.

The main assumptions used to perform the impairment tests:

December 31, 2020						
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	7.4%	9.2%	1.7%	3.8%	6.7%	94.0%
Italy	7.8%	10.0%	1.3%	8.7%	17.5%	124.0%
Northern Europe	6.3%	7.3%	1.7%	(4.1%)	(14.3%)	78.5%
North America	6.0%	7.8%	2.0%	0.7%	(3.8%)	85.2%
International Markets	8.3%	10.6%	3.0%	6.5%	1.6%	79.8%
Operations	7.6%	10.1%	1.5%	1.9%	3.7%	61.4%

The average rate of growth in perpetuity modeled by the Group was 1.8% in 2020 (2019: 2.0%).

The Parent's directors believe that the 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 trademarks and the estimated recoverable amounts of its CGUs, the Company 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 were 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, 2020 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**	**International Markets**	**Operations**	**Total**
Net fixed assets	63,566	33,509	82,431	125,523	49,450	45,199	399,677
Goodwill	-	-	-	-	14,805	6,912	21,717
Working capital	(7,191)	(971)	(1,464)	29,365	8,487	28,579	56,806
Total net assets - opening	**56,375**	**32,538**	**80,967**	**154,888**	**72,742**	**80,690**	**478,200**
Net reversal of previously recognized trademark impairment (I)	1,602	2,501	5,054	13,576	2,646	-	25,379
Total net assets - restated	**57,977**	**35,039**	**86,021**	**168,464**	**75,388**	**80,690**	**503,579**
Fair value	41,810	25,301	165,032	248,018	180,285	83,526	743,972
Costs to sell	(418)	(253)	(1,650)	(2,480)	(1,803)	(835)	(7,439)
Recoverable amount	**41,392**	**25,048**	**163,382**	**245,538**	**178,482**	**82,691**	**736,533**
Potential headroom/(impairment)	**(16,585)**	**(9,991)**	**77,361**	**77,074**	**103,094**	**2,001**	
Potential net impairment by CGU	(16,585)	(9,991)	N/A	N/A	N/A	N/A	(26,576)
Net impairment applied to carrying amount of trademarks (II)	(1,023)	(8,620)	N/A	N/A	N/A	N/A	(9,643)
Definitive headroom/(impairment) by CGU (I+II)	**579**	**(6,119)**	**5,054**	**13,576**	**2,646**	**-**	**15,736**

As a result of the impairment tests, the Group reversed previously recognized impairment losses by 20,635 thousand euros on a pre-tax basis (15,736 thousand euros net of the tax effect). The reversal was recognized under "Other operating income" in the consolidated statement of profit or loss for 2020, while the tax impact, of 4,899 thousand euros, was recognized under "Income tax" in the consolidated statement of profit or loss for 2020.

	Thousands of euros					
	Spain	**Italy**	**Northern Europe**	**North America**	**International Markets**	**Total**
Trademarks	771	(8,522)	6,757	18,101	3,528	20,635
Gross reversal/(impairment)	**771**	**(8,522)**	**6,757**	**18,101**	**3,528**	**20,635**
Tax effect	(192)	2,403	(1,703)	(4,525)	(882)	(4,899)
Net reversal/(impairment)	**579**	**(6,119)**	**5,054**	**13,576**	**2,646**	**15,736**

At December 31, 2020, the carrying amount of the Group's trademarks, having recognized the effects of the impairment tests performed during the year, stood at 456,892 thousand euros, which is equal to their fair value, calculated using the relief-from-royalty technique.

The breakdown of the carrying amounts and fair values of the Group's trademarks at December 31, 2020:

	Thousands of euros			
Trademark	**Carrying amount before impairment tests**	**Reversal/(impairment) as a result of tests**	**Carrying amount at Dec. 31, 2020**	**Fair value at Dec. 31, 2020**
Bertolli	207,279	28,682	235,961	235,961
Carbonell	95,367	63	95,430	95,430
Carapelli	85,769	(11,158)	74,611	74,611
Hojiblanca	14,048	2,169	16,217	16,217
Sasso	14,090	(255)	13,835	13,835
Koipe	1,687	(170)	1,517	1,517
Maya	2,760	1,975	4,735	4,735
Friol	6,271	1,066	7,337	7,337
Koipesol	7,089	(1,129)	5,960	5,960
San Giorgio	1,897	(608)	1,289	1,289
Total	**436,257**	**20,635**	**456,892**	**456,892**

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%.

IV. Inventories

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2020 is as follows:

	Thousands of euros	
Inventories	**Dec. 31, 2020**	**Dec. 31, 2019**
Goods held for resale	1,957	1,660
Raw materials and other consumables	24,323	22,164
Work in progress	12,157	7,638
Finished goods	71,250	54,933
	109,687	86,395
Impairment	(2,290)	(3,216)
	107,397	**83,179**

At December 31, 2020, the Group was contractually committed to the purchase of approximately 37,723 thousand euros of inventories (30,677 thousand euros at December 31, 2019).

