

REPORT 2017



ESPORÃO



HERDADE DO ESPORÃO, 750 YEARS OF (HI)STORIES

Throughout the entire medieval period and *ancien regime*, Defenses (*Defesas*) were properties protected by the Spanish Meseta, a great transhumant organization that, in the winter, herded livestock to pastures in southern lands.

Defenses were large game farms defended from grazing by livestock from other areas, and are directly associated with the formation of Portugal during the Christian reconquest of the south. Examples of agricultural, forestry and livestock systems, *Defesas* were characterised by various uses. Deriving from the Mediterranean woodlands, during those founding periods, the Defenses conquered grazing land from the forests.

In the case of Esporão's *Defesa*, the story begins in the 13th century when D. João de Aboim, a descendent of Egas Moniz and key figure during the reign of King Afonso III, formed, from several territories donated by the townships of Monsaraz and Portel, 'Defesa do Esporão', one of the oldest properties in southern Portugal.

Defesa do Esporão is one of the great examples of this type of property involved in the formation of Portugal. Its delineation by charter at the end of the 13th century is stored at Torre do Tombo and remains unchanged to this day by centuries of agricultural, forestry and livestock practises, based on the preservation of the area's biodiversity and the multifunctionality that Esporão continues to uphold as a good practice to protect our ecosystem.

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MESSAGE FROM THE CHAIRMAN

The year 2017 marked the celebration of 750th anniversary of Defesa do Esporão, or Herdade do Esporão, as we know it today. Since being founded in 1267, until the launch in 1973 of what was then Finagra, seven centuries went by where very little happened. In the past 44 years, a little of everything has happened. The journey we have made since then led Esporão to, in 2017, extend beyond Alentejo, and beyond Portugal.

In the summer of that year, Esporão became the first European table wine brand in Brazil. I remember mentioning some time ago that a great part of the lack of success of Portuguese companies in Brazil was not because it was 'a large country' but maybe because our minds were small. But it was our minds, our people that, together, built this enviable position. It is with pleasure that I extend a note of great appreciation for the work developed by Qualimpor from São Paulo.

I am deeply convinced that the path to sustainability has been crucial for these stages in Esporão's differentiation and prosperity, sustained by the environmental breakthroughs that have enabled us to apply organic production methods to our entire agricultural operation, by our reinforced social commitment to our suppliers and partners, who have been fundamental to grow the volume, dimension and quality of our portfolio, and the improvement of our management planning and control, which continues to ensure our capacity to invest in key areas of innovation and development, such as construction of the olive oil mill and the new winery at Herdade do Esporão, the wine tourism operation at Quinta dos Murças, and the purchase of new land for vineyards in Portalegre, which resulted from our search for solutions to confront climate change.

The 2015-2017 Strategic Plan, which has now ended, marks crucial developments for Esporão, like the goal of attaining 50 million euros in sales and affirming our strategy for consolidated organic farming through the launch of Esporão Colheita, greater proximity and stronger ties to our key partners in Portugal and strategic markets like the USA, Canada, Angola, France and China, as well as Brazil, of course, and the internationalisation of the need to better understand the impacts of climate change and the ecological crisis that is taking place on a regional and global scale.

I am certain that the new plan for 2018-2020 will reach far beyond these challenges and consolidate Esporão as a leading wine and olive oil company, due to our commitment to sustainability and the ability to mobilise around the determination to keep making the best products from what Nature provides, in a responsible and inspiring manner.

In the year when this land celebrates seven and a half centuries, the most important thing is to stay focused on the best way to appreciate, on several levels, this heritage in our charge and strive to inspire and involve all of those who share the values we defend.

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José Alfredo Holtreman Roquette
Chairman of the Board



DNA

01



DNA

THE FUTURE WE WANT: To be a family company that is economically, socially and environmentally sustainable, capable of providing unique experiences and products that improve people's lives.

In a forgotten corner of the deep Alentejo, one of the most distinctive business models in the history of wine production in Portugal was born. At Herdade do Esporão, a structure dating back seven and a half centuries, seven hundred years passed without anything important happening, but in the last fifty years it seems like everything has happened. From the plan that the Ministry of Agriculture considered 'megalomaniacal and destined to rapid failure' in 1973, Esporão evolved, had growing pains, was reinvented and refreshed with people and ideas, and expanded naturally beyond the estate's borders.

Perhaps the first major evolutionary leap took place in the 1980s with the creation of Monte Velho, a brand that brought breakthroughs to winemaking, with technology that enabled batches to be stabilised, leading to the most reliable wine the market had seen until then, with a growing production volume that guaranteed the increase in demand would never jeopardise the quality and identity consumers were accustomed to, and which turned Monte Velho into a symbol of affordable excellence. Another crucial element in Monte Velho's value creation was the development of an ecosystem of producers with an identity that defined the region itself, at the time outside the global references of quality wine. This new form of 'coopetition' (an environment where cooperation and competition are in equilibrium) between small and large grape producers enabled us to increase the socioeconomic, cultural and environmental profile of Alentejo wines, with the widespread exchange of technical knowledge and agricultural best practises, to drive a better understanding of the market's dynamics and the ability to mobilise the brand.

The 1990s saw the beginning of a process to (re)define the grape varieties in demand by the most discerning markets, taking into account the need for these to adapt to the climate and territory. This strategy reinforced the importance of Esporão Reserva as the benchmark for wine profiles and the appearance of references like Private Selection and monovarietals that expanded the range

of consumers. At the same time, more sustainable production methods were being implemented in the fields, based on protecting soils, water and organisms that are beneficial to crops. Comparatively fewer natural resources were used, with less environmental impacts, a process that has become essential to our business model and undergoes constant improvement.

Upon entering the new millennium, the path towards an increasingly sustainable business was reinforced with a new evolutionary leap marked by the first sustainability plans. The first ideas, plans, good practises and investments emerged, which would later determine the commitment to organic farming and protection of the biodiversity, as well as adapting to and mitigating climate change, maintaining the clear objective of producing more interesting and healthy wines and olive oils, for the ecosystem, for people and for society.



In the last 10 years, Esporão has reached the Douro, with the acquisition of Quinta dos Murças, a property that is part of the history of the oldest demarcated wine region in the world, opening up a new front to innovate and develop wines with a distinct character based on the terroir concept. To the south, the brand expanded from wine to olive oil, and an olive oil mill was erected at Herdade do Esporão, conceived to produce high quality olive oils based on different olive varieties. Regarding grape production, the group purchased land in northern Alentejo, at higher and cooler altitudes, to plant vineyards as a way to address the need to adapt to climate change.



Throughout the years, Esporão has made a commitment to protect both environmental and cultural common goods, as is the case with the Perdigões archaeological field, which has been the subject of research for the past 20 years. As a leading brand, we strive to proactively generate value in the present day and for future generations. Because in the DNA of this idea that became a business, it only makes sense for the company to generate value at the service of society.

VOX ESPORÃO

MARIANA ROQUETTE

Esporão is my favourite place in the world. I can't say for certain, because in my 21 years I haven't had the chance to see the whole world but, restricting myself to what I know, these countless hectares make up the place where I most like to be. I don't know if it's from the memories, the walks or the sense of family that I associate with my trips to the estate, or if it's just the peace it brings me every day I spend there, but the truth is that these visits are inevitably among my favourite "plans".

In 2017, the delineation of Herdade do Esporão celebrated 750 years since being altered for the last time, and when I think about what that means, I feel very small. Small because, at the age of 21, it seems like I know every corner of this place, but I forget it has 750 years of history. 750 years of growing, passing through different hands, different inhabitants, different phases and different visitors, and each of these elements left a little of themselves over the years, making Esporão what it is today.

What I learned early on, and what I hope for the future of this place that is so dear to me, is that the current hands, the current "inhabitants" and those who visit the estate every day, also feel the responsibility of leaving a little of themselves and the privilege of taking a little of this land.

Indeed, I didn't witness these 750 years, or even a tenth of them, but I can look back over the past 20 years and understand how Esporão has been honouring and enriching this land throughout the years, better than ever.

At Esporão, perhaps unlike the rest of the world, we are on a path of growing biodiversity, growing respect and love for nature and making the best use of all of this to produce what we make every day. This is why the focus isn't on just doing the best we can, but doing our best with what nature provides. Because we strive to respect and honour this land that is in our charge, a land that has 750 years of history, that also asks us to leave our footprint, and we want that footprint to be memorable, but above all responsible. Especially because we never really own the land, we can't control external factors like climate change, natural hazards, storms, etc. So it's up to us to care for it and pass it on from generation to generation, always in a better state than when we received it.

I hope that in 50 years I will be able to look at this territory, then with 800 years of history, with the same sense of pride I feel today. I hope to see it with even more "inhabitants", I hope to see every piece of it in responsible hands like today. I hope, at that time, that each value that is today the basis of Esporão, has evolved to its fullest potential into something I cannot foresee yet, but which makes me curious and excited to discover.



THE YEAR
IN REVIEW

02



THE YEAR IN REVIEW

COMMERCIAL PERFORMANCE

- Surpassed expectations (+10%), now at 47M€;
- Esporão (+27%) with the launch of the new Esporão Colheita, our first certified organic wine, featured on the cover of the February 2018 edition of Wine Spectator;
- Quinta dos Murças (+44%) attained great results from Assobio and the new terroir wines - Minas, Margem and VV47;
- Olive oils (+32%) had an excellent year, representing almost 15% of sales;
- Leadership position was maintained in Portugal, representing 40% of the total sales volume;
- Geographic expansion came mostly from Brazil, Angola and Canada, followed by France and China;
- In Brazil, the excellent work carried out by the Qualimpor team and all our Brazilian partners, enabled Esporão to become the highest selling European wine brand in this market;
- In the USA, we launched NOW WINE, in partnership with Aveleda, for the purpose of importing and reselling in this market of abundant opportunities;
- This was the first year that we distributed to some European markets where we established partnerships that will bear fruit in 2018.

2017 will be a year of good memories because Esporão continued to grow and fulfil its mission as a company.

INVESTMENTS & PROJECTS

- Initiated construction of the new red wine winery in Alentejo, replacing the existing one. This investment will help us reach new quality standards, reducing the harvest period by 2 weeks, increasing the fermentation period and our flexibility, as well as expanding the winery's capacity by 50%, thereby accommodating current and future growth;



- Refurbished the wine tourism centre in Alentejo, with new tasting rooms, as well as additional experiences and comfort;
- Finished renovation of the Quinta dos Murças residence and launched the wine tourism operation in the Douro;
- Planted 10ha of vineyards in northern Alentejo, at an altitude of 600m;
- Development of the 2018-2020 Strategic Plan.

PRINCIPAL ACCOLADES

- Monte Velho White 2016 and Assobio Red 2016 were included in Wine Spectator's Top 100 Values;
- Esporão Reserva Red 2014 received 92 points from Wine Enthusiast and the Gold Medal at the International Wine Challenge.
- Torre 2011 received 95 points from Wine Enthusiast and Quinta dos Murças VV47 was attributed 92 points by Wine Spectator;
- The principal Portuguese wine magazine, "Revista de Vinhos", recognised Esporão with the "Innovation/Investigation 2017 Award", for its performance in organic farming, sustainable construction and the circular economy;
- The magazine "Vida Rural", during its annual conference 'Agro In', distinguished Esporão as a 'Company with Impact', highlighting its sustainability philosophy;
- 750 years have passed since the delineation of Herdade do Esporão, which dates back to 1267 and is the birthplace of the Esporão project, as well as an extremely special place that has provided great joy, friendships and experiences.





BOOK “COLHEITAS E ARTISTAS 1985 - 2015” (HARVESTS & ARTISTS)

Since launching its first wine in 1985, Esporão has maintained the tradition of enriching and customising each vintage’s label, bringing together the universal culture of wine and art. Until 2015, Esporão had the privilege of showcasing the talent and generosity of 29 Portuguese artists, 2 from Angola and 1 from Brazil. Esporão’s book “Colheitas e Artistas 1985 - 2015” (*Harvests & Artists*) results from a unique compilation of harvests and their historic context, the original works that illustrate the labels and the artists that built the Esporão collection. The publication binds this heritage in the present day and creates a memoir for the future.

Several visual artists have given Esporão the privilege of their contribution: Manuel Cargaleiro, Dórdio Gomes, João Hogan, Júlio Resende, Júlio Pomar, José de Guimarães, Artur Bual, Mestre Isabelino, Luís Pinto Coelho, Armando Alves, Pedro Proença, Julião Sarmento, Graça Morais, Guilherme Parente, Pedro Calapez, Costa Pinheiro, Gilberto & Gabriel Colaço, Pedro Cabrita Reis, José Manuel Rodrigues, José Pedro Croft, Joana Vasconcelos, Rui Sanches, Lourdes de Castro, Felipe Oliveira Baptista, Alberto Carneiro, João Queiroz and Pedro A.H. Paixão. There are also collaborations by the Angolan visual artists António Ole and Binelde Hyrcan, the Brazilian Rubens Gerschman and Ana Jotta provided a special edition of the Confraria do Alentejo 1st Prize. The tradition continues, and this group of 32 artists was followed by Duarte Belo. A new collaboration will be announced this year.



Considering that this collection “is the reflection of the perspective that wine and cuisine are not only, but also culture, that they contain the history of man and civilisations”, José Roquette promised to maintain these artistic initiatives because he “believes we are truly creating a cultural production centre”, recalling that, although there is “a certain predominance of winemaking, of wine itself” in the labels’ themes, many others, because they represent Herdade do Esporão’s *terroirs*, focus more on land and the relationship between man, the planet and the soil. This is why he launches the challenge for future labels to appeal to an environmental consciousness, noting the “aggression the planet is subjected to”.



SPECIAL:
750 YEARS
OF HISTORY

03

SPECIAL: 750 YEARS OF HISTORY

We are celebrating 750 years of stories about those who passed through here, maximising the beauty and natural resources of this magnificent land and building a reality that is currently shared virtually all over the world.

HERDADE DO ESPORÃO FROM ITS FOUNDATION TO THE PRESENT

In the typical Alentejo landscape, beside the city of Reguengos de Monsaraz, stands Herdade do Esporão, which this year celebrated 750 years of its delineation. On the 1830 hectares of land, among plains and valleys carved by creeks, there are 617 hectares of vineyards and olive groves. The small farms and villages made up of whitewashed houses guard the memory of a life that dates back to prehistoric times.

The story begins in 1267, when the Herdade do Esporão (initially Defesa do Esporão) boundaries were defined and which have remained virtually unchanged to this day. Soeiro Rodrigues, magistrate of the city of Évora, was one of the first owners, followed by the master Santiago Rodrigues de Vasconcelos, the heir D. Álvaro Mendes de Vasconcelos and the Counts of Alcáçovas.

During that period, three historic monuments were erected at the centre of Herdade do Esporão: Torre do Esporão (*Tower*), Arco do Esporão (*Arch*) and Ermida de Nossa Senhora dos Remédios (*Chapel*), this last associated with the region's intense devoutness. The Esporão Tower, a symbol of prominence in society and display of military power, is one of the most important towers that illustrate the transition from the middle ages to the modern age in Portugal.

In 1973, José Roquette, the current owner, and Joaquim Bandeira purchased Herdade do Esporão and, together, initiated a story that is still being written today. In 1985, the first harvest took place, which led to the creation of the Esporão brand and the first wine, Esporão Reserva Red. Eight years later, they also started to produce olive oil. José Roquette states that 'it has been a great honour and responsibility for our family to take care of Herdade do Esporão, a place that is so ancient and has such a rich history. Aware of the impact our agricultural project has had on this land, we strive to preserve it and, year after year, discover and share its identity through what we produce, namely in each bottle of wine and olive oil we make here.'

Since then, new vineyards were planted and others renewed, we learned a great deal about the Estate, increased our know-how, techniques and all of the work developed in the field, until attaining, today, organic farming. In the winery, new techniques were applied and new infrastructures constructed to raise the standard of Esporão wines.

We are celebrating 750 years of stories about those who passed through here, maximising the beauty and natural resources of this magnificent land and building a reality that is currently shared virtually all over the world.





VOX ESPORÃO

**ANTÓNIO CARLOS VALERA:
20 YEARS OF THE PERDIGÕES ARCHAEOLOGICAL COMPLEX.**

When we acquired Herdade dos Perdigões in 1996, we couldn't have guessed that, 20 years later, we would be facing one of the most important archaeological sites from Portuguese prehistoric times, launching one of the most consistent and thorough archaeological research processes in Portugal, and that we were on the verge of witnessing the site's classification as a National Monument. Indeed, as an investigatory heritage and subject, the Perdigões Archaeological Complex was built over the past two decades, through a collaboration between Esporão and ERA Arqueologia.

TIMELINE OF A DISCOVERY PROCESS:

1996: thanks to the stone circle of menhirs found at the table of the Ribeira do Vale do Álamo valley, a ditched enclosure site was identified through aerial photos after removing an olive grove and tilling the land to plant a vineyard;

1997: ERA Arqueologia carried out the first archaeological probes to diagnose the state of conservation of the site and its scientific and heritage value. The report established the site's great archaeological potential and Esporão made the decision to protect it and transform it into an archaeological reserve, enabling a research process to be initiated, which would take place the following year;

1998: Launch of the research process, with annual co-financing by Esporão, which has remained uninterrupted;

2004: An exhibition on Perdigões was inaugurated at the Esporão Tower and ERA Arqueologia proposed classification of the site as a National Monument;

2006: The World Congress of the International Union of Prehistoric and Protohistoric Sciences hosted an international session on Ditched Enclosures from Recent Prehistory, which took place in Lisbon at Herdade do Esporão, with a visit to Perdigões by conference participants. With minutes published in the *British International Reports*, this was the first meeting addressing the topic to take place in the Iberian Peninsula and, since then, the Perdigões research project has gained international prominence and prestige;

2007: The Global Program for Investigação Arqueológica dos Perdigões (IN-ARP-Perdigões Archaeological Research Program) was created for the purpose of providing integrated management of the research process to expand collaborations and financing, including other national and foreign researchers and institutions;

2009: Comprehensive geophysical collection of the ditched enclosures was carried out, providing a "map" of the site, which is crucial to research management and planning;

2011: Two projects were launched, financed by Fundação para a Ciência e Tecnologia (*Foundation for Science & Technology*), recognising the research carried out, as well as the relevance and merit of the lines of research proposed: to investigate funeral practises and human mobility and interaction;

2012: With support from Esporão, ERA Arqueologia organised the second international conference on ditched enclosures at the Calouste Gulbenkian Foundation, with a visit to Perdigões. The first edition of Open Day at Perdigões was held, where the community could visit the excavations under way and attend presentations on the latest discoveries. A protocol was signed with University of Bradford, making Perdigões a school camp for students from that English institution;



2015: One of the anthropomorphic idols sculpted in ivory discovered at Perdigões was featured on the cover of the prestigious magazine *World Archaeology*;

2016: The third international meeting on "Enclosing Worlds" sites, was organised in Reguengos de Monsaraz, with the participation of researchers from various countries presenting case studies from several continents;

2017: The General Directorate for Cultural Heritage made a recommendation to the Minister of Culture to classify the Perdigões Archaeological Complex as a National Monument. Approval and formal classification are expected at any moment.



WHAT WE KNOW TODAY:

- The origin of the site is approximately 5500 years old and it was alive for 1500. During that period, Perdigões became an important gathering place, attracting people and goods from the region and distant places, even outside the peninsula;
- The large ditches opened in the rock, which delineate different enclosures, imply that a great number of people concentrated here, choosing a location that provided a privileged visual relationship with the sacred megalithic landscape of Vale do Álamo;
- The symbolic and scared nature of the site itself seems substantiated by the landscape where it lies, in its architecture and design, with the entrances facing the summer and winter solstices, both at sunrise and sunset;
- As still occurs in certain sanctuaries today, Perdigões became a ceremonial centre for practising rites. Here, funeral behaviours and the manipulation of human remains were particularly important and intense, generating a great variety of contexts and rituals, where exogenous objects were placed, some originating from North Africa, Sicily, the centre of Spain, and the Lisbon Peninsula: objects in ivory, amber, variscite, flint, gold, shell, copper;
- Isotopic studies on mobility, conducted on the bone remains of people and animals, have revealed that the great majority was not of local origin, from Vale da Ribeira do Álamo, but were exogenous;
- Other studies (of pollen, coal and seeds) have enabled reconstitutions of that period's environment and an understanding of the territory's evolution 5000 years ago. This is fundamental information to understand the trajectory of life at Perdigões, as well as its death, indicating its collapse at the end of the 3rd millennium B.C., resulting from the combination of contradictions in the social organisation of communities at the time and profound climate changes;
- Although only 2% of the area was subjected to archaeological excavations, Perdigões has what it takes to become a world-renowned site.

To find out more:
[http://perdigoes2011.blogspot.pt/;](http://perdigoes2011.blogspot.pt/)
<https://www.facebook.com/perdigoes/>

LAND

04



LAND

The (r)evolution of Herdade do Esporão's landscape has been coordinated by the team of landscape architects Filipe Brandão and Paula Corte-Real. In 2017, the following developments took place:

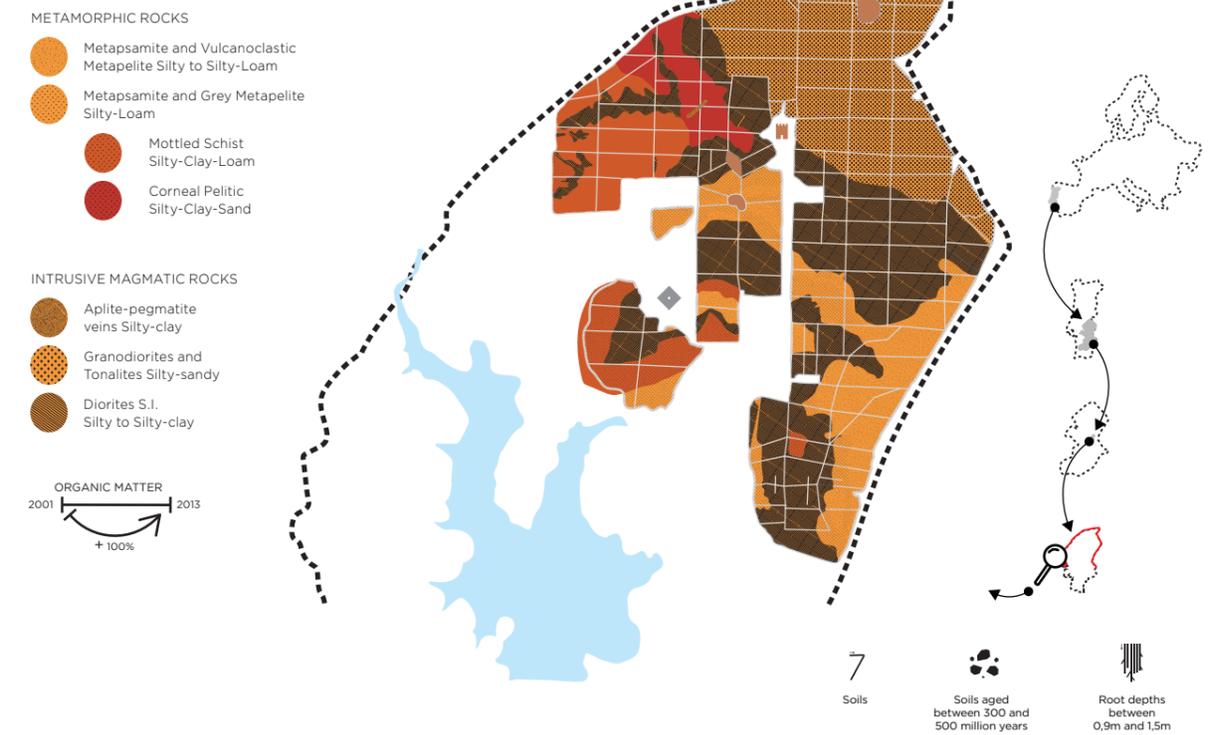
The (r)evolution of Herdade do Esporão's landscape has been coordinated by the team of landscape architects Filipe Brandão and Paula Corte-Real. In 2017, the following developments took place:

- Outdoor spaces for composition and leisure that have accompanied the renovation and expansion of the buildings, both in the wine tourism, as well as technical and industrial areas, have been progressively used as landscape mediators. By bringing the distinctive species and character of this region's landscape to these areas, we not only reduced maintenance costs, but also reinforced the genetic heritage and ecological continuities, as well as benefiting from the aesthetic features that these plant communities and mild environments provide, helping increase the thermal comfort in the areas adjacent to the buildings;
- Regarding the estate's landscape, the principal objective is to restore and reinforce the network of the principal circuits that make up the ecological structure. This structure is crucial to improve the function of the agricultural and forest ecosystems that comprise the matrix that structures and directs all current and future landscaping interventions;
- The outdoor spaces surrounding the olive mill were redefined, in order to integrate the service areas directly associated with its operation and structure, as well as the areas included in the guided tour. Trees and bushes selected from the local vegetation were applied, as well as natural soil moisture retention strategies, enabling a reduction in irrigation installation and maintenance costs;

- The new office patio will be an expansion of the current holm oak patio, north of the filling pavilion. This area will establish continuity between the wine tourism space, Lagares winery and, toward the dam, the olive mill, through a pleasant and diverse path;
- The intervention to adapt the wine tourism outdoor space to new programs is also under development, in order to create an arch that directly incorporates the buildings and recreates the character of the forest, with meadows, bushes and groundcovers, oleasters, olive trees, carob trees, holm oaks and other specimens typical of this landscape. This language will help interpret the landscape as a backdrop and bring it into the living space;
- Regarding the execution plan to expand the ETAR (the winery and olive mill's effluent treatment) and associated green structure, the location of the new treatment lagoon was determined in order to give continuity to the adjacent water line and consequent afforestation, to recover the riparian gallery and diminish the equipment's visual impact, integrating this space into the broader ecological structure.



Location of the Soils



Herdade do Esporão

Located at the heart of Alentejo, with approximately 703 ha of vineyards, olive groves and other crops under organic production methods.



1830 ha ESTATE



617 ha PLANTED WITH VINEYARDS



491 ha VINEYARDS UNDER ORGANIC PRODUCTION METHODS



16,35 C° AVERAGE TEMPERATURE



313 DAYS OF SUNSHINE PER YEAR



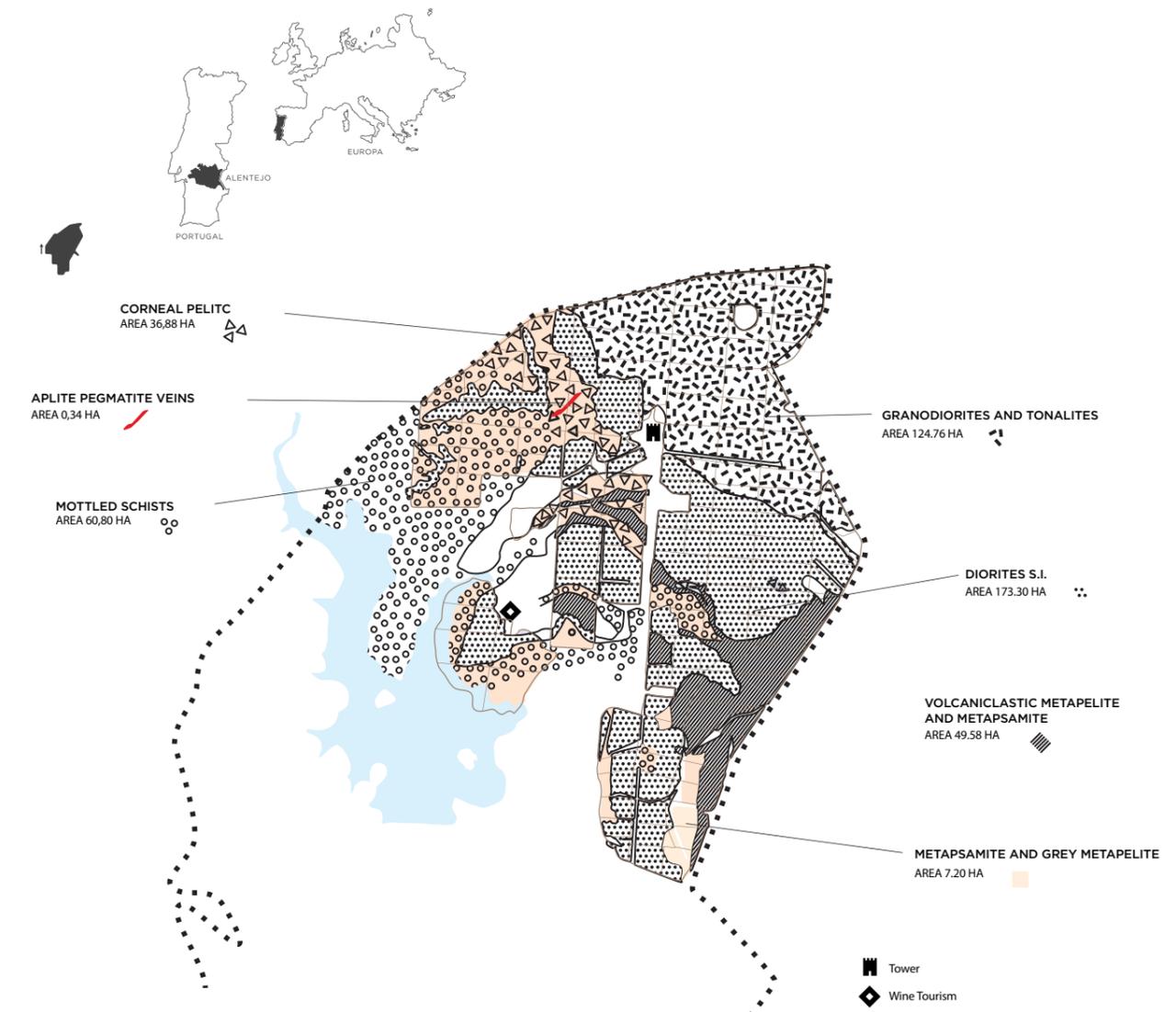
550ml/m2 ANNUAL PRECIPITATION



Samples from Herdade do Esporão's 7 Soils

Soil ages between 300 and 500 million years

						
VOLCANICLASTIC METAPELITE AND METAPSAMITE Soils derived from schists with diorites	METAPSAMITE AND GREY METAPELITE Soils derived from schists with origin in the Barrancos schists	MOTTLED SCHISTS Soils derived from more eroded schists	CORNEAL PELITIC Soil derived from schist rocks in contact with clay rocks	APLITE PEGMATITE VEINS Granite-derived soils with presence of quartz	GRANODIORITES AND TONALITES Soils derived from granodiorites, a type of granite	DIORITES Soils derived from diorites
COLOUR Greyish and Yellowish Brown TEXTURE Loamy and Silty Loam	COLOUR Light Brown TEXTURE Loamy	COLOUR Yellowish Brown TEXTURE Loamy and Silty Loam	COLOUR Reddish Brown TEXTURE Sandy Clay Loam	COLOUR Reddish Brown TEXTURE Sandy Clay Loam	COLOUR Brown TEXTURE Sandy Loam and Sandy Clay Loam	COLOUR Reddish Brown TEXTURE Sandy Loam, Loam and Sandy Clay Loam



VOX ESPORÃO

PAULA CORTE-REAL & FILIPE BRANDÃO AND THE (R)EVOLUTION OF HERDADE DO ESPORÃO'S LANDSCAPE

As we discovered the story of Herdade do Esporão, we found a pioneer in Portugal in landscape planning and management, especially due to the transition process, on this scale, to more sustainable agricultural practises. We love the idea of the landscape as a flavour! From the flavour to the spirit of the place, or *genius locci*, this is a journey through the ecological and cultural systems that make up this space, a space that is also human, genuine and singular, characteristic, unique and distinct. The *terroir* concept is very close to this idea, "which is associated with a space where a collective knowledge is developed, based on the interrelationships between the physical and organic environment and the winemaking practices applied, giving the products that originate from this space distinct features". To taste the wine is to experience the landscape and its complexity; a landscape that represents nature in balance with renewal, economic sustainability and beauty.



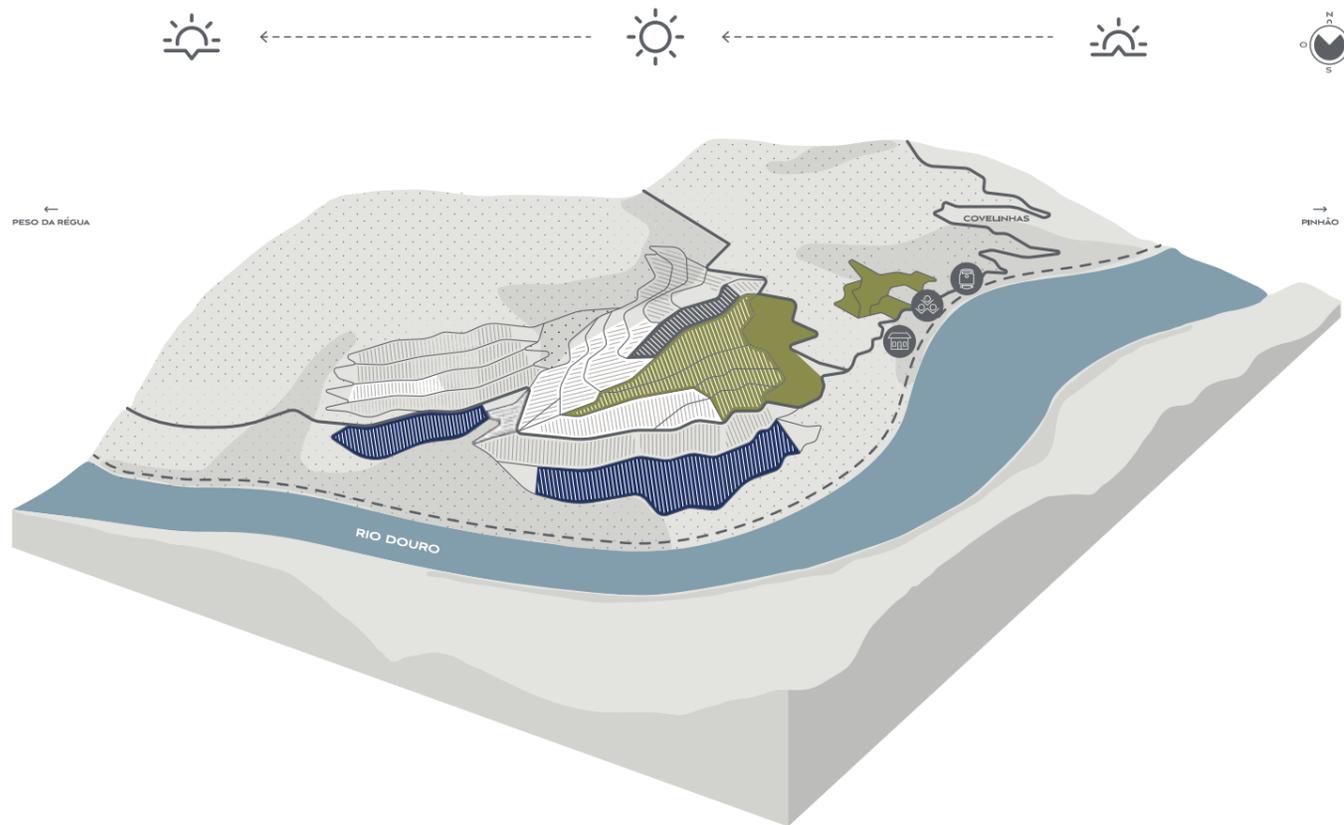
At Esporão you can see the classic typological division used in landscapes in Mediterranean Europe - the threefold *ager*, *saltus* and forest - which is an economic classification in arable land, pastures and forests that perfectly integrates the model for nature conservation, agroforestry operations and nature tourism, covering the entire estate. 'Forest', in classical culture, represents "woods or bush". 'Saltus', in the Roman concept, refers to uncultivated areas. These are areas grazed by livestock above all in forests, where the taller vegetation offers shelter, also providing other resources like wild berries, wild mushrooms, firewood and lumber. This landscape plays a fundamental role to transfer fertility to the interior of cultivated ecosystems. The biomass produced is valued by domestic animals and transferred as fertilizer to the land planted with vineyards - *ager*. The 'ager' areas are part of the cultivated clearings, both irrigated and non-irrigated.

Esporão provides a comprehensive landscape experience. At Esporão you can taste the landscape. A single plant species produces a different chemical presentation according to the soils, geology and climate where it develops, naturally also adding the 'farming practises' element, and each landscape parcel produces plants with unique flavours. The same species, variety, grape varietal, produces different flavours in different places

The wine tourism operation, which includes wine and olive oil tasting, as well as visits to the wineries and olive oil mill, provides an intimate relationship with the landscape, through the palate, as well as all the other senses. The landscape experience offered at Esporão is a humanised landscape that is on the path to equilibrium, a landscape that is alive, productive, profitable and, at the same time, rich in biodiversity and natural values.

The landscape management and conservation model is therefore a natural consequence of perfecting the quality of Esporão products. The quest to achieve the best flavours and features from products that come from the earth implies adapting and evolving the agricultural practises and solutions that have been progressively and inevitably converging with the ecosystems' ecological cycles. The implementation of border hedges, regeneration of the riparian galleries, recovery of priority ecosystems, progressive use of indigenous vegetation in leisure areas and integration with the living spaces, reduction of irrigation consumption and maintenance, are part of the strategy to implement a green structure on the property.

To summarise, closing the cycle, cooking with what we produce, restoring indigenous regional grape varieties, are options that have emerged as obvious solutions.



QUINTA DOS MURÇAS

DIVERSITY · VERTICALITY · ELEGANCE

The Quinta dos Murças estate is located in northern Portugal, Cima-Corgo sub-region, on the right bank of the Douro river between Régua and Pinhão. Characterized by its 8 diverse terroirs, which are distinguished by different altitudes, exposures, variations of schist soils, vertical vineyards and by the 3,2km of riverbank. It is an historical estate where, in 1947, the first vertical vineyards of the Douro region were planted. This combination of these unique elements resulted in concentrated, elegant and fresh terroir-driven wines.

-  COVELINHAS TRAIN STATION
-  WINERY
-  HOUSE
-  FRUIT TREES AND MEDITERRANEAN FOREST
-  RAILWAY
-  ROAD
-  N313-1 ROAD
-  MINES
-  RESERVE
-  MARGIN
-  VV47
-  DOURO RIVER (3,2KM RIVERFRONT)
-  VERTICAL VINES



ESPORÃO ONLINE: QUINTA DOS MURÇAS - THE ORIGIN OF ASSOPIO



<https://goo.gl/G4Exr4>



PRODUCTION

05

PRODUCTION

THE 'ORGANIC' CHALLENGE IN REVIEW

Established as a leading producer in the wine and olive oil sectors, Esporão focused on evolving to Organic Production Methods (OPM). Aware that this was a risky decision, the transition was made progressively since 2008 and, currently, all agricultural areas under Esporão's management, from Herdade do Esporão and Perdigões to Quinta dos Murças, are either certified or converting to OPM. To make this transition as stable as possible, it was crucial that we stopped using herbicides in 2008, even under Integrated Production Methods and, in terms of fertilisation, we began applying organic products in order to accustom the plants to the transition to OPM.

Regarding the performance and profitability of the organic vineyards, in 2016 it so happened that, although it was a difficult agricultural year, there was less shortfall in Organic Production than in Integrated Production. In terms of logistics, Esporão had to increase its machinery to respond more quickly in case treatments were required because, in the case of preventive treatment, the window of opportunity for intervention is a maximum of three days.

With the transition to OPM, Esporão intends to: recover soil fertility; create a balance between pests and auxiliary organisms; reduce water consumed for irrigation; use organic compounds (applying byproducts generated by the estate's own activities); promote the variability of the ecosystems' fauna and flora; and produce better quality grapes. Therefore, several measures were implemented, beginning with a topographic survey (altimetry) and land mapping based on electrical conductivity, followed by planting trees in the drainage ditches; composting; planting protective hedges to retain auxiliary organisms; as well as irrigation control and management; soil maintenance; and pest and disease control. For the hedges to retain auxiliary organisms, mostly rosehips and honeysuckles were chosen, as well as some elder trees, while the main roads were planted



with rosemary and arbutus, since these are evergreens and provide good shelter for auxiliary species. In the dividing lines, we planted clovers or combinations of plants adapted to recovering poor soils or, as an alternative, field beans to restore nitrogen to the soil, among other experiences. We also let the indigenous vegetation grow, which is then cut in stages and left in the terrain with pruning residues. Another way to maintain the balance is to use animals like chickens, which scavenge the vineyards and help the ecosystem, and which we move around with a mobile henhouse mounted on a trailer, or by introducing sheep to graze and help control the density of spontaneous vegetation between dividing lines and borders, also putting them to graze in the holm oak woods.