V. Trade and other receivables

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2020 is as follows:

	Thousands of euros	
	Dec. 31, 2020	**Dec. 31, 2019**
Trade receivables	16,261	39,737
Other receivables	24,309	25,784
	40,570	**65,521**
Current tax assets	2,363	1,839
	42,933	**67,360**

VI. Non-current assets held for sale

In 2020 there were the following movements under "Non-current assets held for sale" and the associated liabilities:

- During the second half of 2020, Carapelli Firenze, S.p.A. sold the Inveruno factory in Milan for 13,400 thousand euros, recognizing a gain of 2,242 thousand euros under "Other operating income" in the 2020 consolidated statement of profit or loss.
- The properties received pursuant to the agreements reached by Deoleo, S.A. in connection with a series of criminal and civil proceeding on February 14, 2020, in the amount of 9,223 thousand euros, were transferred from "Receivables" to this heading.
- A number of properties owned by Deoleo Global, S.A.U. and Cetro Aceitunas, S.A., in the amounts of 301 thousand euros and 751 thousand euros, respectively, were transferred to this heading from "Property, plant and equipment".
- The Group recognized impairment losses on a number of properties recognized under this heading to restate their carrying amounts to their appraisal values, specifically recognizing a loss of 1,589 thousand euros under "Other operating expenses" in the 2020 consolidated statement of profit or loss.

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.

VII. Equity

The breakdown of and movements under equity are disclosed in note 8 "Consolidated statement of total changes in equity" in Chapter IV Six-Monthly Financial Report for the second half of 2020.

As outlined in note 2, against the backdrop of the Restructuring, the following resolutions, among others, were ratified at an Extraordinary General Meeting of the shareholders of the Parent on January 17, 2020: (i) the reduction of share capital in full, to zero, in order to offset retained losses; and (ii) in parallel, so that the Company could continue to do business, a 50 million euro rights issue.

The deeds to the reduction of share capital to zero, offsetting losses, by means of the cancelation of each and every one of the shares into which the Parent's capital was

divided, and to the simultaneous capital increase via the injection of 50,000,000.40 of euros of cash were placed on public record on June 24, 2020. Specifically, the Company issued 500,000,004 shares at a price of 0.10 euros per share for nominal share capital of 1,000,000.008 euros and a share premium account totaling 49,000,000.392 euros. The transaction costs totaled 1,024 thousand euros.

Following the above-mentioned simultaneous capital reduction and increase, at December 31, 2020, the Parent's share capital was represented by 500,000,004 shares with a unit par value of 0.002 euros, all fully subscribed and paid and represented by book entries.

Own shares

The Group did not buy or sell any own shares in 2020.

At December 31, 2020, the Parent did not hold any own shares as treasury stock.

Translation differences

The breakdown and reconciliation of the opening and closing translation difference balances:

	Thousands of euros
Balance at December 31, 2019	**(13,687)**
Differences arising from translation of the financial statements of foreign operations	(5,670)
Translation differences corresponding to non-controlling interests (*)	9,485
Balance at December 31, 2020	**(9,872)**

(*) Derived from the changes in the consolidation scope (note 6)

VIII. Notes, loans and other interest-bearing liabilities

Loans

Until June 24, 2020, the date of effectiveness of the Refinancing detailed in notes 2 and 6 and further on in this note, the Deoleo Group had two syndicated loans, in the amounts of 545 million euros and 55 million euros, both of which were arranged on June 13, 2014 with a pool of banks led by JP Morgan Europe Limited, which acted as underwriter, along with other lenders. That financing package comprised the following tranches:

- The "First Lien" tranche of 460 million euros, fully drawn and due in seven years.
- The "Second Lien" tranche of 55 million euros, fully drawn and due in eight years.
- A six-year revolving credit facility of up to 85 million euros, drawn down by 59.9 million euros.

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

As outlined in note 2, on September 25, 2019, the Group entered into a debt restructuring agreement with its syndicate of banks. That initial agreement was subsequently replaced by a Framework Refinancing Agreement, executed on March 13, 2020 with all of the holders of the debt in question. The new financing agreements entered into with the lender banks were placed on public record on June 24, 2020.

The Refinancing Agreement hinged upon the division of the former syndicated loan, of 574.9 million, into three components:

- A first component, which was repaid using the funds obtained by the Parent as a result of the above-mentioned 50 million euro rights issue (refer to section VII of note 11);

- A second component - the Debt to be Recapitalized - in the amount of 282.9 million euros, which was replaced by a Mandatorily Convertible Loan, convertible into shares of a newly-incorporated company, Deoleo Holding, S.L.U., in exchange for debt forgiveness (note 6);
- A third and last component - the Sustainable Debt -, which the Group is keeping as its long-term debt, structured in the form of a Senior Financing Agreement and a Junior Financing Agreement in a total amount of 242 million euros.

Mandatorily Convertible Loan

The Mandatorily Convertible Loan was capitalized on January 19, 2021 by means of its conversion into 28,290,000,000 Class B shares of Deoleo Holding, S.L.U. with a unit par value of 0.000000102 euros, without having accrued interest.