RECORD OF THE AREAS UNDER CULTIVATION, BY CURRENT AGRICULTURAL PRODUCTION METHOD - VINEYARDS

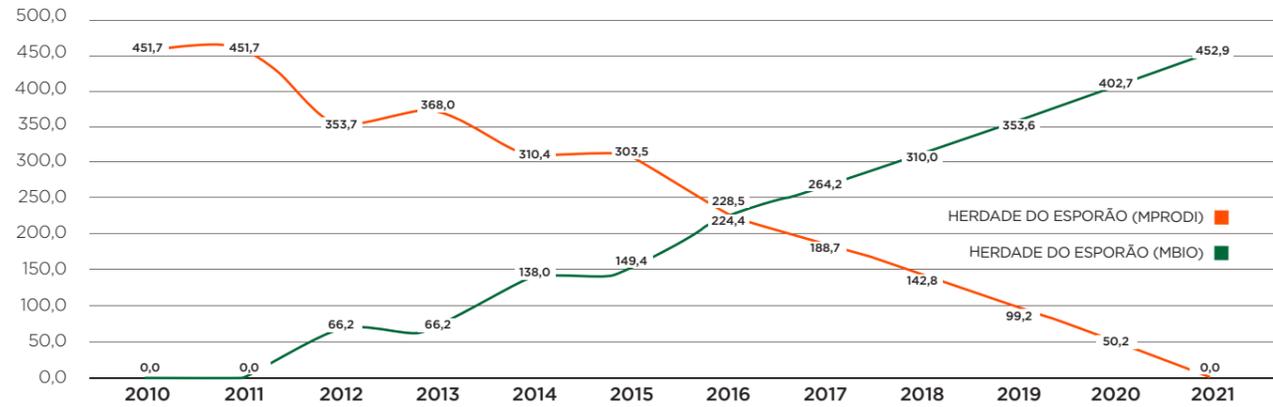
AREA	2014	2015	2016	2017
HERDADE DO ESPORÃO	470.64	470.64	470.64	470.64
OPM CERTIFICATION	66.23	66.23	68.9	68.9
CONVERTING TO OPM (UNDER IP)	71.73	83.17	131.62	401.74
INTEGRATED PRODUCTION	310.41	303.46	270.12	
HERDADE DOS PERDIGÕES	165.14	165.14	165.14	165.14
OPM CERTIFICATION				
CONVERTING TO OPM				27.6
INTEGRATED PRODUCTION	152.86	152.86	153.36	125.76
PORTALEGRE, CASTELO DE VIDE	11.03	11.03	11.03	11.03
OPM CERTIFICATION	11.03	11.03	11.03	11.03
CONVERTING TO OPM				
INTEGRATED PRODUCTION				
QUINTA DOS MURÇAS	52.75	52.75	52.75	52.75
OPM CERTIFICATION			6.09	6.09
CONVERTING TO OPM			9.44	44.3
INTEGRATED PRODUCTION	50.32	50.32	36.82	
TOTAL UNDER OPM	77.26	77.26	86.02	86.02
TOTAL CONVERTING TO OPM	71.73	83.17	141.06	473.64
TOTAL CULTIVATED AREA	699.56	699.56	699.56	699.56



RECORD OF THE AREAS UNDER CULTIVATION, BY CURRENT AGRICULTURAL PRODUCTION METHOD - OLIVE GROVES

AREAS (HA)	2016	2017
HERDADE DO ESPORÃO	93.03	93.03
OPM CERTIFICATION	87.85	87.85
CONVERTING TO OPM (UNDER IP)		2.17
INTEGRATED PRODUCTION	5.18	3.01
QUINTA DOS MURÇAS	18.14	18.14
OPM CERTIFICATION	20.97	18.57
TOTAL UNDER OPM	108.82	106.42
TOTAL CULTIVATED AREA	111.17	111.17

CONVERSION PLAN TO ORGANIC PRODUCTION METHODS



BETWEEN SMALL HOPES AND NATIVE RESILIENCE - WHAT TO EXPECT FROM THE 2017 HARVEST

Samuel Langhorne Clemens, or Mark Twain 'to his friends', was a brilliant North American writer, playwright and comedian who left us several famous 'pearls of wisdom' that we often find ourselves using in our daily lives, even if we don't know where they came from, as is the case with "the secret of getting ahead is getting started", or "you can't depend on your eyes when your imagination is out of focus". Another one that is all too fitting today is "climate is what we expect, weather is what we get". And if there was one thing that marked the 2017 vintage, it was the climate disruption that resulted in severe episodes of extremely hot, dry and unstable weather.

Climate change is becoming increasingly evident. One of the most bizarre episodes took place on the fateful day of June 17, sadly remembered for the horror of Pedrogão Grande when, at 4:30pm, the temperature at Herdade do Esporão marked 43°C, the sky was dark and heavy, and it suddenly started to hail and, although it had melted by the time it reached the ground, it was easy to see the heavy structure of the water that was still frozen, raining down on us erratically...

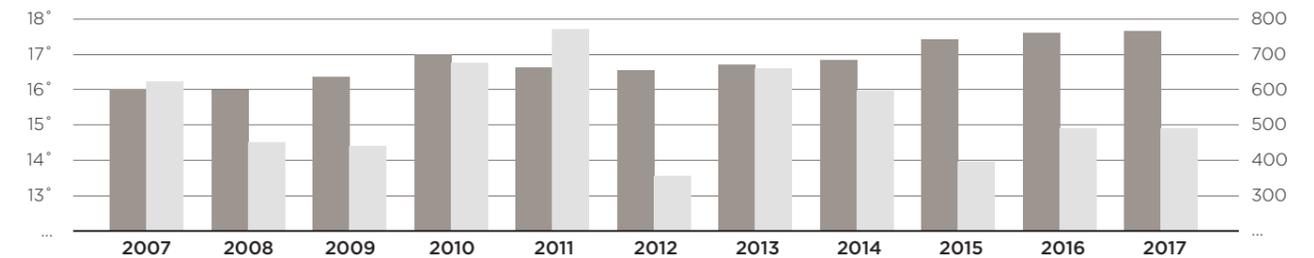


The year was undeniably marked by the aggressive weather that affected virtually every stage of the vine's plant development. José Luis Moreira da Silva, our manager at Quinta dos Murças, remarks that, although the Douro's production was lower than in the previous field, the estate's production was quite similar to 2016. Due to the work that we have been developing with local suppliers, Quinta dos Murças was able to reach 500 tons of grapes after a 50-day harvest; a very encouraging figure given that in 2016, 400 tons were harvested.

The effects of the hot, dry year were also felt in Alentejo, explains Sandra Alves, winemaker at Herdade do Esporão. In 8 weeks of harvest, the winery received approximately 6.2 thousand tons of red grapes and almost 2 thousand tons of white grapes, although the volume of red grapes was about 800 tons below the forecast. This was not due to the estate's production, where the agricultural team led by Amandio Rodrigues, our experienced agricultural manager who has in-depth knowledge not only of the estate, but of our suppliers' areas as well, worked arduously to keep production stable, all the more in an organic farming scenario and in the midst of developing methods for soil protection and auxiliary fauna and pest management.

However, not all varieties withstood the extreme pressure of days with maximum temperatures of 43°C for more than three consecutive hours and the (excessive) consecutive weeks without rain, leading the most sensitive varieties to succumb. It was not surprising that the 'international' varieties better adapted to long springs and short summers were the ones to give in, such as Alicante Bouschet and Syrah, while we witnessed the stoic resistance of the Portuguese varieties Touriga Nacional, Touriga Franca and Aragonês (Tinta Roriz in the Douro), the

■ AVERAGE TEMPERATURE °C/ TOTAL PRECIPITATION mm ■



latter being a true bastion of the estate, old vines planted in 1974 and which display considerable resilience thanks to their epigenetic capacity to activate/silence genes and metabolic pathways, learned over many different years. Indeed, there are increasing discoveries on these genetic and molecular mechanisms that enable more 'experienced' plants to display 'behaviour' patterns that do not seem to depend solely on cloning the variety that is used.

Nonetheless, accelerated ripening of the grapes brought additional challenges. Not only did the harvest begin earlier, but in the last week of July at the estate, an analysis of the Verdelho, Gouveio and Viosinho vineyards led to the prediction that August would bring a busy harvest. As David Baverstock, our chief winemaker, stated "the harvest arrived a little earlier this year, after a dry winter and spring, and warm to hot weather in June and July, when the nights were somewhat cooler, a sign of good quality, of grapes that are more able to retain acidity and aroma". In the Douro, the harvest began on August 10, an unprec-



edented date according to José Luís. The lack of water and extreme heat led dehydration, ripening heterogeneity and sunburn to claim their share, despite the agricultural team's constant care. But it was a complex year in the Douro even from a social perspective, where it was virtually impossible to procure all of the necessary labour for such an early campaign, leaving many producers at the mercy of the limited available manpower, leading many grapes to be harvested late ... or too late.

But now the figures are different. The grapes were turned into must and new wines are being created in the wineries. At Quinta dos Murças, where there is a major commitment to better understand what the terroir does, the small great hope lies in native or indigenous yeasts. In a year when one could expect additional problems from unstable or incomplete fermentation, not only were there no difficulties, but fermentation began earlier and ended in a perfectly suitable manner, without any recourse to 'commercial' yeasts, using only what the ecosystem (the terroir's biological root) and microbiome (the entire universe of microorganisms that cover the grapes) provided, an excellent indication that the focus on organic farming and conservation of the biodiversity of the slopes, riverside areas and scrublands throughout the estate will be key to produce wines with better quality and a unique expression.

Back to Herdade do Esporão, Sandra Alves reinforces that this hot and dry year will be reflected in the characteristics, namely a ripe fruit aroma, concentration and texture. Therefore we can expect a Monte Velho range, as well as Reserva, with a very distinctive DNA that will contain all of the best practises in sustainable farming and winemaking that have been developed over the past 10 years. And that's not all. Sandra notes the evolution of amphora wines, where Moreto (red) and Formosa (white) promise to be one of the surprises in 2017. Perhaps

this will also be the year of a 100% organic Sparkling wine and, who knows, of Torre 2017?

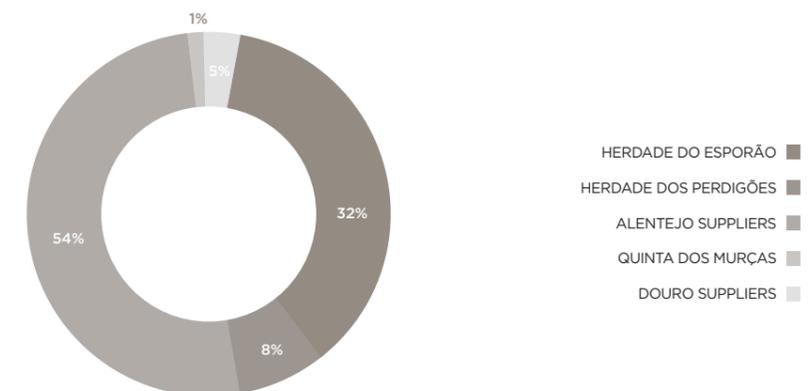
There are always lessons to be learned with every harvest, and this year was extremely important for us to understand that the future will involve a greater focus on varieties that are truly adapted to the local conditions; that the territory commands the vine, and not the other way around. Important news has also arrived from the new vineyards in Castelo de Vide and Portalegre, at the hands of Rui Flores, agricultural manager of Herdade do Esporão, who mentions that the vineyard blocks in areas that are cooler and more enclosed by woodlands and autochthonous forests offer better resistance against plagues like the green leafhopper, and that using kaolin in the estate's vineyards resulted in plants that are more resistant to pest outbreaks and produce more aromatic fruit.

Similar conclusions were reached at Murças, where the habit was implemented to vinify one out of every 50 batches separately and evaluate its profile and the fine expression of its terroir, in order to better understand how the vines respond to adjustments made to the plots for ecological balance, from an ecosystem perspective. The altitude issue (higher, cooler exposure) and a stricter selection of grape varieties that meet the territory's demands, appears to be an inevitable (r)evolution.

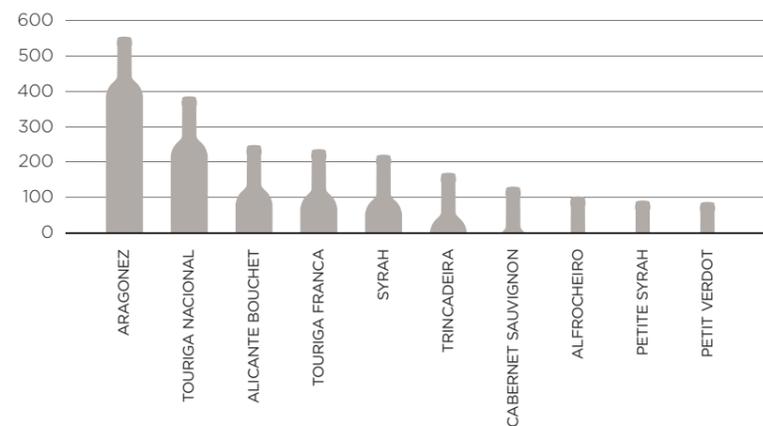


But an evolutionary leap is also in store for Herdade do Esporão. Works on the new winery began in 2018, the year when we celebrated the 30th anniversary of our faithful red wine facility. Expansion of the quantity processed, as well as technological innovation, will enable a significant increase in production, along with a commitment to differentiation and creativity, with conditions for microvinification and better blend separation, which is sure to lead to new ideas, new wines. We can already anticipate some of these novelties, since this year, microvinification was possible in the ampelographic field, a plot of vineyard with 189 grape varieties originating from the Dois Portos collection. There is also talk of interesting results from Espadeiro and Cornifesto, but amidst the buzz in the winery, the winemakers exchange ideas and who knows what else they will create...

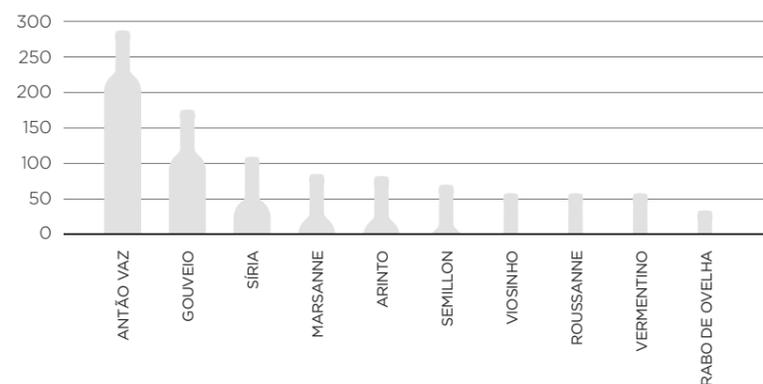
TOTAL GRAPE PRODUCTION (TONS)



TOP 10 RED VARIETIES - PRODUCTION (TONS)



TOP 10 WHITE VARIETIES - PRODUCTION (TONS)



THE HARVEST AT OLIVAL DOS ARRIFES

In Portugal, the harvest usually take place during the months of October and November, although, for some varieties it can last until December or January. The harvesting process is limited by the weather conditions that occur throughout the entire year and influence the quality of the olives. The decision to begin the campaign is also based on the specific characteristics of each variety, since some need to be picked earlier and others later in order to guarantee the quality of the fruit and, later, of the olive oil.

At our Olival dos Arrifes grove, in Herdade do Esporão, the olives are hand-picked with the help of a rake in order to avoid damaging the olive branches. The olives are transported in trailers, separated by varieties and delivered to the mill, also located at Herdade do Esporão, immediately following picking to be processed right away.

Extraction begins by grinding the fruit rapidly. After being ground, the resulting paste is churned briefly at a very low temperature in order to enable the olive oil to be released from the pulp cells and preserve the distinctive aromas of the varieties, which will be reflected in our Olival dos Arrifes organic olive oil. The paste is then sent to the decanter where the olive oil is separated from the pomace and water, resulting in an olive oil that still contains some humidity and impurities. The olive oil is cleaned by centrifugation and is then immediately filtered and packaged.

VOX ESPORÃO

ANA GASPAR
DIFFERENT DEPARTMENTS, ONE JOURNEY

It was Saint Anthony's day in 2010 when I left Abrantes and arrived in Reguengos de Monsaraz to find a place to live for my third winemaking internship, this time at the Herdade do Esporão laboratory. Little did I know that, 8 years later, I would still be here!

I remember the buzz in Inês' Laboratory, full of interns and with so many analyses to carry out, always accompanied by Fátima's laughter. From 2011 I remember the grape scent in the white reception area, the magic of verdelho and countless grape varieties passing through. In 2012, I remember the sound of bottles tinkling in the filling line, thousands of labels and the plans Mauro was always making.

In 2013 I accepted the olive oil challenge, still in Serpa, with the highs and lows that come with yet another change, but with new knowledge and lessons learned. And because oil is always easier to clean, I'm still in olive oil, learning daily with my team, striving to make the best olive oil in the world!

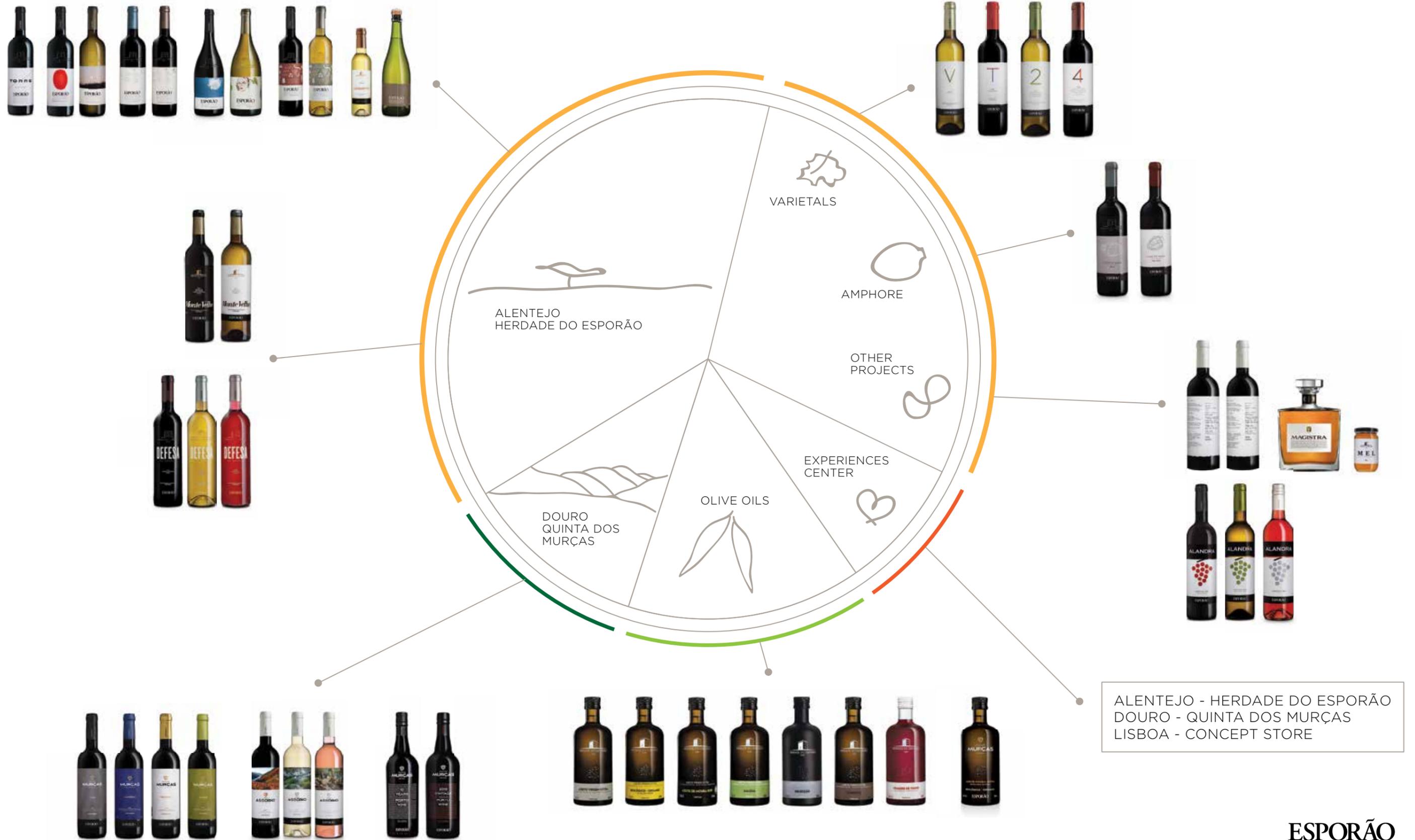


PRODUCTS &
EXPERIENCES

06



PRODUCTS



ESPORÃO ONLINE: AMPHORA WINE - PREPARING THE AMPHORAE (PISGAR)



<https://goo.gl/JWQcw4>

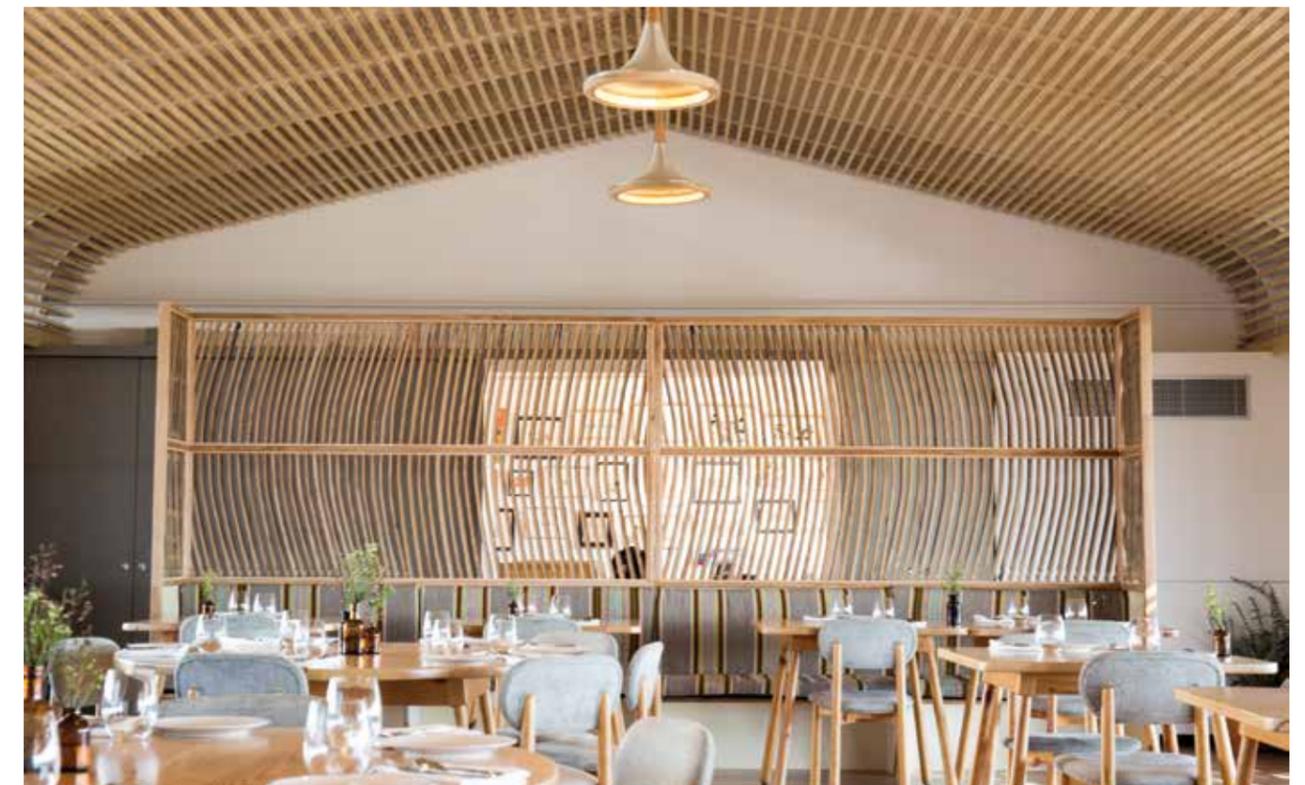


EXPERIENCES

WINE TOURISM AT HERDADE DO ESPORÃO

At the end of 2017, Herdade do Esporão's wine tourism operation presented a renewed offer. Among the novelties are spaces in the tour circuits, thematic wine and olive oil tasting, the cuisine and experiences expanded to include the Estate's land. The Wine tourism now includes new spaces for learning and tasting, as well as a restaurant with new suggestions and facilities, in order to reinforce the experience of the land and the universe of wines and olive oils produced on the Estate. The Porto architecture firm SKREI, which had already designed the Adega dos Lagares project, joined Esporão once again in this renovation. Most evident are the changes made to the restaurant, tasting rooms and cellar. The firm sought to unify the different atmospheres that characterise the diversity of experiences offered by the wine tourism operation, using materials recovered from the Estate's industry and activity, namely oak from the barrels, the soils and sheep's wool. Among the main novelties are visits to the new Olive oil mill, tasting historic wines in the company's new cellar, and thematic olive oil and wine tasting in the garden's new area. Visits to the vineyards, the Lagares Winery, the ampelographic field and the Historic Centre, among others, are enhanced with some new features, such as blind tasting with aroma exercises, where visitors can challenge their senses to discover different wine profiles and, as of May 2018, new tours to enjoy the outdoor space.

The restaurant offers a seasonal menu that highlights the origin of the products and reinterprets gastronomic traditions, following the principles of "zero waste". The menu also includes, on a monthly basis, one of the dishes inspired by the recipes in Esporão & A Comida Portuguesa a Gostar Dela Própria (*Esporão and Portuguese Cuisine Enjoying Itself*). The team of chefs - Carlos Teixeira, Bruno Caseiro and Filipa Gonçalves - created a simple and relaxed offer that encourages interaction and sharing. This development of Esporão's offer aimed to improve the experience of visiting the Estate, making it more accessible, intuitive and integrated, letting us showcase the unique characteristics of our land and production models.



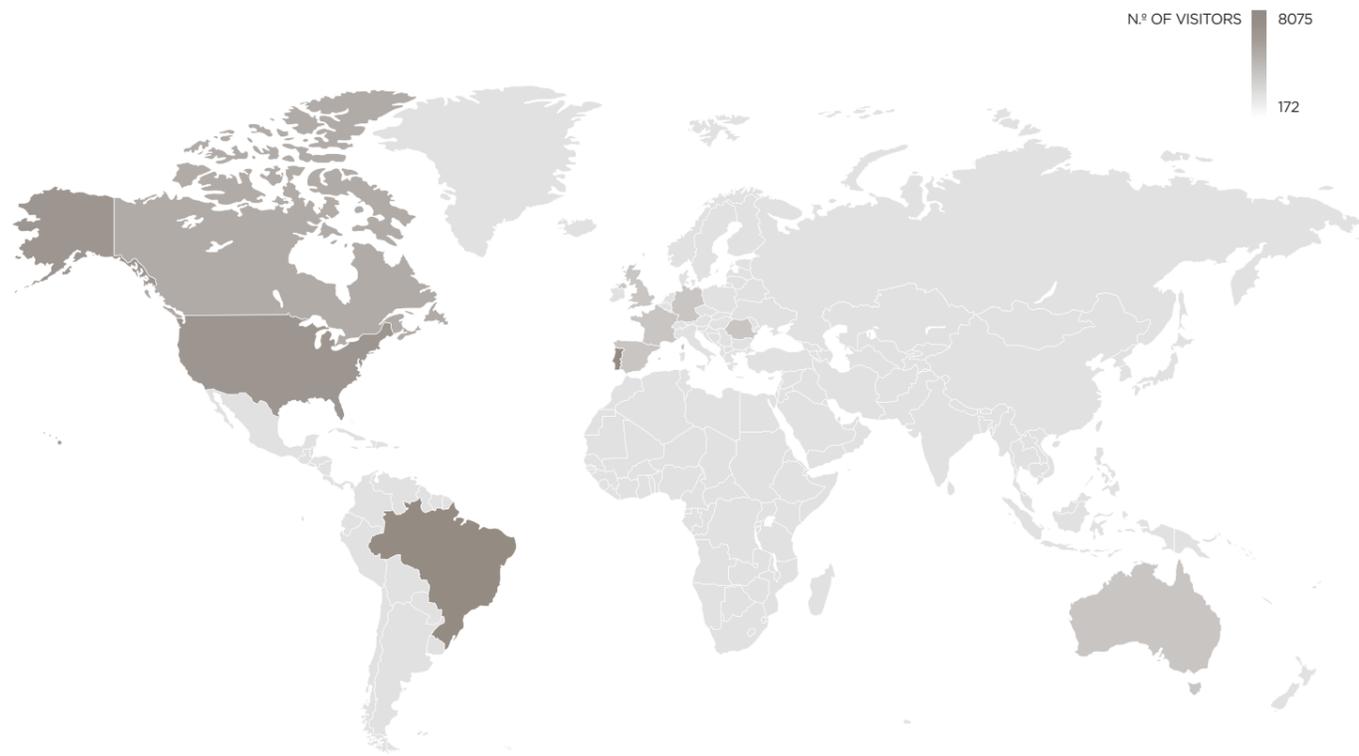
VOX ESPORÃO

JOANA SALEMA VIEIRA
A (VERY) PRIVATE SELECTION

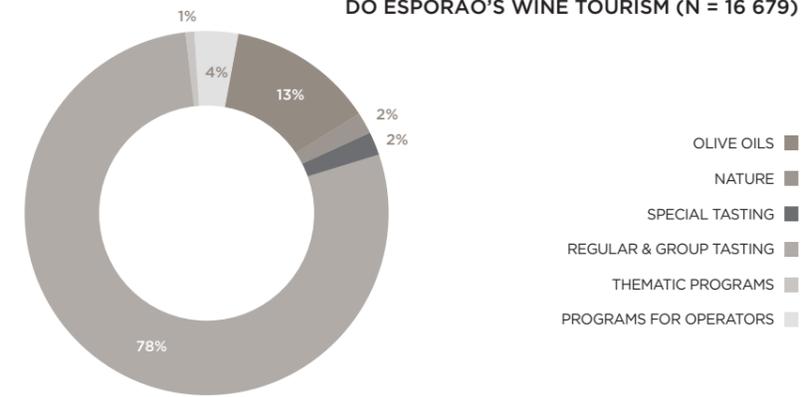
I remember as if it were yesterday. In 2003, sitting in a restaurant in Toronto, celebrating our first wedding anniversary. Not knowing that, later, Esporão would become a part of our life, we opened our first bottle of Esporão Private Selection White. At the time this was not an obvious choice for a young couple, but it was decisions like this that always took us further. The vintage we tasted, the first to be launched, was 2001 and the wine, with the Semillon variety at its base, presented a rich and intense character.

Ever since that day, every year we open another bottle. This wine has accompanied us throughout our careers and personal lives and we have grown side by side. Across the vintages, it has presented a more elegant and sophisticated personality, resulting from the vineyard's maturity and the introduction of used French barrels with greater volume for fermenting and ageing. Its creaminess, complexity and harmony still remain and are even more evident, and today, this is still the right toast for us.

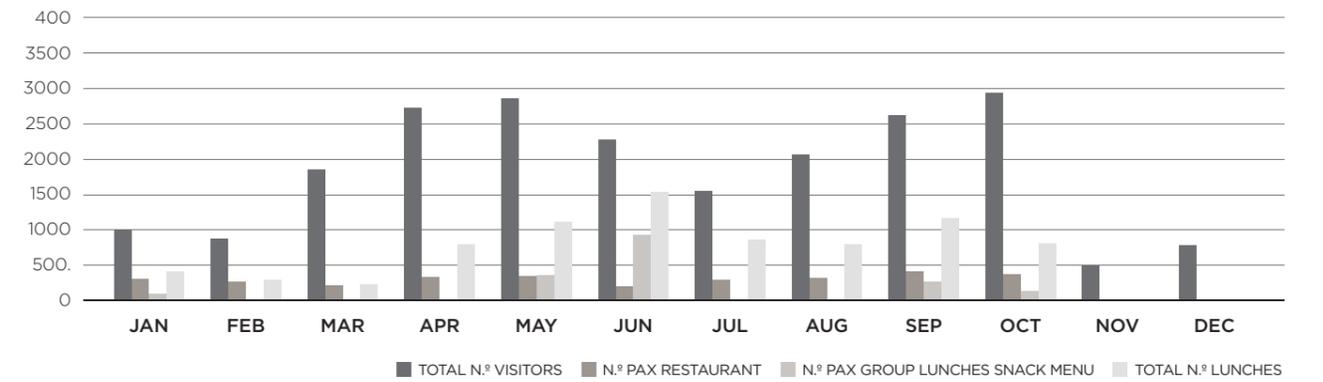
TOP 10 ORIGINS OF VISITORS TO HERDADE DO ESPORÃO'S WINE TOURISM



TYPE OF ACTIVITIES CONDUCTED BY HERDADE DO ESPORÃO'S WINE TOURISM (N = 16 679)



N.º OF VISITORS & MEALS SERVED AT THE HERDADE DO ESPORÃO RESTAURANT



WINE TOURISM AT QUINTA DOS MURÇAS

The wine tourism experience at Quinta dos Murças was launched in 2017. Aside from the possibility of staying at the Main Residence, which was completely restored in order to maintain its original features, there is also a tasting room and the perfect outdoor spaces to discover the wines crafted here. Visitors can also hike through the surrounding vineyards and woods or go for a cruise on the Douro in the solar powered boat and see the estate from a different perspective. Located on the Douro River, on the border between the Baixo and Cima Corgo subregions, Quinta dos Murças is the ideal place to enjoy an authentic experience of a farmhouse in the Douro. The Baixo Corgo is the coolest and rainiest part of the region. Thanks to the Estate's proximity to this subregion, the wines that originate here naturally have a good acidity, making them fresh and elegant. Altogether, there are 155 hectares of hills and valleys, one third of which are occupied by vineyards, with 3.2km of riverfront. In this space, we identified the potential to express eight distinct terroirs, which is a good indication of the heterogeneity of the biodiversity, soils and sun exposures. The entire Estate has operated under Organic Production Methods since November 2016 in order to produce in a way that benefits the land, the products and the people. This more agroecological management model is partly sustained by the wilder state of 2/3 of the estate's area. The expanses of forest and woodlands help build the ecosystem's resilience and enable the production areas to intercommunicate with the conservation areas, in order to maximise the ecological balance as a whole. The Estate also contains important landmarks in the Douro's cultural heritage, such as the Vale Figueira Ruins from 1826 and the Covelinhas train station, on the property's doorstep, where the historic Douro train passes. We still apply traditional winemaking processes used in the Douro, such as vinification in granite presses, foot treading and fermentation with wild yeasts. The combination of these diverse factors, along with the winemaking methods used, showcase the fruit's original character, resulting in terroir wines that are concentrated, elegant and extremely fresh.



VOX ESPORÃO

ANA POCINHO THE MOST HUMAN SIDE OF THE CUSTOMER SERVICE EXPERIENCE

I am now celebrating two years at Esporão, indeed, two years of life in the south, of a complete change in my personal life and career, to Alentejo. A process that I was afraid would be difficult - being far from family, friends - was made much easier and overcome by the opportunity to work at Esporão.

I have the habit of saying that I don't know anyone in Alentejo but, on second thought, I know almost all of you! Furthermore, belonging to the Customer Service team gives me the opportunity to interact with our clients as well... Those who choose daily to represent our brands, our ideals, in their country, in their everyday work life. Sometimes, after exchanging so many emails, so many phone calls, daily interactions with many of them, they become "family".

In this year that has passed, one of the experiences that most affected me, in fact, I think all of us, was the devastation caused by the fires. Despite having a notion of the international projection this subject attained, when I got to work on one October morning, I was surprised by the emails from our clients, worried about me, about us, about Esporão. How thoughtful they were to ask if everything was alright, if our families had been affected, if the fires had reached Murças or Esporão; this shows that to them, we're more than just suppliers!

The Esporão-Client mutual appreciation, is one of the aspects that sets us apart, differentiates us, makes us unique.



SPECIAL:
7 VIEWS OF
ESPORÃO COLHEITA

07





SPECIAL: 7 VIEWS OF ESPORÃO COLHEITA

Esporão Colheita led us to revisit our origins, to consider everything that brought us here, and all the people who have accompanied us. From Herdade do Esporão to the table, passing through the land, the fruit and the wineries. Discover the 7 "views" here.

1. ORIGIN

**BY JOSÉ ROQUETTE,
COFOUNDER OF ESPORÃO:**

Our commitment to organic farming is strongly associated with sustainability, which to us as a company, is a very important factor. It has a lot to do with our history. A history that dates back to the period when we started to make changes on the Estate, like the first plantations. From the outset, we counted on our own vines and wines. Those who process other producers' grapes most likely lack the capacity to intervene, and even invest, in the medium and long term, which we have always been able to maintain here. At one point, we tried not to exhaust our resources and create the conditions for each vintage and harvest to be potentially better than the previous year. It's not easy, we can't control the sun or rain, but we believe that some corrective factors can be introduced from a quality perspective. We believed organic farming was the way to go.

In order to be closer to consumers, the market always has the final word. Some people have a more generalised approach, but there are also those who are demanding, who dig deep and like to know a wine's story, to know how that bottle on the table got there. We want to reach those people who have the desire to find differences. We choose the most difficult route. We are always concerned with doing better, of being further ahead, and today we have the largest extension of vineyards managed under organic methods.

I tasted Colheita on my birthday and had the feeling that something was different, more authentic. Something that might not be sensed on an initial approach, but that ends up providing a different experience. And that is our conviction, that progressively there will be a great differentiation between organic and standard agriculture.

2. ESTATE

BY DAVID BAVERSTOCK, CHIEF WINEMAKER:

My story at Esporão began in 1992. At the time, I was working in the Douro and received a phone call from Mr. Roquette to come and manage the winemaking department. They needed some help and, from the first moment I visited Herdade do Esporão, I realized this was an incredible opportunity, an enormous challenge.

Alentejo reminded me of where I came from in Australia, and I felt at home. I saw an opportunity here to build a large project with unprecedented quality in Portugal. There was a great deal to be done, both in viticulture and winemaking. During the initial years I provided a lot of assistance in the agricultural part, with the grape varieties that were planted and how to run things in the vineyards. In the winery, many changes needed to be made, like the evolution of the wines in barrels. Everything ended up happening at the right time. I arrived when times were changing and people were becoming more focused on quality. Alentejo wines were gaining popularity. We launched Monte Velho, the varietals and many brands in those early years.

One of the things in the estate's favour is the climate and the quantity of grape varieties we have to experiment with and make batches. The varieties' adaptability to our climate is surprising because this is very similar to the Barossa Valley, my homeland, and I feel the varieties express themselves better here and the wines have great elegance, balance and complexity. Obviously we have the high alcohol content and tannins that are typical of Alentejo wines, but they are never too heavy, as happens in Australia. Every year I was surprised because it seemed like, even when it was hotter, this was not reflected in the wine's quality. In recent years, we changed our conventional agriculture to integrated agriculture, and ended up achieving organic agriculture. This didn't happen overnight, it was a long process involving hard work and respect for nature. Today, we know we are working the environment better, being more responsible. I am becoming increasingly comfortable with our production method. The results from experiments have been quite encouraging and I sense a purity in the fruit that is what we imagine organic is supposed to be.



3. CLIMATE

BY AMÂNDIO RODRIGUES, AGRICULTURAL MANAGER:

Due to the climate here, it is an enormous challenge to implement organic production methods in the entire agricultural area. Cold winters with some rain and very hot and dry summers, with temperatures frequently above 40°C, bring some difficulty to vineyard and olive grove management.

In order to meet this challenge, we adapted our farming practises to that reality. We created drainage watercourses in the plots of vineyards to drain excess water and avoid soil compaction, which is crucial because, if the soil is too damp, compaction is much greater. At the same time, we removed excess water from the plots, which helps us prevent disease, especially fungi. By reducing these, we applied less phytosanitary products, which ends up bringing greater quality to the product. Another farming practise that has helped us reduce pests in the summer was introducing green covers and hedges to protect the vineyards, techniques that enable auxiliary organisms, like pollinators and natural enemies of pests, to settle and help control the populations.

Creating the Ampelographic Field, an area with 189 grape varieties that originate from the national range of varietals was also crucial for us to understand which ones adapt best to climate change and their resistance to the pests and diseases that prevail in the region. By acquiring this knowledge, we can improve the vine population, which is a great help to produce quality wines.

Esporão Colheita led us to revisit our origins, to consider everything that brought us here, and all the people who have accompanied us. From Herdade do Esporão to the table, passing through the land, the fruit and the wineries.



4. VINEYARDS

BY RUI FLORES, AGRICULTURAL MANAGER:

The fact we chose to apply organic production methods in the entire area at Herdade do Esporão led us to pay more attention to details associated with our crops and the surrounding ecosystems. All of the activities we develop have the same objective - to increase the fertility and life of our soils and control pests and disease in a natural manner. For this it was crucial to gather information on the estate's geology, therefore we carried out a thorough analysis that produced in-depth knowledge where we identified various patches of schist and granite derivatives, which enabled us to define the most assertive way to proceed in each plot. The sowing plan was one of the solutions we found to increase fertility. One of the fundamental goals of planting legumes is green fertilisation - or green manure - which gives the crops the nitrogen they need in a natural manner, without using products of chemical origin. With more detailed knowledge of the soils' characteristics and having defined the grape quality we wanted, we adjusted the sowing plans to each type of plot. We planted a variety of crops, some grassy plants, other legumes, so that each plot could maintain the right fertility for the type of grapes we wanted to produce. Another way of giving life to our soils is to incorporate compost generated by our activity's byproducts. Applying compost enables an increase in organic matter and, consequently, in microbiological activity. We also achieved greater water retention, which is crucial for crops to develop in a healthy manner and complete their cycle naturally.

One of the most challenging factors in organic farming is to control pests and disease naturally. It was essential that we carry out a thorough analysis of all pest species and groups of predators. We ended up opting to plant shrub species that host auxiliary organisms, both in the vineyards and the olive grove. These and other practises led us to work at a high level of detail and thereby achieve our objectives.





5. WINERY

BY SANDRA ALVES, WINEMAKER:

Colheita is a wine crafted from grapes that grow in our soils, made by our people, with our climate, and which is able to show, in its essence, its purest and most genuine features. Without using wood or major winemaking techniques, like macerations and pumping. A wine that conveys the grapes in their purest state.

For me, the challenge was to make a wine with the same quality as the rest of our portfolio, especially Esporão Reserva, and which, at the same time, was completely different, more direct. To obtain an earthier character, we decided not to use wood and vinified the wine in concrete tulip-shaped tanks, which help maintain the wine's most elementary character. Thanks to the practises we implemented, the grapes reach the winery with great quality and our job is to avoid compromising that quality, to avoid spoiling what was accomplished up to that point and, through the wine, convey this to the public. Looking at the wine's profile, we find those characteristics, of a fruit that is more direct, pure. A rich, clean, unadorned wine, that reflects the earth where it came from.

6. TASTING

BY GILLIAN SCIARETTA, WINE SPECTATOR MAGAZINE:

"The tasting notes for Esporão Colheita Red 2015 underline the refreshing red-currant, red plum and blackberries in this charming red wine, balanced with white pepper and green and citrus notes. Mineral details and a pungent acidity round off the slightly tannic finish."

Esporão Colheita Red is featured on the list of "Smart Buys", along with Monte Velho White 2016 and Esporão Reserva Red 2014. In the profile on Herdade do Esporão, Gillian Sciaretta commends the winemaking team led by the Australian David Baverstock, who observes and analyses 40 grape varieties that grow in predominantly granite, schist and sandy soils: "The graceful Esporão Reserva Red and charming Colheita Red are blends of indigenous and international grape varieties, with Reserva ageing in new and used oak barrels and Colheita ageing in concrete tanks. The mineral and spicy Monte Velho White is a blend of the Antão Vaz, Roupeiro and Perrum varieties, aged in stainless steel vats".



7. FUTURE

BY JOÃO ROQUETTE, CEO:

Esporão Colheita is more than a wine. It is the result of ten years' work and the quest for a new agricultural model that would produce better results. This project was launched due to quality issues. We needed to understand how we could take a step forward, and organic farming was the answer. As well as the work in the fields, the changes made in the winery were also extremely important. We opted for vinification in concrete tulip-shaped tanks to produce our more premium wines, and Colheita emerged when we noted that this ageing process in concrete tanks was very interesting and different.

This is the first wine we launch that is a 100% reflection of the journey we began to build by introducing the organic farming model. This marks a turning point - from now on, and as the vineyards receive organic farming certification, the Herdade do Esporão wines we know, and which have been on the market for several years, will also be organic. It gives us great satisfaction to see this happen because it represents the accomplishment of all the work developed and confirmation that the organic farming model works: wines with better definition, that reflect where they come from.

When we taste Colheita, we realise this is a different wine, and that made us even more certain that we wanted to share it. It plays a very particular part in what it is to experience and taste all our wines. There are identifying aspects shared by the other wines we produce, like the aromatic profile, the noticeable quality of the vineyard it comes from and a clear intention to let it speak for itself. This is not a complicated wine. It will please those who drink occasionally, but also those who look for something special.