As disclosed in note 2, as soon as the Refinancing Agreement and Shareholder Agreement took effect on June 24, 2020, the Mandatorily Convertible Loan holders were extended all the rights, powers and entitlements due to them after becoming shareholders of Deoleo Holding, S.L.U. by virtue of the capitalization. As a result, on that date (June 24, 2020), the Group derecognized the Mandatorily Convertible Loan and recognized an equity instrument at Deoleo Holding, S.L.U. at the fair value of 49.004% of Deoleo Holding, S.L.U. in the amount of 75.9 million euros as if the capitalization had just taken place, as stipulated in paragraph 22 of IAS 32, given that the conversion entailed the delivery of a fixed number of shares for a fixed amount. That sum was reduced by 3.6 million euros corresponding to the transaction costs attributable to this component of the financing arrangement. The equity instrument was measured initially by reference to the value of Deoleo, S.A. plus the value of the preemptive subscription rights on their last day of trading. As a result of the above accounting treatment, the 2020 consolidated financial statements recognize the corresponding non-controlling interests.

The difference between the carrying amount of the financial liability derecognized and its fair value amounted to 207 million euros and is recognized under "Finance income" in the 2020 consolidated statement of profit or loss.

Sustainable Debt

The main terms and conditions of the Sustainable Debt:

- Amount: A total size of 242 million euros (the balance outstanding at December 31, 2020 stood at 204.6 million euros).
- Tranches, interest rate and maturity: It is divided into two tranches:
    a. A senior tranche of 160 million euros (the balance outstanding at December 31, 2020 stood at 122.6 million euros). Interest rate: EURIBOR (floor of 1%) plus a spread of 400bps. Maturity: 5 years.
    b. A subordinated or junior tranche of 82 million euros. Interest rate: EURIBOR (floor of 0.5%) plus spreads ranging from 300bps (the first 2 years), to 500bps (the next 2 years) and then to 700bps (the next 2 years). Maturity: 6 years.
- Repayment schedule: Both tranches will be repaid in a single bullet payment at maturity.
- Covenants:
    - Compliance with two ratios:
        a. EBITDA: The Deoleo Group's Last 12 Month EBITDA must be equal to at least 21,720,000 euros as of June 30, 2021, then increasing quarterly as agreed so as to reach 48,660,000 euros as of the quarter ending December 31, 2025 and the successive periods closing thereafter.
        b. Maintenance of a minimum liquidity buffer: the Deoleo Group's liquid assets (i.e. cash and cash equivalents) must not fall below 15,000,000 euros during a period of 20 consecutive days or more.

Compliance with the EBITDA ratio will be verified quarterly and compliance with the liquidity buffer will be verified monthly.

- Both loan agreements entail a series of 'musts' or positive covenants and 'must nots' or negative covenants related with the business. They are designed to provide a degree of control over the management of the Deoleo Group's business and to safeguard its creditworthiness, such that the key business metrics remain within the ranges contemplated when the banks decided to extend the financing.

  The negative covenants include restrictions on the encumbrance of assets, on capital expenditure, on the assumption of additional borrowings and on asset sales.

  There are also restrictions on the distribution of funds and making of payments to shareholders in the form of dividends or other forms by the subsidiaries of Deoleo, S.A., i.e., Deoleo Holding, S.L.U., Deoleo UK, Ltd. and Deoleo Financial, Ltd, except in certain specific and highly limited circumstances carved out essentially so that Deoleo, S.A. can cover ordinary expenses such as fees related with the audit of its financial statements and the costs of running the Board of Directors. The above-mentioned restrictions apply until the Sustainable Debt is fully repaid, a milestone scheduled for 2026.

- Guarantees: To secure the obligations assumed under this financing package, the Group has extended the lenders the following guarantees:

  a. Deoleo Financial, Ltd. is the borrower and Deoleo UK, Ltd., Deoleo Global, S.A.U., Deoleo International, Ltd., Carapelli Firenze, S.p.A., Deoleo USA, Inc., Deoleo Canada, Ltd., Deoleo Deutschland, GmbH., Deoleo, B.V., Deoleo Belgium, B.V. and Deoleo Comercial México, S.A. de C.V. are the guarantors.

  b. Personal guarantees from all relevant Group companies (including Deoleo, S.A.) and pledges over the shares of the main Group companies.

  c. Pledge over the assets of Deoleo USA Inc. and Deoleo Canada, Ltd.

  d. Pledges over the cash pooling accounts in the UK, US and Spain.

- In addition, in order to guarantee performance of its obligations under the Senior Financing Agreement and the Junior Financing Agreement, Deoleo, S.A. has extended the following security:

  - A call option over all of the shares of Deoleo UK, Ltd. owned by Deoleo Holding, S.L.U. and a call option over all of the shares of Deoleo Financial, Ltd. owned by Deoleo UK, Ltd. The exercise price for each of the options is 1 euro; however, once exercised, an independent expert will be asked to appraise the shares and the option holder will be obliged to pay the amount resulting from that valuation exercise by way of deferred payment. If the deferred price is higher than the amounts owed under the Senior Financing Agreement and the Junior Financing Agreement, the option holder will be obliged to pay the difference to Deoleo Holding, S.L.U. or Deoleo UK, Ltd., as warranted, and if it is lower, the option holder will continue to hold a credit claim against the borrowers in the amount of the difference. The options are exercisable from the time of any potential unremedied breach of performance under the terms of the Senior Financing Agreement or the Junior Financing Agreement. The options will expire once the Sustainable Debt has been repaid in full.