ESPORÃO ONLINE: THE 7 STORIES OF COLHEITA - SUMMARISED VERSION



<https://goo.gl/8kx4aA>





**ENVIRONMENT
& ECOSYSTEMS**

ENVIRONMENT & ECOSYSTEMS

INTEGRATED MANAGEMENT IN QUALITY, THE ENVIRONMENT, SAFETY AND ENERGY

In terms of managing Quality, the Environment, Safety and Energy, the Esporão group continuously develops its Integrated Management System, and all information is duly documented and explained in the Integrated Management System Manual (MSIG-*Manual do Sistema Integrado de Gestão*), a matrix document that contains the policy, processes and reference to procedures. The MSIG is structured according to the standards NP EN ISO 9001 - Quality Management Systems, NP ISO 14001 - Environmental Management Systems and ISO 50001 - Energy Management Systems, aiming to progressively achieve compliance with the standards ISO 45001 - Occupational Health & Safety Management Systems and FSC - Chain of Custody Certification. The Integrated Management System (SIG-*Sistema Integrado de Gestão*) applies to every field of activity in the Esporão group, including grape and olive production, wine production, olive oil and vinegar production and sale, and wine tourism. The scope of the System and certification includes all companies in the Esporão Group (Esporão SA, Esporão Azeites Lda, Esporão Vendas e Marketing SA, Esporão Produção Biológica Lda and Murças SA), as well as all locations and activities belonging to the organisation.

The objectives and goals of the Integrated Management System result from the integrated policy established and the Administration's amendments, and are disseminated through the system's structure. The specific or operational objectives resulting from legal or normative alterations, or specialty studies, should be monitored and revised.

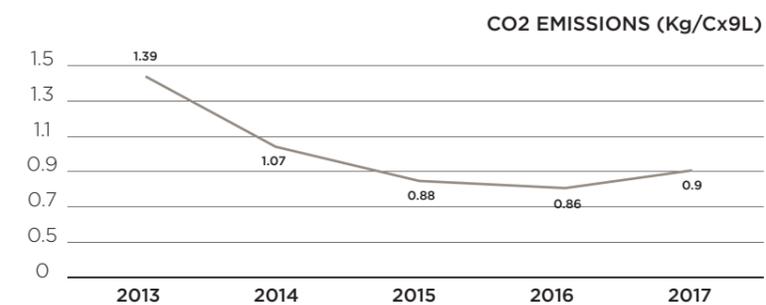
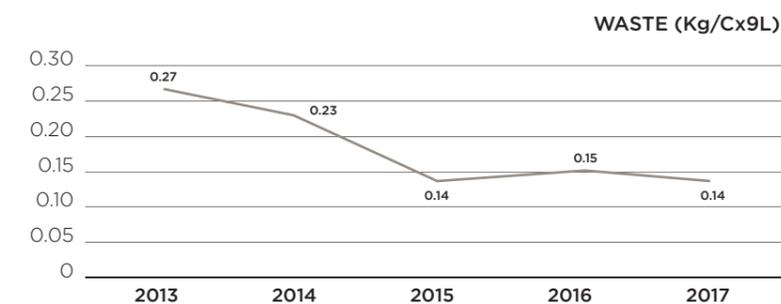


THE INTEGRATED MANAGEMENT POLICY IS CLEARLY ORIENTED IN THE ESPORÃO GROUP TOWARDS THE FOLLOWING GLOBAL OBJECTIVES:

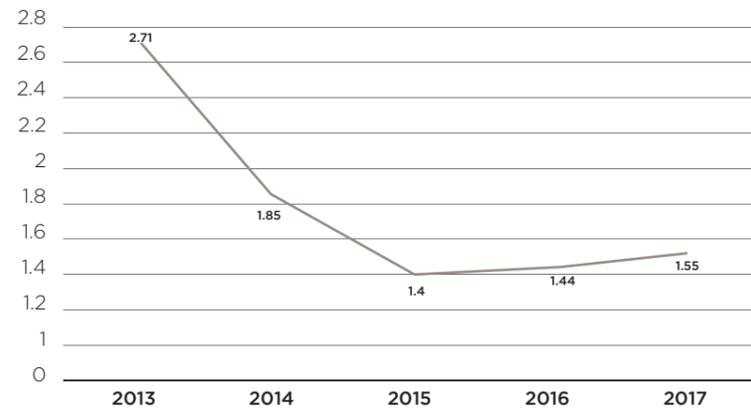
- Surplus reduction and pollution prevention, more efficient methods and techniques and use of recyclable materials;
- Commitment to comply with legal requirements and others applicable to the Esporão Group;
- Waste management and treatment, executed by credible entities licensed for that purpose;
- Energy management by establishing more efficient systems and processes to improve energy performance and independence, including energy efficiency, energy use and consumption;
- Acquisition of products and services that are more energy efficient, since the conception phase;

- More efficient use of available energy sources, increasing competitiveness and reducing greenhouse gas emissions and other associated environmental impacts;
- Preservation and supervision of air, water and soil quality, in order to help improve the environment in the surrounding community;
- Compliance with the policies defined in the SIG, through execution, implementation and maintenance of adequate and updated procedures;
- To be an organisation recognised for its customer satisfaction in terms of quality of the products and services supplied;
- In terms of product, to have wines and olive oils with a set of well-defined characteristics that can be easily identified with the "Esporão" project;
- To pay special attention to product presentation, for these to reach the final customer in the conditions that were intended;
- Compliance with the component purchase plan, as well as bottling and packaging plans, to avoid disruptions in supply;
- Since clients are the basis of the company's success, everyone in the company should be prepared to inform, accept constructive criticism and always demonstrate an attitude of great respect for the clients;
- Conduct periodic evaluations of suppliers, in order to guarantee compliance with the quality standards established;
- Maintain a high level of professionalism, responsibility and involvement in order to reinforce the quality of the products and services supplied;
- Increase Flexibility, Teamwork and Partnership between employees, constantly validating the parallels between collective and individual objectives, as the driver of their internal development;
- Focus exclusively on the client, targeting products according to the Client's requirements, legal requirements and norms, continuous improvement and the best techniques available;
- Commitment to sustainability in all of the Esporão group's activities.

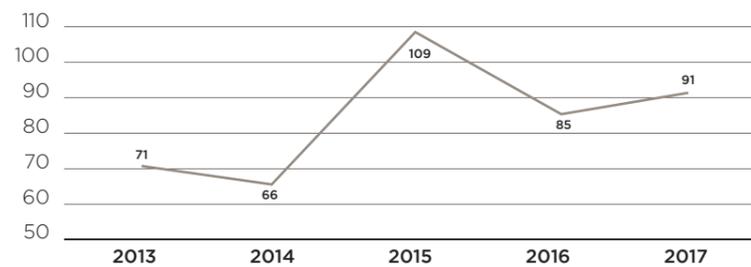
THE ENVIRONMENT IN NUMBERS ENVIRONMENTAL INDICATORS:



ELECTRIC ENERGY (KW/Cx9L)



WATER CONSUMPTION (L consumed/L Wine Sold)



VOX ESPORÃO

JOYCE MIRANDA A STORY ABOUT OLIVE POMACE

It was September 2017 when we launched the “Olive oil” project (give the project a more suggestive name). The challenge was to help the Olive oil Team receive the olives, registering the result of the olive analysis, olive oil extraction and tasting. This is how the adventure began. The “Winery” application already existed, but only to support grape reception, now the “Winery” would also support olive reception. And the dice was cast, we were going to have tablets on the team!, more agility, a user friendly system and we would partially replace an existing system (that was more complex and harder to use).

As for olive oil, I’m a fan and a regular buyer (and I also thought myself something of a connoisseur). I was familiar with criteria like flavour, acidity, some aromas and densities. I love cooking with olive oil and the fact that it makes dishes more harmonious. For some reason, for me it’s also one of the symbols of home cooking, something from home. I thought I knew the basics about its characteristics, but I didn’t know anything about its production. When people mentioned olive oil, spicy, organic, with a finish that conjured nuts, notes of apple, citrus notes, sweet, a long finish with almond and walnut,... I discovered an admirably new world.

It was the olive oil team that properly introduced me to the product and, step by step and with pride, to the production process in the Estate’s new olive mill: “This is where we receive and transform olives; we register the supplier’s data, kilos and variety”. They showed me the olive’s route until reaching extraction and said, “this is where we separate the pomace (*bagaço* in Portuguese-also the name of a liqueur)”, what pomace (liqueur) I thought ... are we still talking about olive oil? And this is when they explained: The olives are ground and centrifuged several times. Centrifugation separates the oil (olive oil), stones and water left by the olives. This byproduct is called pomace (*bagaço*). And so the word *bagaço* gained another meaning. One of many lessons that would follow. The kilos of olives followed, as did the litres of olive oil. In January 2018, 9.000.000 Kg of olives and 1.500.000 litres of olive oil later, the harvest ended, and the feeling remained that, despite the satisfaction of a mission accomplished, there was still much to do, to improve. We turn the page and start the list of improvements for the next harvest. And we get ready to start all over again and do even better.



BIODIVERSITY & ECOSYSTEMS

The need to manage ecosystems and biodiversity emerged naturally when Esporão became associated with the *Business & Biodiversity* and *Countdown 2010* movements that aimed to define strategic commitments from corporations in line with the major international and European goals to halt the loss of biodiversity. Thus, Esporão became the first global wine producer to publicly assume clear commitments to preserve the environment and biodiversity. The forest areas at Herdade do Esporão, naturally dominated by holm oaks, ash trees, oleasters, oleanders, among several dozens of tree and shrub species, form multiple habitats that extend from the wetlands of the Caridade dam and the Caridade and Degebe riparian galleries, to the closed woods and forests where sheep graze and help keep the fields and pastures less dense. Ecosystem management helps support the development and implementation of good agricultural and environmental practises that build the relationship between biodiversity as a factor to regulate the production areas and ecosystem-based services that support those same areas and the surroundings, from building functional biodiversity, like natural enemies, pollinators and soil microbiomes, to regulating the local microclimate, transferring nutrients from the natural zones to the production zones, and preserving species and habitats with great conservation value.



HIGHLIGHT ON BIODIVERSITY

- More than 80 fungal species identified, of which 10% have gastronomic interest, as is the case with horse mushrooms, sanchas, parasol mushrooms, boletus or wood blewits.
- A diversity of flora that exceeds 350 species, with more than 15 tree species, predominantly holm oaks, pyrus pyrastris, ash trees, oleasters, hawthorns, willows, oleanders and, rare in this area, cork trees.
- Great diversity of shrubs, with more than 40 species dominating, notably patches of rosemary, rockrose, broom and gorse in the more arid forest areas, bulrush and reeds on the most exposed banks, and myrtles, rose bushes and tamarisks in the more hidden parts of the Caridade bank.

- Approximately 30 annual and perennial plant species that are considered rare, endemic, threatened or endangered, as is the case of wild orchids, linarias and daffodils, among others.
- 11 reptile species and 12 amphibians, 4 with high conservation value, such as the Iberian painted frog, Iberian midwife toad, small marbled newt and Bosca's newt.
- More than 160 bird species, essentially half of the diversity of birds that exist in the entire Alentejo region, from the wetlands on the coast to the Portalegre mountain regions and Beja grasslands.
- High conservation value in the Caridade and Degebe wetlands, notably the purple heron, black stork, spoonbill, red-crested pochard, collared pratincole, snipe, gull-billed turn, common reed bunting, moorhen and the occasional osprey, among others. Some common species of general interest are the cormorant, white and grey heron, stork, grebe, coot, caiman, mallard duck, sandpiper, black-winged stilt and even flocks of flamingos.
- High conservation value in the agroforestry zones with impact on regulating vine and olive grove pests, namely black-eared wheatear, red-necked nightjar, great spotted cuckoo and stone curlew, as well as very attractive common species like the kingfisher, bee-eater, woodpecker, nightingale, tit, azure-winged magpie and swallow, among others.



- The 16 species of daytime and nocturnal birds of prey also find good conditions to nest and hunt on the estate, such as the red kite, western marsh harrier, osprey, golden eagle, grey harrier and Montagu's harrier, species of high conservation value. There are also round-winged eagles, common kestrels, black-winged kites and booted eagles, and at night one can hear barn owls, tawny owls, scops owls and little owls.
- Aside from the Kuhl's pipistrelle bats that live in almost all 20 bat boxes in the vineyards and olive grove and which can represent more than 500 individuals, there are also at least 8 more species that cohabit among the agricultural areas and patches of woodlands and forest, notably the Mehely's horseshoe bat, a critically endangered species.

HERDADE DO ESPORÃO THE DAY OF THE SPRING EQUINOX

The equinox, like other cosmological events such as solstices, eclipses, comets passing and planets and constellations aligning, have always marked the magical and ritualistic side of human cultures and existence. Indeed, this event results from our planet having an axis (an imaginary line that joins the poles) with an inclination of approximately 23° compared with the orbit's plane. The earth's tilt, as it makes its orbit around the sun, leads certain regions to receive different inclinations and intensities of the sun's rays throughout the year, which essentially interferes with the annual climate cycle, thereby creating seasons. The term Equinox comes from the combination of the latin word 'aequus', equal, and 'nox', night, in other words, a day that lasts the same time as night, which happens when the earth's relative position to the sun makes it change hemisphere and pass over the equatorial line, making the earth's rotation period in the 'day' and 'night' exactly the same, a phenomenon that occurs twice a year, in the autumn on 23 September and in the spring on 21 March.

In the fields at Herdade do Esporão, this is an important moment for plants, from the vines to the olive trees, including the dozens of wild species that comprise the ecosystems that make up a landscape measuring almost 2000 hectares, because more sunlight (photoperiod) and a relative increase in temperature lead to important responses from plant life. This is the case with vine leaf development, traditionally called 'budburst' and which marks the new vegetative cycle, as well as the soil in general with seed germination, the development of new roots and fungal networks, while also activating communities of micro-organisms, invertebrates that, along with the arrival of migratory birds and the awakening of bats, reptiles and amphibians, mark the awakening of spring.

After the timid but beautiful daffodils on the riverbanks and the sturdy and thorny wild pear trees have marked nature's reawakening in gold and silky white hues, now it's time for the multitude of linarias, wild orchids, wild carrots, wild tulips, hyacinths, brooms, rosemary, daisies, marigolds, chamomile and dozens of other ruderal and forest plants to start painting the fields, vineyards and olive groves in various colours, reminding everyone to get ready for the flurry of growth and pollination, and the vigour of reproduction.

It's no coincidence that, aside from the multiple divinities of fertility and the friendly and prolific rabbits that symbolize a period that is considered magical



in so many cultures, the egg is the most iconic element. Maybe because it hides the mysteries of new life that bursts from the inside out, in a brilliant allegory of the regenerative power of life and how all of nature's elements, from the water that courses through the living soil, to the exuberant biodiversity and warmer climate, are the truly magical elements that create the ideal conditions for our existence and sustain farming methods that are more balanced, ecological and scientifically based in fundamental principles of biology, ecology and agronomy, among other fields of knowledge.

In the end, this is just the beginning of a new productive cycle that will lead us to another equinox, in the autumn, a time when the grape harvest is in full swing and preparations are under way for the olive harvest that follows.



QUINTA DOS MURÇAS WHERE DOES SPRING ARRIVE FIRST?

Outside, the heavy clouds and sound of the wind brought by the rain are signs of short days and long nights - it is the middle of winter and everything seems a little greyer. But, unavoidably, the earth maintains its elliptical course around the sun and the natural order will bring about regeneration. Like Fernando Pessoa wrote with Alberto Caieiro's pen «spring isn't even a thing / she's a manner of speaking / even the flowers don't come back, or the green leaves / there are new flowers, new green leaves / there are other beautiful days / nothing comes back, nothing repeats itself, because everything is real».

To the north, in the Douro region, Quinta dos Murças prepares for spring throughout all of winter. The vineyards go to sleep as the plants go into a vegetative torpor; there is much more activity underground than above. Nothing the naked eye can see, but the micro-organisms and tiny invertebrates in the soil rearrange the root networks and fungal hyphae, in a 'maintenance' operation of the Wood Wide Web, an intricate natural internet that connects plants and fungi in order to create ecosystems that are more resistant to risks and threats like frost, drought, loss of nutrients, plagues, disease and invasion by exotic species, among others.

Some of the small seeds of native plants sown every year in the summer receive micro stimuli to prepare to sprout in the first mild days of February and

March. This way, they will begin the process of restoring the grasslands that will help regulate water, nutrients and auxiliary organisms in the vineyards and olive grove. Pine trees, oleasters, terebinths, strawberry trees, rockroses, heathers and brooms in the woods that surround and protect the Estate hide treasures – wild mushrooms, which are the most visible side of this natural “internet” and provide us with valuable information on the biological aspect of the eight terroirs at Quinta dos Murças. Here and there, in each patch of vegetation and piece of soil and rock, the rain, frost and wind help prepare for the coming of spring.

But on an Estate with four different sun exposures and, consequently, four different microclimates where the conditions of sunlight, temperature, humidity and photoperiod are equally different, an extremely pertinent question arises: where does spring arrive first? This makes all the difference, because it will create a patchwork of vitality and development within the vineyards, which can make the same grape varieties have different metabolic behaviours and responses, according to this triple combination of soil, biodiversity and microclimate.

A precise interpretation of bio-indicators like plants and the microbiological community in the soil, also known as the microbiome, can enable us to proactively manage the signature intended for each of the 50 plots of vineyards. These are vinified separately in order to achieve estate wines with a highly unique identity, which represent an effective response to the ultimate challenge posed by the TERROIR. And we started with the vineyards for Quinta dos Murças Margem, since this is where, closer to the river and facing south and west, spring arrives first.

In 2017 we developed a Biodiversity and Ecosystem Management Plan for Quinta dos Murças (BEMP). The purpose was precisely to develop a constructive approach to manage the biodiversity, using bio-indicators such as the variety of plants and insect species (like bees & butterflies), as well as birds, both small species of insectivores (warblers & tits), and birds of prey (falcons & hawks), among many others, as sources of valuable information about the ecological state of the vineyards, olive groves and also the woods, slopes and watercourses. Basically, a BEMP is a document stating agricultural and environmental best practises that foster a connection between the biodiversity, as a regulating factor, and the state of the production areas, through guidelines that enable an improvement, in an interconnected and evolutionary manner, of the Estate’s management as a whole, where the landscape and the territory’s characteristics will be the principal elements that define the diversity of the wines.

Particularly, in this first year, we got to know the 152 species of flora better, eight of which are Iberian endemics, namely the Wolley-Dod (*Asphodelus serotinus*), Buttercup (*Ranunculus ollissiponensis*), Snap dragon (*Antirrhinum graniticum*), Douro toadflax (*Anarrhinum duriminium*), White broom (*Cytisus multiflorus*), Wallflower (*Erysimum linifolium*), *Centaurea aristata* thistle and the *Conopodium subcarneum*, a species in the parsley and wild carrot family. We also dis-



covered eight exotic species, ranging from mimosas to canes, which will be subject to specific plans for progressive elimination and whose areas will undergo ecological restoration using native plants. Knowledge of these species, as well as about the communities and habitats they create, will be crucial to plan and manage the grasslands, slopes and natural hedges, which sustain many of the natural enemies of the principal vine and olive grove plagues, as well as helping regulate the entry of beneficial organisms like pollinating insects.

VOX ESPORÃO

CRISTINA CARLOS (ADVID)

THE IMPORTANCE OF FUNCTIONAL BIODIVERSITY

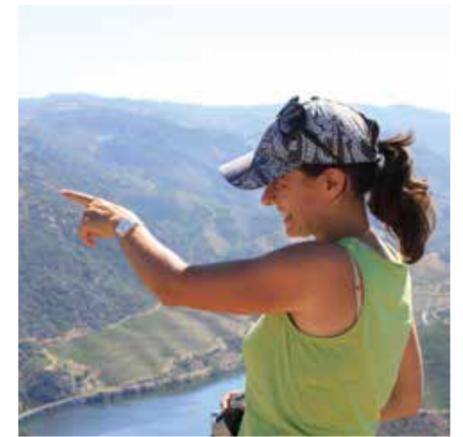
Over the last decade, on a global scale and in Portugal in particular, there has been growing concern for issues associated with environmental sustainability, the need to preserve biodiversity and value ecosystem-based services, which is not unrelated to the United Nations establishing the 2011-2020 period as the decade of Biodiversity, and one of the principal challenges in the new millennium is to “halt the loss of biodiversity”. Due to its connection with the landscape and wine tourism, the wine sector in Portugal, and especially Herdade do Esporão, has stood out for its commitment and unique initiatives developed in this field, proving that it is possible to build a sustainable production activity while producing wines of great quality.

The company’s environmental and social awareness has been a driver of development in the national wine sector, making other firms follow the same path, standing out for the practises and production methods it has implemented, at a time when there is ample offer of premium wine brands.

In the Douro, a region that is a pioneer in the country in the study and promotion of functional biodiversity in viticulture, I have monitored the developments at Quinta dos Murças particularly closely, an agricultural ecosystem that is extremely rich and diversified in terms of species, habitats and landscapes, which leads to a diversity and complexity of “terroirs” and, consequently, of wines. The initiatives implemented in this estate to conserve biodiversity (ex. preservation of genetic biodiversity, mating disruption of the grape berry moth, creating green covers, planting hedges, among others) reflect the company’s commitment to establish a lasting environmental sustainability strategy, which can and should be “replicated” by other wine companies and winegrowers in the Douro region, in order to further enrich a region that is unlike any other in the world.

I also note the company’s awareness and openness to collaborate in partnership with various national players, particularly those located in the Douro region, whether of a scientific, economic, cultural or social nature, encouraging and establishing “bridges” between various organisations to build an increasingly sustainable viticulture, on every level.

It’s a pleasure to work with people like this! Congratulations for your good work.



A close-up photograph of a person's hands holding a large, round, golden-brown loaf of bread inside a dark metal pan. The bread has a textured, slightly cracked surface and a warm, golden-brown crust. The person is wearing a white t-shirt. The background is blurred, showing other people in a similar setting.

PEOPLE &
COMMUNITY

09

PEOPLE & COMMUNITY

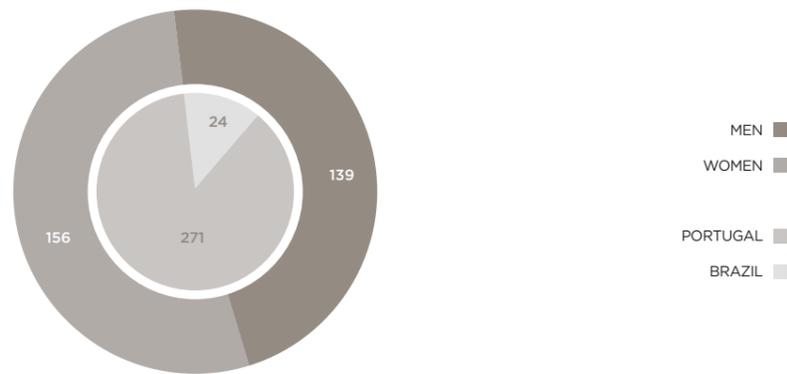
HOW MANY WE ARE?



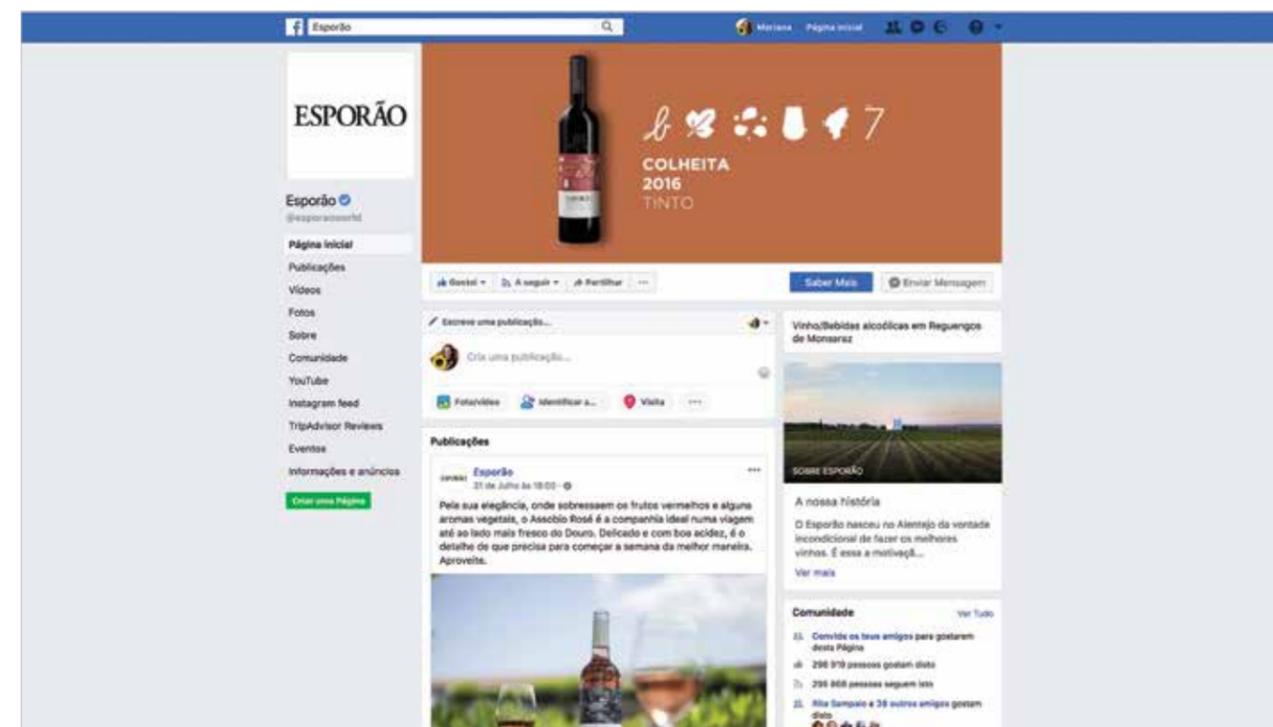
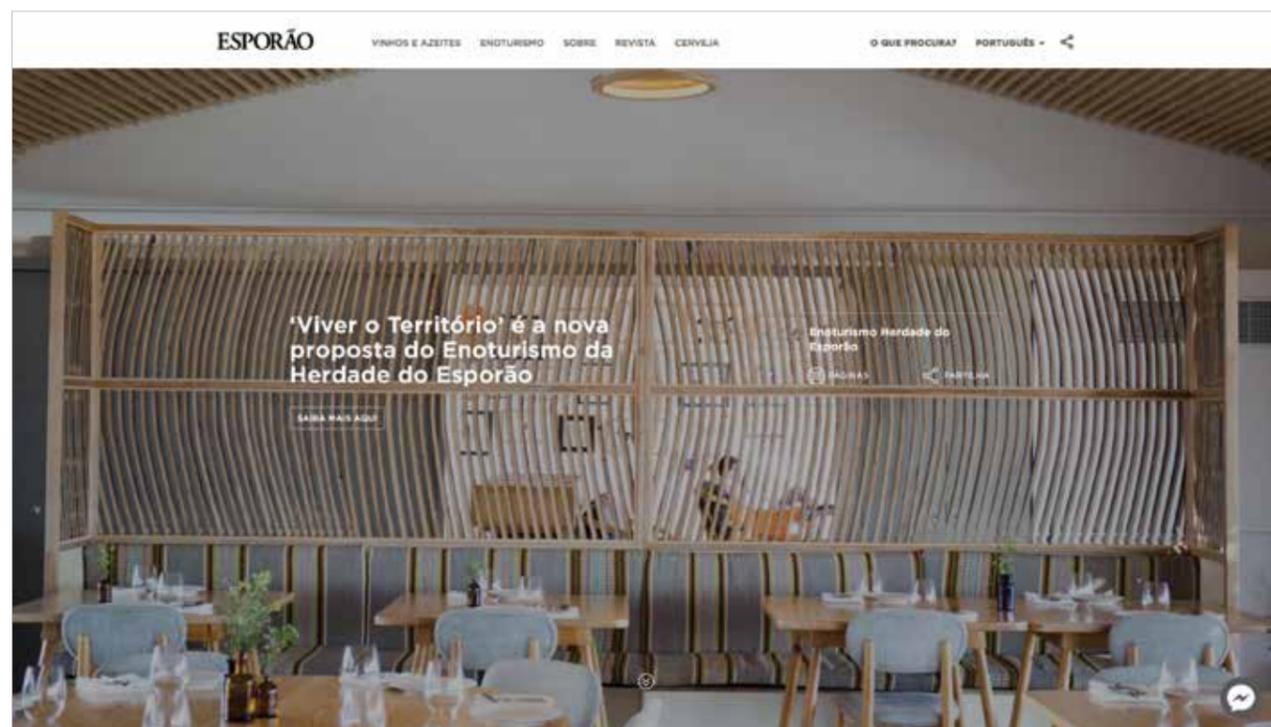
COUNTRY	LOCATION	LOCAL / PEOPLE	TOTAL
PORTUGAL	ALENTEJO	HERDADE DO ESPORÃO - EM PERMANÊNCIA	179
		HERDADE DO ESPORÃO - APOIO A CAMPANHA	53
	DOURO	QUINTA DOS MURÇAS	15
	LISBON	LISBOA - CENTRAL OFFICE	24
BRAZIL	SÃO PAULO	QUALIMPOR (BRAZIL)	24
TOTAL			295

	MEN	WOMEN
SENIOR STAFF	7%	1%
MIDDLE MANAGEMENT	14%	9%
FOREMEN & TEAM MANAGERS	9%	3%
SKILLED WORKERS	12%	16%
SEMI-SKILLED WORKERS	55%	63%
UNSKILLED WORKERS	2%	8%

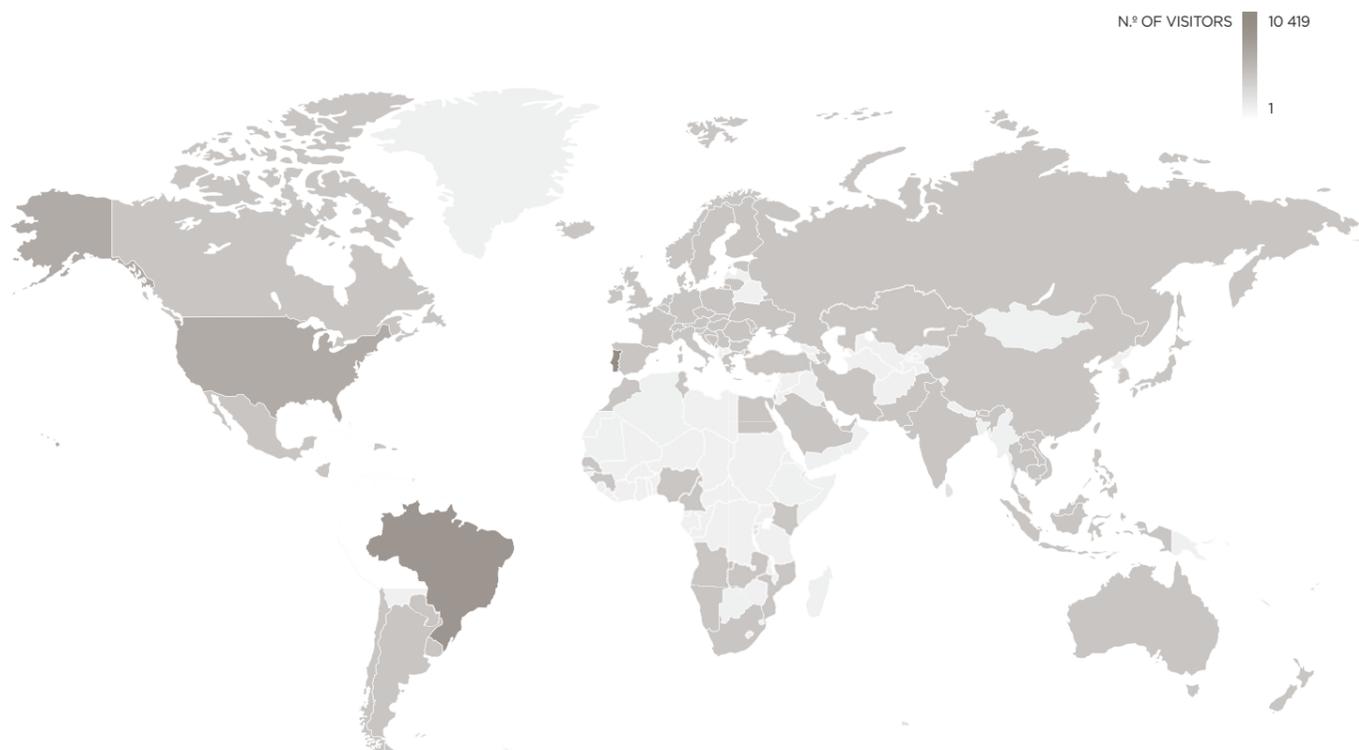
TOTAL EMPLOYEES ESPORÃO > 295



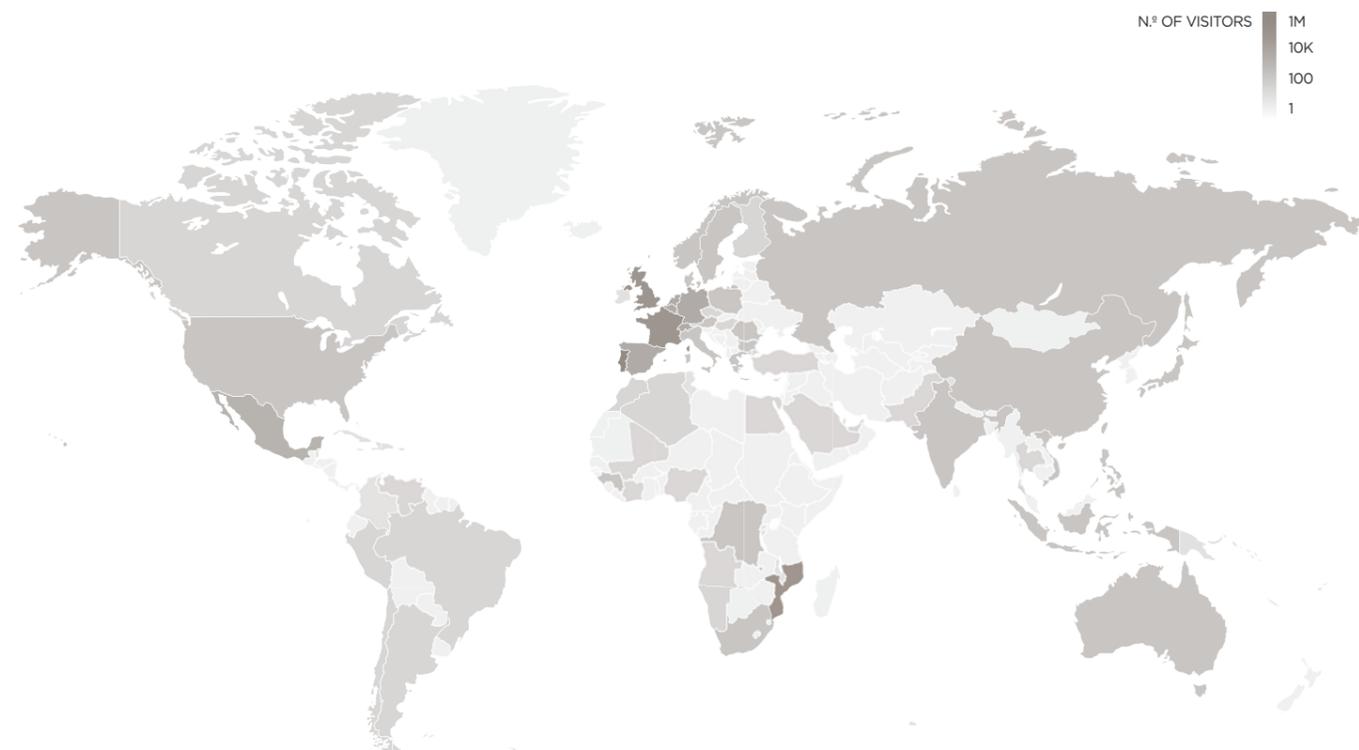
ESPORÃO IN THE WEB



WHERE DO VISITORS TO THE ESPORÃO WEBSITE COME FROM? WWW.ESPORAO.COM



WHERE ARE OUR FACEBOOK FOLLOWERS?



WHAT CONTENTS HAVE MORE INTERACTIONS WITH FACEBOOK USERS?

TOP 3 - FACEBOOK ESPORÃO WORLD

1

Esporão (Predefinição)
Publicado por Verónica Silva | 1 - 3 de Março de 2017

"O Syrah 2012 é o meu vinho. A expressividade no nariz lembra-me chocolate e, na boca, é tão rico e cremoso. Em jantares de amigos, levo sempre Syrah para despertar os sentidos. Acompanha muito bem uma receita sul-africana de frango estufado com canela, gengibre e limão de conserva" Inês Azeiteira, Gestora de Laboratório Esporão



ESPORÃO

205 205 pessoas alcançadas

177 partilhas

2

Esporão (Predefinição)
Publicado por Verónica Silva | 1 - 2 de Abril de 2017

Se nos visitasse na Herdade do Esporão para fazer uma prova vertical, de que vinho gostaria de fazer?

Saiba mais sobre os programas do Enoturismo enviando e-mail para reservas@esporao.com ou visitando o site: <https://goo.gl/boDcW>



ESPORÃO

230 163 pessoas alcançadas

182 partilhas

3

Esporão (Predefinição)
Publicado por Verónica Silva | 1 - 24 de Fevereiro de 2017

Quando chegámos à Quinta dos Murças, em 2008, um dos nossos principais objectivos era produzir vinhos do Dão que fossem a expressão máxima do terroir. Para isso, dedicámo-nos em primeiro lugar a recuperar as vinhas e depois a adega. Nesta altura, a adega era maioritariamente ocupada por barricas para a produção de vinhos do Porto. Hoje, tem mais barricas de carvalho francês usadas, as cubas de aço foram restauradas e, no chão, circula água das minas, assegurando um melhor controlo da temperatura.



ESPORÃO

200 092 pessoas alcançadas

181 partilhas

TOP 3 - FACEBOOK ESPORÃO USA & CANADA

1

Esporão (US, CA)
Publicado por Manager | 1 - 16 de Agosto de 2017

August is for many a month of vacations. We suggest a Summer Salad with squid and chickpeas. A simple and easy recipe to pair with Monte Velho Branco 2016.



August: Summer Salad | Esporão
A simple and easy to cook recipe. Enjoy.
ESPORAO.COM

157 pessoas alcançadas

Juana Salema Vieira e 2 outras pessoas

2

Esporão (US, CA)
Publicado por Manager | 1 - 17 de Agosto de 2017

In POPSUGAR alywalsky Wlansky includes Alentejo among the 12 best wine destinations in the world and highlights Herdade do Esporão as a place to visit



12 of the Best Wine Destinations in the World
When we travel, finding spots with great wine is absolutely on the agenda. But if you really love wine, you should consider traveling to these beautiful POPSUGAR.COM

228 pessoas alcançadas

Juana Salema Vieira e 5 outras pessoas

3

Esporão (US, CA)
Publicado por Manager | 1 - 15 de Agosto de 2017

Fish and Seafood tacos in a summer table paired with Assobio Rose 2016



ESPORÃO

414 pessoas alcançadas

1 partilha

TOP 3 - FACEBOOK ESPORÃO BRAZIL

1

Esporão (BR)
Publicado por Diogo Bonina | 1 - 26 de Julho de 2017

O Condé Nast Traveler destacou o Alentejo como uma das regiões vinícolas a visitar em Portugal. Laura Giannatempo, autora do artigo, destaca os "cenários de sonho e as vinhas de elevada qualidade" como dois dos factores que tornam a região um paraíso para qualquer "wine lover". Não percuro recomendado, a autora especifica ainda algumas paragens obrigatórias, entre elas o Enoturismo da Herdade do Esporão. Descubra tudo, aqui: <http://goo.gl/vBF8Z>



Why You Should Visit Alentejo, Portugal's Underrated Wine Region
Dreamy scenery and world-class vineyards make Alentejo a wine-lover's...
CNTRAVELER.COM

50 030 pessoas alcançadas

2 partilhas

2

Esporão (BR)
Publicado por Diogo Bonina | 1 - 20 de Março de 2017

"Portugal é o maior fornecedor de azeite do Brasil. E fico muito feliz quando sei que estamos a importar produtos de qualidade" Essas palavras são de Marcelo Scofano que essa semana esteve conosco na Herdade do Esporão. Culinheiro e especialista em azeite, dá aulas numa instituição técnica no Rio de Janeiro e é autor do projeto Estilo Gourmet. Há 5 anos que viaja para Portugal e Espanha durante a colheita para estudar os aspectos sensoriais do azeite.



Marcelo Scofano: levar o azeite virgem extra até ao Brasil | Esporão
ESPORAO.COM

100 541 pessoas alcançadas

27 partilhas

3

Esporão (BR)
Publicado por Diogo Bonina | 1 - 18 de Março de 2017

Do topo da vinha mais alta da Quinta dos Murças, olhamos em redor e ficamos deslumbrados. Veja aqui os 10 principais motivos que tornam esta quinta, e os seus vinhos, única.