In the opinion of the Parent's directors, at December 31, 2020, the Group was in compliance with all the requirements implicit in its covenants. Further, they believe there are no foreseeable developments that could have an adverse effect on its ability to comply going forward.

Given that the Refinancing consisted of an exchange of debt instruments that present substantially different terms, the Group has derecognized the original financial liability and recognized a new financial liability (as stipulated in paragraph 3.3.2 of IFRS 9 *Financial instruments*). The transaction costs attributable to this portion of the financing

package, coupled with the arrangement costs associated with the original liability that had yet to be amortized as of June 24, 2020, in the amount of 11.7 and 2.9 million euros, respectively, have been recognized under "Finance costs" in the consolidated statement of profit or loss for 2020.

Financial liabilities - notes and other marketable securities

On December 20, 2006, the Deoleo Group issued 6,000 preferred shares with a unit face value of 50,000 euros, i.e., a total issue size of approximately 300 million euros. The preferred shares were guaranteed by Deoleo, S.A. through Deoleo Preferentes, S.A.U. (formerly SOS Cuétara Preferentes, S.A.U.), wholly owned by Deoleo, S.A. The holders of the preferred shares were entitled to receive a pre-determined, non-cumulative return, payment of which was 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 bore 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 began plus 4.00% nominal p.a.

Starting in 2010, the Deoleo Group carried out various capital increases through the contribution of preferred shares, while also repurchasing preferred shares, leaving 845 preferred shares outstanding in the hands of third-party investors at December 31, 2019 and June 22, 2020 (the date of the Deoleo Preferentes, S.A.U. dissolution and liquidation deed) (there having been no additional such capital increases or repurchases of preferred shares in the last three years). Although the preferred shares were perpetual, the issuer was entitled to redeem them fully or partially at any time once five years had elapsed since the disbursement date; there were no conversion clauses.

Against the backdrop of the Group's Refinancing, specifically as a result of the simultaneous capital reduction and increase, Deoleo, S.A. liquidated Deoleo Preferentes, S.A.U. on June 22, 2020, and the preferred shares were accordingly extinguished.

Pursuant to the resolution ratified at the Extraordinary General Meeting held on January 17, 2020, at a meeting that took place on June 22, 2020, the Board of Directors agreed that Deoleo, S.A., in its capacity as sole shareholder of Deoleo Preferentes, S.A.U., would take the decision and actions needed to extinguish the preferred shares and to dissolve and liquidate Deoleo Preferentes, S.A.U. The decisions adopted by the sole shareholder with respect to the dissolution and liquidation of Preferentes, S.A.U. were placed on public record on June 24, 2020 and filed with the Madrid Companies Register on July 22, 2020, such that that company has been duly liquidated.

Against the backdrop of the liquidation and dissolution of Deoleo Preferentes, S.A.U., the holders of the preferred shares outstanding at the time were entitled to receive a liquidating dividend on the terms and conditions stipulated in the securities note of the preferred share issue. Those terms and conditions stated that the holders' entitlement to receive a liquidating dividend would be affected by the occurrence of one of the following two circumstances: (i) the dissolution or liquidation of Deoleo, S.A.; or (ii) the reduction of Deoleo, S.A.'s share capital to zero, without going into liquidation, accompanied by a simultaneous capital increase. Under such circumstances the liquidating dividend payable to the preferred share holders could 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. and the preferred share holders' claims seniority would have been: (i) senior to the holders of the ordinary shares of Deoleo, S.A.; (ii) *pari passu* with the holders of any preferred shares or equivalent securities issued by Deoleo, S.A.; and (iii) junior to the holders of other notes issued by Deoleo, S.A., all of which having fully satisfied, in keeping with the terms stipulated in Spanish legislation, all of Deoleo, S.A.'s creditors, including the holders of its subordinated debt, but excluding the beneficiaries of any guarantee or other contractual claim ranking *pari passu* or subordinate to Deoleo, S.A.'s guarantee over the preferred shares.

In order to determine the size of the above-mentioned liquidating dividend, Deoleo, S.A. mandated an independent expert, PricewaterhouseCoopers Asesores de Negocios, S.L (PwC), to conduct the corresponding valuation. PwC issued its report on October 22, 2019.

In that report, PwC concluded that on the date of the valuation and considering the order of creditor ranking of the preferred shares and the other liabilities owed by Deoleo, S.A., the Company did not have the funds or assets needed to service the obligations assumed with the preferred share holders. It accordingly concluded that the value of the preferred share liquidating dividend was zero.

As a result, the Group recognized income of 46,500 thousand euros within "Finance income" in the consolidated statement of profit or loss for 2020. In turn, it also recognized an expense in connection with the loss derived from the liquidation of the 85 preferred shares held by Deoleo, S.A. in the amount of 4,047 thousand euros, specifically within "Finance costs" in the consolidated statement of profit or loss for 2020.