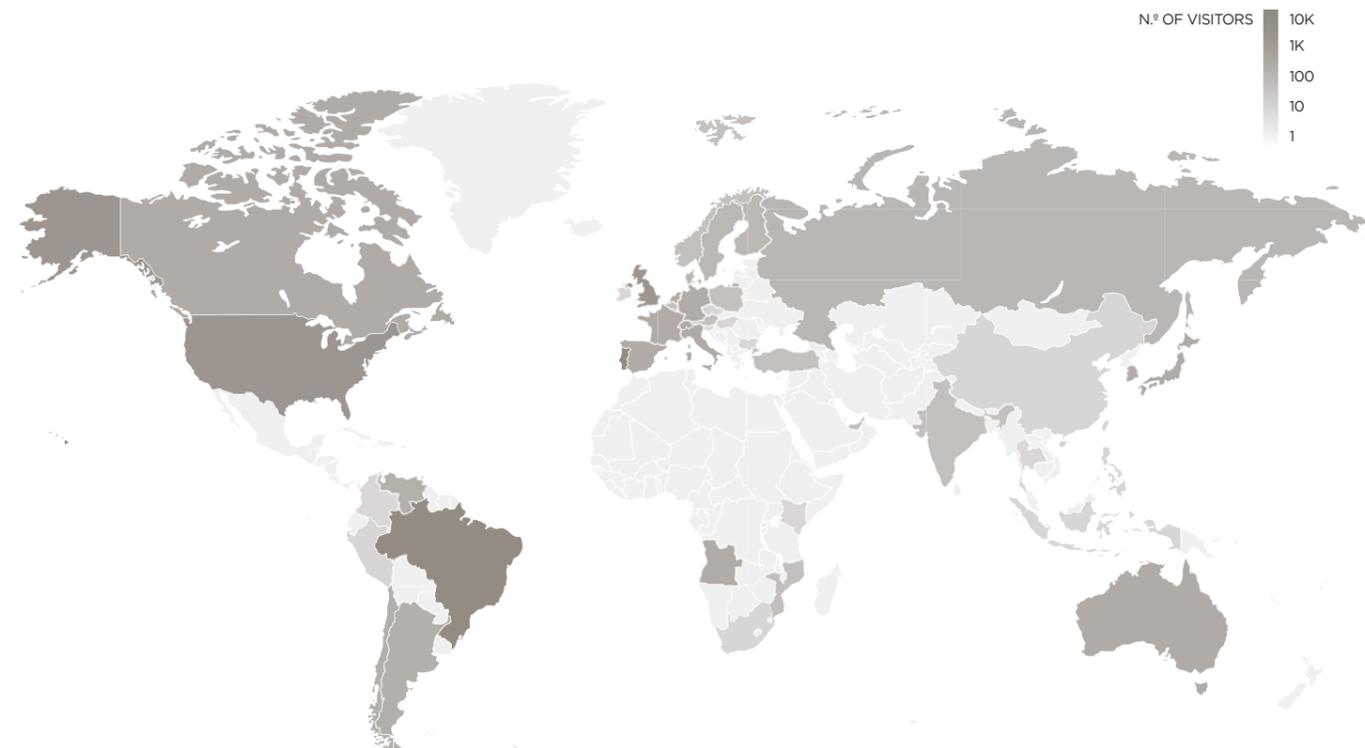


10 factos que tornam a Quinta dos Murças única | Esporão
ESPORAO.COM

1044 pessoas alcançadas

13 partilhas

WHERE ARE OUR INSTAGRAM FOLLOWERS?



TOP 3 - INSTAGRAM ESPORÃO WORLD



VOX ESPORÃO

**MARIA DO CARMO TAVARES & PAULA MADEIRA
THE VICTORY OF DETERMINATION**

It is 1990 and there are great changes sweeping the world. East of Estonia, Latvia and Lithuania declare themselves 'free' from the Soviet Union and, at the heart of Europe, we witness the long-awaited reunification of the sister nations that today are united Germany. In Portugal, the Orthographic Agreement is signed, which will bring so much controversy, and we watch the Italian World Cup from a distance, on TV.

Somewhere in a hair salon in Lisbon, a disheartened and sad young woman vents to one of her regular customers, a kind lady who always looks impeccable and who she calls Dona Margarida. It's normal for them to chat casually, but that day Dona Margarida was particularly touched by the young woman's laments and challenged her: "look here, what do you say about going to work at Mr. Roquette's office? Someone with your energy would certainly have plenty to do and they need help; I'll talk to him this week and let you know". Excited by this new prospect, the now former hairdresser packed her things as soon as she received the good news, quit her job and, the next day, on 3 July, without taking any vacation time that year, she presented herself at an office in Restelo to speak with Carmen, ready for whatever came her way, with her unmistakable smile, watchful eye and challenging gaze, one of her trademarks.

This is how our Maria do Carmo Tavares joined Esporão, where she would take on various tasks, always with the same commitment and dedication - a strong determination, something she says runs in her family.

And speaking of family, we're going to share the story of another equally determined young woman with a big heart.

It was 2010, a year when the world was shaking from the first signs of a global crisis that would change the course of history. If in the sky we saw the first solar-powered airplane, on land we lost our Nobel laureate, the homesick José Saramago. These were tough times. There was new talk of bank bailouts, even in countries in the seemingly unshakeable European Union, and the destruction of the economy as we knew it was breaking news. Few were protected from this tsunami and many lost their jobs and stability.

It seemed like the story was repeating itself, with a new episode. Somewhere in a hair salon in Lisbon, a young woman with a home and family received the news that now she was also one more number in the unemployment statistics. But life is strange, and cruelty crosses paths with opportunity. In an office in Restelo, there is news that the back-office team needs help. This news reaches the home of a mother seeking solutions that are slow to come. Until they do.

There was an opening in the office where, 20 years earlier, a certain young man with an inquisitive mind had come to work. Our soon-to-be former unemployed hairdresser grabbed the opportunity with determination and confidence. With a tireless spirit, she didn't hesitate to accept the job and head to the same office that was already a part of other life stories. From the outset, she became a rock for anyone who needed her and never lost sight of opportunities to spin into the yarn of her life.

She and her sister share the necessary discretion to never let the fact they are related interfere with their professionalism and dedication to Esporão, as well as a penetrating gaze and unsettling, loud laugh. Many didn't even know they were sisters. But yes, Paula Madeira and Maria do Carmo are truly sisters, and bring to this extended family that is Esporão the great determination and nonconformity that defines us.





ESPORÃO
A Comida Portuguesa
 a gostar dela própria

ESPORÃO COMMUNITY

ESPORÃO & A COMIDA PORTUGUESA A GOSTAR DELA PRÓPRIA:
 (PORTUGUESE CUISINE ENJOYING ITSELF)
 ONLINE PLATFORM ON THE ROOTS OF PORTUGUESE CUISINE

The project *Esporão & a Comida Portuguesa a Gostar Dela Própria (Esporão & Portuguese Cuisine Enjoying Itself)* was launched at the end of 2015 with director Tiago Pereira, the Esporão team and chef André Magalhães, travelling across Portugal in search of the roots of our gastronomy: traditions, methods and recipes passed down from generation to generation through oral expression - a shared memory, song or story. Culinary customs and traditions that are so rich and distinctive in such a small territory.

It all began in the Algarve, in the first episode, with a lesson by Mr. Toni Coelho on Litão, a traditional fish from the Olhão and Ria Formosa area, and a recipe for Litão & Seaweed Cataplana, by chef André Magalhães.

This ethnographical archive of Portuguese cuisine, which already includes 18 episodes and 59 short videos that record the voices of the residents of more than 50 locations visited and their traditional recipes, is available to everyone on Esporão's YouTube channel and website. Each episode includes the participation of a chef who is invited to share his or her interpretation of a recipe, using regional ingredients, many of which are unfamiliar to the general public. In the 18 episodes, we received the participation and knowledge of the chefs José Júlio Vintém, Vítor Claro, André Magalhães, Bertílio Gomes, Hugo Brito, Inês Dinis, João Rodrigues, José Pinheiro, Júlio Pereira, Marco Gomes, Margarida Rego, Pedro Pena Bastos, Renato Cunha, Rodrigo Castelo, Rui Oliveira and Rui Paula. And there is more to come.

CHANNELS Esporão & A Comida Portuguesa a Gostar Dela Própria:

www.youtube.com/c/EsporãoAComidaPortuguesaAGostarDelaPrópria;
www.facebook.com/esporeaocomidaportuguesaagostardelapropria



5TH EDITION OF THE MONTE VELHO FOOD FESTIVAL

The 2017 edition of the Monte Velho Food Festival returned from 26 May to 4 June, to 80 restaurants from north to southern Portugal. Showcasing Portuguese cuisine, each restaurant featured a Monte Velho Menu (€15) that included offering a half-bottle (375cl) of this regional Alentejo white or red.

The list of restaurants that joined this initiative, as well as the menus proposed, were available on the festival's official website at www.festivalmontevelho.pt, and included the Herdade do Esporão wine tourism Sala dos Petiscos (*Tasting Room*). At the same time, the Festival Monte Velho contest was also held, with the three most creative photographs of the Menus receiving four passes to attend Dia Grande (*Big Day*).

Since 2013, the Monte Velho tour has celebrated Portuguese cuisine and its intimate relationship with the versatility and consistency of this Esporão classic, as a way to reach more people and make daily wine consumption a memorable experience. Following the Alentejo tradition in the selection from a diverse range of grape varieties and vinification techniques, these wines aim to reveal the region's typical character, with a predominance of rich aromas, a smooth palate and excellent gastronomic profile.

Find out more at:

Monte Velho in the '100 Top Values' by Wine Spectator <https://goo.gl/gU8Gji>

TUA DAM ON NEW ALERT

In 2016, “The last year of the Tua” campaign was created for dissemination in social networks, and included support from the Esporão group as one of the founding members of the Plataforma Salvar o Tua (PST - *Save the Tua Platform*). Despite all warnings, at the end of 2017 the PST reported that the water was visibly eutrophicated, with a great concentration of green turbidity, essentially comprised of algae. Official studies had already considered it likely that



eutrophication would occur, but in Foz Tua we witnessed this phenomenon take place at record speed — just a few weeks after the water reached the dam’s maximum height. The PST had warned about the risks of using this water and the imminent destruction of the aquatic ecosystem.

This phenomenon is caused by excess nutrients in the water — phosphorus and nitrogen — which originate from domestic, livestock and industrial sewage, even if treated, and from drainage of agricultural soils that received fertilizers. The Foz Tua dam provoked water stagnation; this, combined with the accumulation of pollution and rise in temperatures at the end of winter, led to the excessive growth of algae and bacteria that generate toxins and aggravate bad water oxygenation conditions. When algae die, organic matter accumulates at the bottom of the dam and, due to the lack of oxygen, its decomposition generates bad odours and greenhouse gases like methanol.

Despite all the PST’s efforts and dedication over several years, hundreds of hectares were submerged as the Foz Tua dam filled. The region’s landscape has changed forever.

MEZZE / PÃO A PÃO - INTEGRATING MIDDLE EASTERN REFUGEES

Associação Pão a Pão (*Bread by Bread*) is a non-profit association created by three Portuguese citizens and a Syrian university student - Alaa Alhariri. They came together to create this project because they felt something had to be done about the tragedy that persisted in Syria. With different backgrounds, from social entrepreneurship, management, journalism and architecture, they joined forces around the concept of integration.

Associação Pão a Pão developed an inclusion project that was a pioneer in Portugal: a restaurant comprised almost entirely of refugees, that maintains the relationship with their culture through food. And because bread is one of the elements that reminds us of home, Mezze has become a space that produces Arab bread and many of the dishes that accompany it. Customers can taste yalanji, fattoush, kibbeh, hummus and baklava, made by hands filled with stories and great hope for a new life. Which now unfolds here. Fatima, Mouna, Reem,

Rafat, Luei, Shiraz... had to leave Syria. They and other refugees are part of the Mezze team and share their rich Middle Eastern cuisine with everyone.

Esporão is one of the partners of Associação Pão a Pão, along with entities like the Lisbon Town Council, High Commission for Migration and the Refugees Support Platform, among others. In 2018, Esporão chose Mezze as the venue to launch its new editorial project, the magazine ‘Nativa’.



ESPORÃO ONLINE: BIG DAY 2017



<https://goo.gl/MVqr1R>

DIA GRANDE
 UM DIA QUE SÃO DOIS
 ESPORÃO



NOTES FOR THE FUTURE

10



"May you live in interesting times", is one of the oldest Chinese proverbs, which seems to sway between good wishes and a curse. And we are living in interesting times, with enormous challenges ahead that are often diffused or confusing. We know that the climate is changing in an increasingly unpredictable manner, where an extended and extreme drought that lasts through winter can be interrupted by the rainiest month of March in the last decades.

We know there are new organisms in our ecosystems, in the vineyards as well as the olive groves and forests, but we don't know how they are changing and how this is going to affect us, both in terms of business, well-being, environmental health and even on a human level.

We know we should already have ended the 'oil age', but from the tractors and ploughs to the cars we use, we still keep the fossil paradigm working. But we also know that changes happen, and these are starting to look more attractive, both from a technological and behavioural—and even economic—perspective. There is a focus on solar and biomass energy, a search for an agricultural model that retains carbon in the soil, development of processes for wineries and mills to use water more efficiently, an increase in awareness about less polluting means of transport such as hybrid and electric vehicles, a search for digital-based strategies to make all communications, logistics and distribution processes less carbon intensive and more beneficial for customers, maintaining the dialogue with society by participating in multiple seminars, workshops, events and even classes in vocational schools or universities where we can show how our company is working daily on a business model where being eco-efficient and eco-conscious is as logical as any other aspect of business-as-usual.

We know that many aspects of our health and well-being are associated with what we eat, drink and breathe, therefore we strive to find out more about how to develop – more or better – organic or agroecological farming, where we explore even further the need for knowledge that is adapted to the soil's microbial communities, the genetic expression of grape varieties and clones that are better adapted to the "interesting" environmental conditions, as well as to market demand. We know that we need to understand more about the relationships between the various landscape elements – agricultural, forest, natural... - to build resilience and an adaptation capacity that will enable us to continue producing plants and fruit that are safer for the environment and deliver more value to society and more flavour to those who consume what we make here; wine, olive oil, a good meal. We know we have responsibilities that extend beyond our properties, we work with a large ecosystem of grape and olive suppliers who increasingly share the values of a society that is more aware of common problems, that is healthier, ecologically balanced and socially just.

These are certainly interesting times, which has helped increase our conviction to defend our mission: "to make the best products from what nature provides, in a responsible and inspiring manner". In a special year, when Herdade do Esporão celebrates 750 years of its foundation as a space that is the identity of a landscape, we can only progress within an environment of learning and cooperation, of understanding and openness and the willingness to defend values that unite us in our quest for a more sustainable society. This report also serves that purpose; to keep us connected and open a path for all of those who want to share those same values with us.

May you live in interesting times.

**CONSOLIDATED
FINANCIAL REPORT**

6

1. MANAGEMENT REPORT

Dear Shareholders,

In compliance with the legal provisions and Statutes, we present for examination and discussion the Consolidated Management Report and Consolidated Balance Sheet and Accounts for the financial year ending on 31 December 2017.

1.1 GENERAL CONSIDERATIONS

Esporão SA is a company that produces high quality wines, leader of an economic group with shareholdings in several companies with complementary activities that intersect in order to obtain mutual benefits, including those resulting from economies of scale. As the corporate head of the group, it is Esporão SA's responsibility to present consolidated information resulting from the business of all companies where it has shareholdings and a qualified majority vote.

Companies included in the consolidation:

- **Esporão, SA**, with head office in Reguengos de Monsaraz
- **Esporão Vendas e Marketing, SA**, with head office in Reguengos de Monsaraz
- **Esporão Azeites, Lda.**, with head office in Reguengos de Monsaraz
- **Murças, SA**, with head office in Peso da Régua
- **Esporão – Produção Biológica, Lda**, with head office in Reguengos de Monsaraz
- **Qualimpor, SA**, with head office in S. Paulo, Brazil

After remaining in the Excessive Deficit Procedure (EDP) for 8 years, due to a deficit above 3% of the Gross Domestic Product (GDP), Portugal exited the program in 2017. This decision was made by the European Commission in May, after a deficit in 2016 of 2% of the GDP, the lowest value since 1974. However, once it had exited the EDP, Portugal entered the Stability and Growth Pact (SGP), a program with a more preventive and less corrective approach. In this sense, Portugal is still obliged to present structural adjustments every year and reduce public debt at a faster rate.

In 2017, the GDP grew 2.7%, 1.2 percentage points above the performance of the previous year, achieving the highest growth rate since 2000. This growth results from an increase in domestic demand, reflecting an acceleration in investment, while net foreign demand presented an identical result as in 2016. In 2017, exports of Portuguese goods also increased, registering a growth of 10.1% compared with the previous year, while imports grew 12.5%. The unemployment rate dropped 2.2 percentage points to 8.9% in 2017, a figure that, although still relatively high, maintains a downward trajectory and reached the lowest value of the last 7 years. The final inflation rate in 2017 was 1.4%, the highest since 2012 and more than double the value recorded in 2016 (0.6%), according to data by the Instituto Nacional de Estatística (National Statistical Institute).

The company developed its activities within a macroeconomic framework that presented a high growth rate and an increase in domestic demand, which indicates an improvement in the expectations and confidence of economic agents and families, with positive impacts on consumption.

1.2 ACTIVITIES PERFORMED

1.2.1 COMMERCIAL ACTIVITY

Leveraged by a more favourable economic and social context, during the 2017 financial year, growth was recorded across the entire Group's activities, in line with forecasts presented in the Strategic Plan defined for the current triennium, consolidating and reinforcing the operating track record registered over recent years. The Group's turnover amounted to 47.1 million euros, presenting an overall growth of 8% in value and 1% in volume, compared with 2016.

Own brand products presented an overall growth of 8% in value, with olive oils increasing 23% and wines increasing 5.5%, resulting from an improvement in the sale mix and an increase in the unit selling price per case. In terms of volume, own brand products – wines and olive oils – presented residual growth, rising from 1.34 to 1.36 million 9-litre cases, with a good performance in olive oils, which increased 12.5%, while wines decreased 0.5% in volume, compared with the previous year.

Regarding our principal Alentejo brands (Monte Velho and Esporão Reserva), we underline the 21% growth in sales in value of Esporão Reserva, while Monte Velho remained the same. Our Douro brands (Assobio and Quinta dos Murças) also excelled in 2017, presenting a growth of 43% in value and 53% in the number of cases sold, resulting from the strong commitment made to this project. Although Alandra targets this segment, where the price elasticity is higher, the brand was able to increase its sales in value by 5%, confirming the previous year's trend.

The company's exports present a higher performance than the previous year, with an increase in sales from 22.6 to 26.5 million euros in foreign markets, driven by the 1.7 million euro increase (153%) in exports to Angola, recovering from the downturn witnessed in 2016, resulting from the economic crisis and restrictions on currency transit. We also highlight the positive performance achieved in sales in Brazil, with a growth of 2.6 million euros (27%), leveraged by the country's improved economic conditions, notwithstanding the political instability that remained. China, France and Canada, with increases of 121%, 60% and 46%, were the other key markets to present significant growth in 2017.

1.2.2 PRODUCTION ACTIVITY

ALENTEJO

In terms of climate, 2017 was another atypical agricultural year. Like 2015 and 2016, the average temperatures during the period of vegetative development reached new records. On July 13, Herdade do Esporão's weather station registered a maximum temperature of 46.3°C.

Regarding rain, the 2017 agricultural year had a total precipitation of 496.4mm, the same as in 2016, but with an extremely different distribution.

In terms of our own production, red grapes achieved 2.352.680kg and white grapes 1.169.468kg, respectively 18% and 41% more than in 2016, a year that registered a substantial decrease.

Concerning total production, 8.191.588kg of grapes were harvested, of which 6.235.600 kg were red, 9% less than in 2016, and 1.955.988 kg were white, 5% less than in 2016, due to the overall decline in our suppliers with irrigated or non-irrigated vineyards, caused by the drought. We produced 5.702.230 litres of wine, also representing 5% less than in the previous year.

DOURO

In terms of climate, the 2017 agricultural year was extremely hot and dry. Compared with 2016, the average temperature was lower in the winter and summer months, but much higher during the spring, featuring several heatwaves and registering a maximum temperature of 41.6 °C at the Quinta dos Murças weather station on 17 June.

Total precipitation was approximately 50% lower than in 2016, and 30% lower than the last 31-60 climate series, with a cumulative total of 422.2mm in 2017.

Therefore, this was an atypically hot and dry year, with evident signs of heat and water stress.

In terms of our own production, red grapes reached 127.900kg and white grapes 2.560kg, respectively 3% less and 4% less than in 2016.

Concerning total production, 559.310kg of grapes were harvested, of which 474.730 kg were red, 17% more than in 2016, and 84.580 kg were white, 25% more than in 2016, due to an increase in grapes purchased from our suppliers, in line with production needs. We produced 376.475 litres of wine, representing 33% more than in the previous year.

In terms of quality, we note that it was possible to produce wines and olive oils within the same quality standards as previous years.

1.2.3 ECONOMIC AND FINANCIAL ACTIVITY

ECONOMIC PERFORMANCE

The consolidated turnover of the group of companies that comprise Esporão, presented an 18% growth between 2012 and 2017, amounting to 47.1 million euros in the 2017 financial year.

This overall performance was achieved due, above all, to growth in foreign markets. We present below the table of sales and services rendered over the past six years:

YEARS	NATIONAL	FOREIGN	TOTAL	%
2012	16 123	23 788	39 911	
2013	17 524	22 657	40 181	0,7%
2014	20 459	22 708	43 167	7,4%
2015	19 788	23 025	42 813	-0,8%
2016	20 850	22 581	43 432	1,4%
2017	20 610	26 476	47 086	8,4%

(values in thousands of euros)

We highlight the importance of the support provided by EU entities for marketing initiatives in international markets which, in recent years, has supported projects to promote and disseminate our products in the USA, Brazil and Angolan markets and, more recently, extended that support to six more countries outside the European Community, namely Switzerland, Norway, Mozambique, China, Russia and Canada, covering 50% of the costs incurred, enabling the company to carry out marketing activities in those key markets, which would have been more difficult to execute without this support, decidedly helping increase the exposure and recognition of Portuguese wines abroad.

We also underline the importance of the winegrowing sector in Portugal, due to this being a sector where incorporating national value is extremely high and because of the social role it performs by preserving the environment, areas where Esporão's contribution has been absolutely decisive and differentiating.

GVA (gross value added) has grown in a sustained manner over the past years and represents the company's core value creation included in the products and services rendered, both through the production process and through commercial and administrative processes. Below we present the GVA evolution between 2012 and 2017.

YEARS	2012	2013	2014	2015	2016	2017
GVA	13 238	14 245	15 106	15 129	15 688	17 768
%	--	7,6%	6,0%	0,2%	3,7%	13,3%

(values in thousands of euros)

Income before depreciation, financing expenses and taxes (EBITDA) calculated for this financial year amount to 10.6 million euros, representing a significant growth of 11%, compared with the 2016 financial year.