12.- Director and KMP remuneration.

The year-on-year trend in the remuneration accrued by the Company's directors and key management personnel in 2020:

	Thousands of euros	
	2020	**2019**
Directors		
Salaries	869	704
Termination benefits	-	123
Attendance fees	428	287
Other items	24	194
	1,321	**1,308**
Officers	**3,011**	**3,108**
	4,332	**4,416**

H2 2020

Results

Deoleo®
The Olive Oil Company.

Contents

Highlights

Markets

- The IOC has estimated a global production of olive oil for the current 2020/21 season of 3.2 million tons, a figure very similar to that of the previous season, which also totaled 3.2 million tons.
- According to the IOC, this estimated olive oil production includes a 42% increase in production in Spain, which will be offset by a drop in the remainder of producer countries, in particular Italy, Portugal, and Tunisia.
- Olive oil prices at the origin increased over the last quarter of the year, with the increase in the extra virgin category being of particular note, increasing by approximately 20% since the beginning of the corporate year.
- Also of note is the significant increase in olive oil consumption on the retail channel during 2020. This increase can be observed on our main markets, and namely in the USA (32.2% according to IRI data), Spain (11.6% according to Nielsen), and Italy (6.4%, also according to Nielsen data).

Highlights

- We closed the 2020 corporate year with €72 million in EBITDA, which constitutes a 160% increase compared to the EBITDA of €27.7 million with which we closed the 2019 corporate year.
- The consolidated net profit for the 2020 corporate year was €290 million, compared to €11 million in losses during the previous corporate year. Net comparable profit (which does not include the impact of the completion of the process of refinancing the syndicated debt, totaling €233 million) was €57 million.
- Sales in terms of volume grew by 22% in 2020 compared to the previous corporate year, as a result of both the increase in at-home consumption derived from the global health crisis that we are experiencing as well as the strategic business initiatives implemented during the corporate year.
- The cash flows generated during the 2020 corporate year totaled €36 million, compared to €5 million at the end of the previous corporate year. This significant generation of cash flows, combined with the completion of the refinancing agreement in June, allowed us to reduce the net financial debt by €407 million, with this debt currently amounting to €150 million compared to €557 million at the end of the 2019 corporate year.

Deoleo
The Olive Oil Company.

Outcome summary

Raw Material

	31-Dec-20	31-Dec-19	YTD
	€/Tn	€/Tn	%
Extra Virgin	2.573	2.102	22,4%
Virgin	2.092	1.787	17,1%
Lampante	1.910	1.679	13,8%

- As of the end of the 2020 corporate year, the price of extra virgin olive oil increased by 22.4% compared to the price at the end of the 2019 corporate year. This increase in price mainly took place during the last quarter of the year.
- The increase in olive oil prices, observed starting as of the beginning of the new harvest, is mainly in line with the reduction in initial inventory associated with the increase in consumption that took place in 2020, and the expectations of the 2020/2021 harvest.

Profit and Loss

	31-Dec-20	31-Dec-19	YTD
	m€	m€	%
Net Sales	665.614	561.953	18,4%
EBITDA	71.977	27.727	159,6%
Net Results	290.070	(10.606)	2834,9%
Attributable to:			
Equity holders of the parent	270.434	(10.606)	2649,8%
Non-controlling interests	19.636	-	0,0%

- The positive progress of the business during the 2020 corporate year can be observed in the increase in our sales, amounting to 22% in terms of volume and 18% in terms of value, compared to the 2019 corporate year.
- This increase has taken place across all of our business units, also generating a substantial improvement in gross unit margins in the majority of business units. Furthermore, we have significantly increased the investment in our brands, which is one of the key levers of our strategic plan.
- We closed the 2020 corporate year with an EBITDA of €72 million, constituting a 160% increase compared to the previous corporate year. All business units experienced a double-digit growth in EBITDA, and in particular the Northern Europe and North America business units, with increases of 350% and 264% in EBITDA, respectively.
- The comparable net profit (which does not include the profits associated with the restructuring of the syndicated financial debt) for the 2020 corporate year was €57 million.

Other financial data

	31-Dec-20	31-Dec-19	YTD
	m€	m€	%
Net Financ. Debt	150.199	557.300	(73,0%)
Working Capital	69.866	77.686	(10,1%)

- We reduced working capital by 10% compared to at the end of the 2019 corporate year, despite a €24 million increase in the balance of remaining inventory associated with the positive development of the business. This reduction is mainly a result of the reclassification of the balances obtained by means of the agreement with former administrators and efficient treasury management.
- Our net financial debt is currently €150 million, compared to €557 million at the end of 2019. This significant €407 million reduction in debt has been obtained both by means of the completion of the agreement for refinancing the syndicated debt in June and the positive cash flow generation achieved during the 2020 corporate year.

Raw material and evolution of consumption

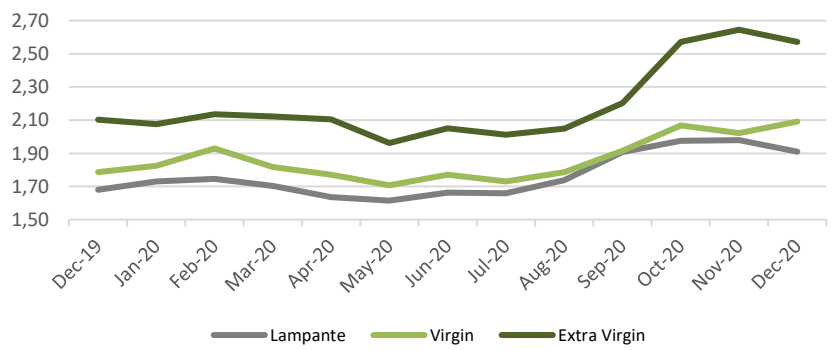
Evolution of the raw material

- According to the report issued by the IOC during the month of December, during the previous 2019/20 olive oil season, a global production of 3.2 million tons was obtained. With respect to estimates for the 2020/21 season, the harvest will also be situated around approximately 3.2 million tons.
- Of particular note in the IOC estimates are the increase in production attributed to Spain (+40%) and the reduction in Italy (-30%) and Tunisia (-60%).
- The increase in olive oil consumption during 2020 has caused a reduction in the remaining inventory for the season, which, in Spain, according to AICA data, total 491,000 tons, constituting a 35% decrease compared to the previous transition season, with the resulting effect on the availability of olive oil, which as of December 31, 2020, has decreased by 12%.
- MAPA data indicate an increase in average olive oil prices in Spain, starting as of the beginning of the new season in October 2020 up until December 31, of 13%.

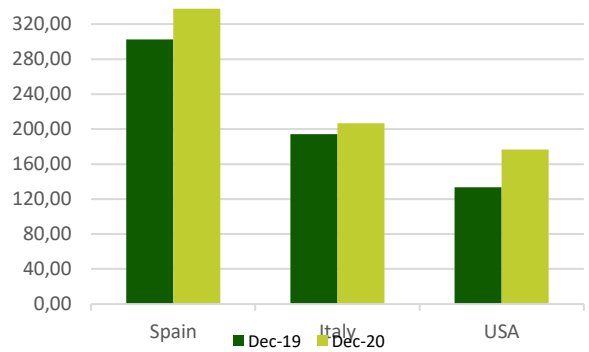
Evolution of consumption

- The stability of raw material prices during the majority of the corporate year, combined with increased at-home consumption, as a result of the current health crisis, have resulted in a significant growth in olive oil consumption at the global level, which the IOC situates at approximately 6%.
- Nonetheless, consumption has experienced the greatest growth on the retail channel on which Deoleo operates. As such, consumption during 2020 in the United States, according to IRI, increased by 32%, along with 11.6% and 6% in Spain and Italy, respectively, according to Nielsen data.
- The increase in sales volumes of Deoleo's olive oil brands has been greater than the overall market increase on our main markets. In this way, we have successfully increased our market share in terms of volume: according to IRI, our market share during 2020 went up by 2.8 percentage points in the United States, and according to Nielsen data, also increased by 1.1 percentage points in Spain and 0.7 in Italy.

Olive Oil Evolution *(€/Tn)*



Olive Oil Consumption *(MMl)*



Profit and loss statement

	31-Dec-20	31-Dec-19	YTD
	m€	*m€*	*%*
Net Sales	**665.614**	**561.953**	***18,4%***
Gross Margin	158.159	107.711	*46,8%*
OPEX	(86.182)	(79.984)	*7,7%*
EBITDA	**71.977**	**27.727**	***159,6%***
EBITDA/Sales	*10,8%*	*4,9%*	
Net Results	**290.070**	**(10.606)**	***2834,9%***
Attributable to:			
Equity holders of the parent	270.434	(10.606)	*(2649,8%)*
Non-controlling interests	19.636	-	*0,0%*

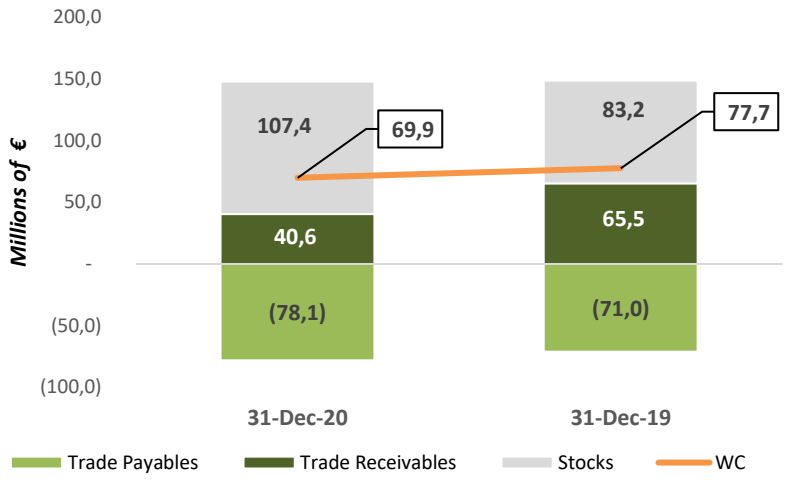
- The positive performance of all of Deoleo's business units during 2020 has resulted in a 22% increase in volumes sold, as well as a significant increase in our market shares on the main markets on which we operate. This significant growth is due to both the increase in at-home consumption generated as a result of the current health crisis as well as the implementation of improvements in our business strategy.
- Sales figures have increased by 18% compared to the previous corporate year, mainly thanks to the aforementioned increase in volumes. The evolution of the price of the raw material at the origin over the corporate year (with average prices that were lower than the previous corporate year, mainly during the first six months of the year) has caused the increase in sales figures, compared to 2019, to be slightly less than that of the increase in volumes sold.
- Gross margins have increased by 47% (€50 million) compared to 2019, and EBITDA has increased by 160% (€44 million). Likewise, we increased the investment in our brands by 23% compared to the previous corporate year, in line with our Strategic Plan.
- The net consolidated profit for the 2020 corporate year was €290 million, which includes the €233 million associated with the impact of the completion of the refinancing agreement. Therefore, the comparable profit (which does not include the aforementioned effect of the profits derived from the refinancing process) totaled €57 million, compared to €11 million in losses at the end of the 2019 corporate year.

Balance Sheet

Balance Sheet Data

	31-Dec-20	31-Dec-19	YTD
	m€	m€	%
Non Current Assets	605.734	581.431	4,2%
Working Capital	69.866	77.686	(10,1%)
Equity attributable to owners of the parent	215.221	26.506	712,0%
Equity	432.211	26.506	1530,6%
Net Financial Debt	150.199	557.300	(73,0%)

Working Capital



- Working capital has been reduced by 10% compared to at the end of the 2019 corporate year, despite ending the year with an increase of €24 million in inventory, mainly associated with the need for additional stocks to cover the positive development of the business. This reduction in working capital is mainly a result of the reclassification of balances obtained by means of the agreement with former administrators and efficient treasury management.
- Our net financial debt is currently €150 million, compared to €557 million at the end of 2019. This significant €407 million reduction in debt has been obtained both by means of the completion of the agreement for refinancing the syndicated debt in June (with an impact of €371 million) and the positive cash flow generation (€35.6 million) achieved during the 2020 corporate year.
- It is worth noting that during the second six-month period of the year, we made early installments against the syndicated loan totaling €37 million, reducing the principal of this loan to €204.6 million at the end of the corporate year.

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Cash Generation

Cash Generation managing analysis	31-Dec-20	31-Dec-19	YTD
	m€	m€	%
Cash at the beginning	78.628	47.947	64,0%
EBITDA	71.977	27.727	159,6%
Changes in WC	(2.858)	16.070	(117,8%)
Cash Flow	**69.119**	**43.797**	**57,8%**
Interest Payment	(20.111)	(28.281)	28,9%
Tax Income Payment	(5.566)	(206)	(2599,4%)
NRI and others	(18.097)	(5.277)	(242,9%)
CF Investment Activities	10.248	(4.998)	305,1%
CF before Financing Activities	**35.594**	**5.035**	**606,9%**
CF Financing Activities	(41.640)	25.646	(262,4%)
YTD Cash generated	**(6.046)**	**30.681**	**(119,7%)**
Cash at the end	72.582	78.628	(7,7%)

Change in Working Capital in FY 2020 does not reflect the change 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.

- We generated cash flows totaling €36 million during the 2020 corporate year compared to €5 million in 2019, thanks to the significant increase in the EBITDA obtained during the corporate year, the decrease in the amount of financial interest paid, and the amounts obtained via divestment in assets maintained for sale, which have offset the cost of the advisors associated with the financial restructuring process (€13 million), which is the main expense in the "Non-recurring and other expenses" line item.
- We have a solid cash position of €73 million at the end of the 2020 corporate year, after having paid off €37 million of the new financing debt early. The solidity of our financial position allows us to comply with all of the relevant agreements established in our new syndicated financing contract.

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Conclusions

- The 2020 corporate year has been a turning point for Deoleo. The completion of the refinancing agreement achieved last June, which implied a €371 million reduction in the net financial debt and the adaptation of the structure and size of the debt to the needs of the business, has been combined with the positive development of the business, as can be observed in the significant improvement in all of our main indicators, including sales, margins, EBITDA, profits, and cash flow generation.
- Currently, Deoleo is the result of the combination of the completion of a successful and difficult financial restructuring process, in which both shareholders as well as creditors made significant efforts, and the definition and start of the implementation of a solvent and sustainable long-term business plan. The reality of the situation has exceeded initial expectations, because of which we will once again reconsider our Strategic Plan during the 2021 corporate year in order to adapt the Group's goals over the upcoming years.
- Combined with the improvements in the business that we have progressively observed, we are facing a context of significant increase in at-home consumption resulting from the global health crisis, in which we have been successful in making the most of the strength of our brands and our knowledge of the business, which has materialized in the form of:
  - A growth in volume in all business units, achieving an increase in our market shares in almost all of our markets. This situation will allow us to drive the development of our business plans.
  - A 23% increase in the investment in our brands compared to the 2019 corporate year.
  - An increase in the gross margins in all of our business units, which has allowed us to achieve a consolidated EBITDA of €72 million and double-digit growth in all business units, achieving a global EBITDA/Sales ratio of 11%.
  - We have achieved a consolidated net profit of €290 million, €57 million of which are the result of the ordinary operation of the business (without including the effect of financial restructuring), compared to €11 million in losses during the 2019 corporate year.
- We have generated €36 million in cash flows during the corporate year, allowing to pay off $37 million of the syndicated loan, with a loan balance of €204.6 million and a net financial debt of €150.2 million at the end of the corporate year.
- We closed the corporate year with a solid cash position of €73 million.

Conclusions

- The change in the situation of the Deoleo Group following the closing of the 2020 corporate year and the significant milestones achieved during this year is also observed in the perception of the company on the market. For example, the credit rating agencies Moody's and Standard & Poor's improved our credit rating; Deoleo's shares have increased in value by approximately 70% since June 25, the date on which the refinancing agreement became effective; and the former shareholders that participated in the capital increase have been compensated for their efforts by a return of approximately 170% on their investment. Furthermore, in December 2020, the Spanish Sociedad de Bolsas (company responsible for the Spanish Stock Exchange Interconnection System) included Deoleo's shares in the Ibex Small Caps index, which increases the visibility of our company on the stock market.
- We are currently starting the 2021 corporate year with a global situation that continues to be shaped by a high degree of uncertainty associated with the current global health crisis. Nonetheless, our growth objectives are clear, based on our strategic pillars, which include focusing on quality and developing the value of olive oil, as well as placing consumer preferences at the heart of our business strategy.
- The results of this corporate year currently coming to a close are so much better than our expectations that we are being forced to reconsider and quite likely set more ambitious goals than those of our current Strategic Plan. As a result, during the 2021 corporate year, we will once again go through a strategic analysis process in the goal of launching and implementing a new five-year Business Plan that takes into account the new situation and new objectives

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Annex I – Profit and loss statement

Profit and Loss Statement

(Thousand of €)

	31-Dec-20	31-Dec-19	YTD
Net Sales	665.614	561.953	18,4%
COGS	(507.455)	(454.242)	11,7%
Gross Margin	158.159	107.711	46,8%
Staff Costs	(50.495)	(48.122)	4,9%
OPEX	(35.687)	(31.862)	12,0%
Operating Expenses	(86.182)	(79.984)	(7,7%)
EBITDA	71.977	27.727	159,6%
% Sales	*10,8%*	*4,9%*	
Amortization and Depreciation	8.826	(13.597)	(164,9%)
EBITDA before NRI	80.803	14.130	471,9%
NRI	92	13.729	99,3%
EBIT	80.895	27.859	190,4%
% Sales	*12,2%*	*5,0%*	
Financial Results	212.994	(33.362)	(738,4%)
BAI	293.889	(5.503)	5440,3%
Income Tax	(3.819)	(5.103)	(25,2%)
Attributable Profit (Loss) for the period	290.070	(10.606)	2834,9%
Attributable to:			
Equity holders of the parent	270.434	(10.606)	2649,8%
Non-controlling interest	19.636	-	0,0%

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Annex II – Balance sheet

Balance Sheet

(Thousand of €)

	31-Dec-20	31-Dec-19
Non-current Assets	605.734	581.431
Stocks	107.397	83.179
Payables	40.570	65.521
Other current assets	26.469	38.321
Cash and Cash Equivalents	72.582	78.628
Total Assets	**852.752**	**847.080**
Equity attributable to owners of the parent	215.221	26.506
Non-controlling interests	216.990	-
Notes and others marketables securities	-	42.453
Long term debt	207.172	512.553
Provisiones	16.457	17.948
Deferred tax liabilities	101.281	94.175
Short term Debt	15.609	80.922
Receivables	78.101	71.014
Other current liabilities	1.921	1.509
Total Liabilities	**852.752**	**847.080**

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Anexo III – Net Financial Debt

Net Financial Debt

(Thousand of €)

	31-Dec-20	31-Dec-19	YTD
	m€	*m€*	*%*
Long term debt	207.172	555.006	*(62,7%)*
Syndicated Loan	*204.600*	*510.444*	*(59,9%)*
Preferred Shares	*-*	*42.453*	*(100,0%)*
Others Debt	*2.572*	*2.109*	*22,0%*
Short Term Debt	15.609	80.922	*(80,7%)*
Financial Debt	222.781	635.928	*(65,0%)*
Cash and Cash Equivalents	(72.582)	(78.628)	*7,7%*
Net Financial Debt	150.199	557.300	*(73,0%)*

Corporative Calendar

Corporative Calendar 2021	
February, 25th	Presentation of FY2020 Results
April, 30th	Presentation of Q1 2021 Results
July, 30th	Presentation of H1 2021 Results
October, 29th	Presentation of Q3 2021 Results

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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