The Group's economic and financial performance between 2012 and 2017 is summarised in the following table:

INDICATOR	2011	2012	2013	2014	2015	2016	2017
ECONOMIC DATA							
Sales boxex 9L (in thousands)	1 280	1 292	1 267	1 357	1 350	1 345	1 360
Sales	38 630	39 910	40 179	43 167	42 813	43 432	47 086
EBITDA	7 742	8 139	8 488	8 495	8 693	9 488	10 560
Net income	1 677	1 359	2 718	3 304	6 619	3 914	4 023
Cash flows	5 495	6 619	5 378	5 880	4 800	6 294	5 233
HEADCOUNT							
Nº of employees (in the end of the year)	253	260	262	265	264	285	282

FINANCIAL DATA							
Total assets	140 046	147 521	140 235	137 224	155 494	151 980	151 774
Share capital	5 000	5 000	5 000	5 000	5 300	5 300	5 300
Equity	57 885	60 731	72 765	72 621	82 991	87 478	89 173
Net debt	37 119	37 119	40 774	29 275	33 016	33 684	38 144
Investment	4 322	2 576	920	1 661	2 244	5 451	2 432
ND/EV	0,64	0,67	0,54	0,40	0,40	0,39	0,43

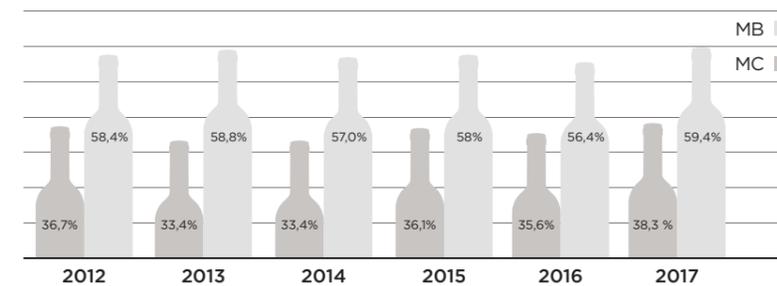
Between 2012 and 2017, the EBITDA margin presented a cumulative growth of 29.8%, expressing the increase in sales volume and trade margin, as well as the change in the company's operating costs.

(valores em milhares de euros)

The gross margin and trade margin recorded an increase compared with 2016, resulting from the rise in agricultural production in the current year and an improvement in the average selling price.

The table below presents the evolution of the Group's margins:

GROSS MARKETING MANAGER



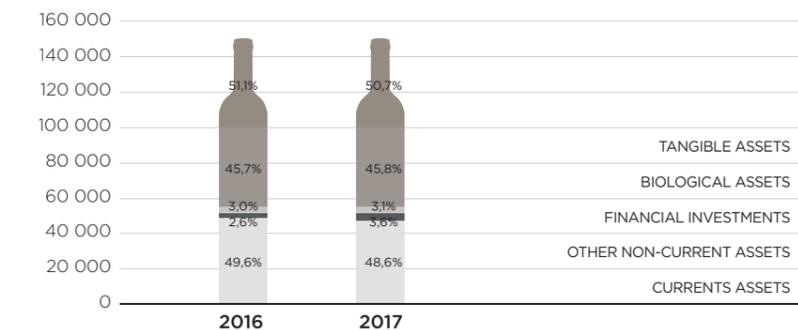
During the financial year, there was a reduction in operating subsidies received from the State, due primarily to the decrease in marketing costs incurred and eligible for subsidisation by the State, within the scope of supporting the company's international expansion, a reflection of the reduction in promotional activities carried out by the company in markets where the economic and business framework deteriorated, like Angola.

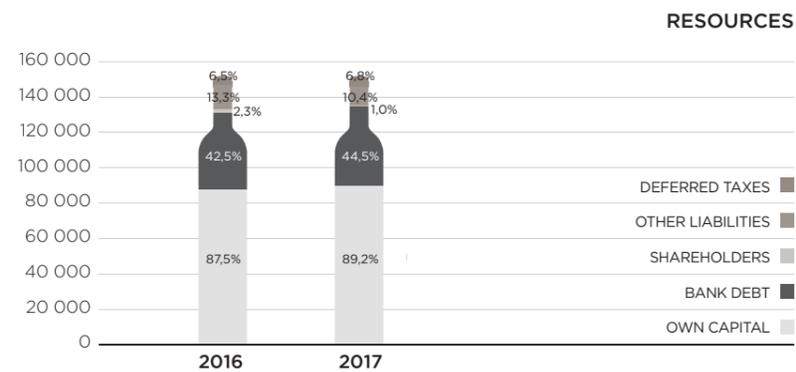
The value in the item personnel costs presents an increase of approximately 11% compared with the previous year, resulting from the reinforcement of the team in key areas for developing new business, in line with the 2015-17 Strategic Plan. The item external supplies and services also presented an increase of around 11%, essentially resulting from the increase in operations, due to the significant correlation between a substantial part of these costs and sales.

FINANCIAL PERFORMANCE

The Group's asset value decreased slightly from 152.0 to 151.8 million euros, as presented in the following graphs:

DEFERRED TAXES





The slight decrease in assets is due above all to a reduction in the value of property, plant and equipment and the shareholders/partners account. Regarding financing sources, there was an increase in equity, of 1.7 million euros, obtained essentially through retained earnings. During the 2017 financial year, there was an 18% decrease in the company's financial costs, resulting from the gradual reduction of spreads and cost of banking services, which are the object of constant rationalisation. We also benefitted from maintaining very low reference rates, which has clearly brought a competitive edge to companies and economic agents in recent years. We underline that the cost containment mentioned above remains a key focus in our financial activities, based on pursuing more affordable financial instruments and the selection of financial products with short-term rate adjustments, giving precedence to funding lines with lower spreads, namely:

- Commercial Paper Programs
- Funding lines for exports
- "Confirming" and "self-confirming" supplier payment
- Factoring

In order to adjust the bank debt maturity to the company's asset structure, throughout this financial year, all M/L term debts were renegotiated, with the overall amount increasing 50%, the average maturity more than doubling to 5.5 years and the average cost decreasing by 100bps, to less than 2%. At the end of 2017, the available M/L term lines were as follows:

ENTITY	PRODUCT	AVAILABLE AMOUNT	SPREAD	FINAL DATE
SINDICATO BANCÁRIO	PPC	23 000 000	1,50%	SEP 2022
MONTEPIO	PPC	5 000 000	1,50%	NOV 2019
CCCAM	MÚTUO	8 000 000	1,85%	AUG 2024
BANCO SANTANDER	MÚTUO	4 250 000	1,93%	NOV 2023
BANCO SANTANDER	PME CRESCIMENTO	982 677	1,85%	NOV 2020

The NET DEBT/EBITDA ratio dropped slightly from 3.65 in 2016 to 3.61 in 2017, clearly below 4, and we also note that the EBITDA coverage ratio improved compared with the previous year, with a value of 7.7.

1.2.3.1.3 INVESTMENTS

In the 2017 financial year, the overall gross investment reached 2.4 million euros, an amount that indicates the Group's ongoing commitment to build solid bases, in order to fulfil the business growth forecast in upcoming years, in line with the principal axes defined in the Strategic Plan. In 2017, we highlight the conclusion of the new olive oil mill project, which is essential to fully integrate the olive oil experience and production in the company's life, enabling us to take advantage of the efficiencies and great potential in this market. At Quinta dos Murças, reconstruction of the residence was also concluded, which enabled us to launch the Wine Tourism operation in that location and reinforced the positive impact of our Douro wine brands.

We also continued the development of several multiannual investment projects, in order to improve in the following areas:

- Wine tourism quality and service
- Production in the red and white wineries
- Information and digital communication infrastructures
- Adjust agricultural production
- Sustainability and diversity

1.3 ASSETS & OPERATING RESULTS

Esporão SA's total assets amounted to 151.8 million at the end of 2017, comprised essentially of the company's production assets, including property, plant & equipment and organic production assets, representing a total of approximately 96.5 million euros. The Group's equity remains quite solid and was reinforced to 89.2 million euros in 2017, serving as leverage for the company's projects, providing its assets with a solid financing structure. Liabilities amounted to 62.6 million euros, which represents a net reduction of 1.9 million euros. Turnover was 47.1 million euros, EBITDA was 10.6 million euros and the Group's consolidated net profit, led by the company, was 4.0 million euros in the 2017 financial year, resulting from the companies' business development.

1.4 STATEMENT ON COMPLIANCE OF THE FINANCIAL INFORMATION

The members of the Board of Directors individually declare that, to the best of their knowledge:

- The Consolidated Financial Statements, Individual Financial Statements and other accounting documents were prepared in compliance with the applicable accounting standards, presenting a true and fair view, in all material respects, of the company's assets and liabilities, financial situation, and individual and consolidated balances;
- The Management Report faithfully presents the business evolution, performance and consolidated position of the companies included in the consolidated accounts, and contains a description of the principal risks and uncertainties that they face.

1.5 SHARES AND TRANSACTIONS OF THE MEMBERS OF THE GOVERNING & MANAGING BODIES

- José Alfredo Parreira Holtreman Roquette (Chairman of the Board of Directors): Is chairman of the board of directors of JHR - SGPS, SA, the company that owns 69.06% of Gesparte, S.A., which in turn owns 90.55% of Esporão, SA.

On 01 January 2017, he also owned 100 shares on a private basis, which represent 0.01% of Esporão SA's share capital, and which he maintained as at 31 December 2017.

1.6 OTHER LEGAL INFORMATION

1.6.1 DEBTS TOWARDS THE STATE & SOCIAL SECURITY

Under the terms and for the purposes of the provisions in article 2 of Decree-Law 534/80, of 7 November, and article 21 of Decree-Law 411/91, of 17 October, we declare that the Esporão Group does not have any overdue debt towards the State, resulting from tax settlements, nor any outstanding Social Security contributions.

1.7 SUBSEQUENT FACTS

No relevant facts occurred after the accounting reference date, whether of a private nature or of public knowledge, that may affect any items or information provided in these financial statements.

We would like to express our thanks to all of our staff and partners, and hope that they will continue with the attitude, pride and motivation that are crucial to our sustained growth.

Reguengos de Monsaraz, 13 March 2018

The Board of Directors



José Roquette

(Chairman of the Board of Directors)



João Pedro Roquette
(CEO)



Diogo Corrêa Mendes
(Director)



José Pedro Roquette
(Director)

2. BALANCE SHEET

Unit.: €

ASSETS	NOTES	2017	2016
NON-CURRENT			
Tangible fixed assets	7	50.667.527	51.081.743
Intangible assets	6	1.051.364	364.270
Biological assets	10	45.849.637	45.693.590
Share holdings - Equity Methods	9	789.597	761.126
Share Holdings - Other Methods		2.271.864	2.248.866
Assets for deferred taxes	14	2.538.693	2.197.215
		103.168.682	102.346.809
CURRENT			
Inventories	11	26.007.841	25.164.203
Clients	15	9.954.804	9.447.482
Advanced Payments to Suppliers		819.254	14.671
State and Other Public Entities	18	764.681	1.661.327
Shareholders/Partners	5; 18	2.626.642	3.446.229
Other receivables	18	3.777.421	4.649.767
Deferrals	18	763.184	801.891
Cash and bank deposits	4	3.891.852	4.422.319
		48.605.679	49.607.888
		TOTAL ASSETS	151.774.361
		151.774.361	151.954.698
EQUITY			
Paid In Capital	15	5.300.000	5.300.000
Supplementary Contributions		19.056.756	19.056.756
Share Premium	15	4.397.355	4.397.355
Legal Reserves		1.060.000	1.060.000
Other Reserves		9.404.689	9.404.689
Retained Earnings		17.481.210	15.849.943
Revaluation Surplus		26.460.899	26.227.623
Other Changes in Equity		1.819.258	2.085.343
		84.980.166	83.381.710
Net Profit for the Period		3.979.684	3.889.883
Minority Interests		212.802	206.397
		89.172.652	87.477.990
		TOTAL EQUITY	89.172.652
		89.172.652	87.477.990
LIABILITIES			
NON-CURRENT			
Total Equity		200.000	264.992
Obtained Financing	15	41.232.677	34.920.164
Shareholders/Partners	18	296.666	168.805
Liabilities by Deferred taxes	14	6.768.369	6.468.336
		48.497.712	41.822.297
CURRENT			
Suppliers	15	6.984.486	8.976.917
Clients Advances	15	19.637	4
State and Other Public Entities	14; 15	871.032	1.605.904
Shareholders/Partners	5; 18	698.176	2.120.000
Obtained Financing	18	3.235.056	7.548.634
Other Payables	18	2.249.984	2.359.727
Deferrals	18	45.625	43.226
		14.103.997	22.654.411
		TOTAL LIABILITIES	62.601.709
		62.601.709	64.476.708
		TOTAL EQUITY AND LIABILITIES	151.774.361
		151.774.361	151.954.698

3. INCOME STATEMENT

Unit.: €

INCOME AND EXPENSES	NOTES	YEARS	
		2017	2016
Income and Expenses	12	47,085.936	43.431.823
Sales and services	13	233.926	536.399
Operating Subsidiaries	9	130.634	101.870
Gains/Losses charged to associated subs and joint ventures	11	1.142.455	(632.021)
Variation in production inventories		53.417	-
Works for the entity itself	11	(20.379.090)	(17.927.159)
Cost of products sold and materials consumed	18	(10.338.372)	(9.323.752)
External supplies and services	16	(8.214.604)	(7.384.615)
Personnel expenses		-	(5.000)
Inventory impairment (losses/reversions)		-	-
Provisions (increase/decrease)		-	-
Impairment of Non depreciable investments (losses/reversions)		1.829.605	1.584.749
Increase/Decrease in fair value	18	1.461.105	1.322.861
Other incomes and gains	18	(2.444.633)	(2.217.184)
INCOME BEFORE DEPRECIATION, FINANCING COSTS AND TAXES		10.560.380	9.487.969
Expenses/reversions of depreciation and amortization	6; 7	(4.325.554)	(3.844.941)
Impairment of depreciable investments (losses/reversions)		-	-
OPERATING INCOME BEFORE FINANCIAL COSTS AND TAXES		6.234.826	5.643.027
Interest and similar income received		98.855	234.267
Interest and similar expenses paid	18	(1.462.371)	(1.786.142)
INCOME BEFORE TAX		4.871.310	4.091.152
Income tax for the period	14	(848.673)	(177.575)
NET INCOME FOR THE PERIOD		4.022.636	3.913.577
Shareholders of the mother company		3.979.684	3.889.883
Minority Interests		42.953	23.694

4. STATEMENT OF CHANGES IN EQUITY

DESIGNATION	ATTRIBUTABLE TO SHARE HOLDERS										
	PAID-IN CAPITAL	OTHER INSTRUMENTS IN EQUITY	SHARE PREMIUM	LEGAL RESERVES	OTHER RESERVES	RETURNED EARNINGS	REVALUATION SURPLUS	OTHER VARIATIONS IN EQUITY	NET INCOME	MINORITY INTEREST	TOTAL
Position at the beginning of period	5.300.000	19.056.756	4.397.355	1.060.000	9.404.688	15.849.943	26.277.623	2.085.343	3.889.883	206.397	87.477.988
CHANGES IN PERIOD											
Movement of investment subsidies						278.940	(278.940)				
Surplus revaluation assets revaluation						335.497	(335.497)				
Revaluation Surpluses							373.118				373.118
Movements in equity											(526.132)
Other regularization movements											(174.961)
Application of results						3.889.883			(3.889.883)		
Net income of the period						19.481.210	26.460.899	1.819.257	-	169.849	87.150.014
SubTotal	5.300.000	19.056.756	4.397.355	1.060.000	9.404.688	19.481.210	26.460.899	1.819.257	3.979.284	42.953	4.022.636
Position in the end of periods	5.300.000	19.056.756	4.397.355	1.060.000	9.404.688	19.481.210	26.460.899	1.819.257	3.979.284	211.802	91.172.650
OPERATIONS WITH SHAREHOLDERS											
Capital increase											
Other distributions of income						(2.000.000)					(2.000.000)
Position in the end of periods	5.300.000	19.056.756	4.397.355	1.060.000	9.404.688	17.481.210	26.460.899	1.819.257	3.979.684	212.802	89.172.650

Unit.: €

5. CASH FLOW STATEMENT

DESIGNATION	2017	2016
Unit.: €		
CASH FLOWS OF OPERATING ACTIVITIES - DIRECT METHOD		
Payments from clients	53.323.146	43.848.284
Payments to suppliers	(39.936.626)	(27.208.657)
Payments to personnel	(7.796.728)	(7.269.496)
Cash generated by operations	5.589.793	9.370.131
Payment/ Receipt of income tax	(10.897)	(43.268)
Other payments/ Receivables	(1.200.000)	(799.283)
CASH FLOWS OF OPERATING ACTIVITIES	4.378.895	8.527.580
CASH FLOWS OF INVESTMENT ACTIVITIES		
PAYMENTS FOR:		
Tangible Fixed Assets	(3.339.478)	(5.649.961)
Intangible Assets	-	(486.776)
Financial Investments	-	(302.323)
Other assets	-	-
RECEIVABLES FROM:		
Tangible Fixed Assets	50.000	-
Intangible Assets	-	-
Financial Investments	-	-
Other assets	-	-
Investment subsidies	822.656	344.596
Dividends	-	-
FLOW OF INVESTMENT ACTIVITIES (2)	(2.466.822)	-5.924.305
CASH FLOWS AND FINANCING ACTIVITIES		
RECEIVABLES FROM		
Obtained financing	12.250.000	28.121.647
Realizations of capital and other equity instruments	-	-
Interest and similar income	96.791	-
Coverage losses	-	-
Donations	-	-
Other financing operations	-	-
PAYMENTS FOR:		
Obtained Financing	(10.633.536)	(18.770.032)
Interest and similar costs	(1.392.153)	(1.737.202)
Dividends	(2.257.643)	(1.265.085)
Capital reductions	-	-
Other financing operations	(506.000)	(9.059.000)
FLOW OF INVESTMENT ACTIVITIES (3)	(2.442.540)	-2.709.672
VARIATION IN CASH AND CASH EQUIVALENTS (4)=(1)+(2)+(3)	(530.467)	-106.396
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4.422.319	4.528.716
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3.891.852	4.422.319

6. APPENDIX

1. IDENTIFICATION OF THE ENTITY & REPORTING PERIOD

ESPORÃO, SA is a public limited company, with head office in Reguengos de Monsaraz, in the district of Évora, and whose corporate purpose is the industrialisation and trade of agricultural and livestock products produced in rural properties owned, simply leased or administered by the company, as well as exercising all complementary activities or those directly related to them, including the operation of catering and drinking establishments.

Pursuant to the terms in the deed of incorporation and subsequent changes to ESPORÃO, SA's articles of association, the company's share capital 5.300.000 Euros (five million three hundred thousand euros) was fully paid up in cash.

The current company name was registered in December 2008 and was part of the restructuring of activities between this company and its affiliates.

1.1 BRIEF DESCRIPTION OF THE ENTITIES THAT MAKE UP THE ESPORÃO GROUP AS AT 31.12.2017

ESPORÃO AZEITES, LDA

The company ESPORÃO AZEITES, LDA., is a private limited company with head office at Herdade do Esporão, in the council of Reguengos de Monsaraz. The company was established by public deed on 25 November 1997 with the company name SPAZA - Sociedade Produtora de Azeites do Alentejo, Lda., and began its activity immediately.

The current name was registered in January 2009 and was part of the restructuring of the Esporão Group's activities, which it belongs to. The corporate purpose of ESPORÃO AZEITES, LDA. is to produce quality olive oils.

98% of this company's capital is owned by ESPORÃO, SA, and the head office is at Herdade do Esporão, Reguengos de Monsaraz.

ESPORÃO VENDAS E MARKETING, SA

The company ESPORÃO-Vendas e Marketing, S.A., is a public limited company with head office at Herdade do Esporão, in the council of Reguengos de Monsaraz. The company was established in 1890 with the company name Francisco Mantero, Lda. and registered at the Lisbon Commercial Registry on 5 August 1916. The current name was registered in December 2008 and was part of the restructuring of the Esporão Group's activities.

The corporate purpose of Esporão Vendas e Marketing S.A. is the wholesale trade of wines and olive oils, and 100% of its capital is owned by the company ESPORÃO, SA, with head office at Herdade do Esporão in Reguengos de Monsaraz.

MURÇAS, SA

The company MURÇAS, S.A., is a public limited company with head office at Quinta dos Murças, SA, Covelinhas parish, in the council of Peso da Régua. The company was established by public deed on 23 December 1930, under the legal form of a private limited company, and began its activity immediately.

The current name and change in legal form to a public limited company took place in 2009 and was part of the restructuring of the Esporão Group's activities. The corporate purpose of MURÇAS, S.A. is to produce quality wines, including winegrowing and winemaking activities. It also produces a small batch of olive

oil. 100% of its capital is owned by the company ESPORÃO, SA, with head office at Herdade do Esporão, Reguengos de Monsaraz.

QUALIMPOR

Qualimpor, with head office at Rua António Chagas, 529 - Chácara Santo António, in São Paulo, Brazil, was established in 1995 for the purpose of importing and distributing Herdade do Esporão wines and olive oils. The Qualimpor name originates from combining the words "qualidade de alimentos portugueses" (*quality of Portuguese foods*).

The corporate purpose of the company is the wholesale trade of own brand and third party brand food products and alcoholic beverages.

95% of this company's capital is owned by the company Esporão, SA, and 5% by local staff.

ESPORÃO PRODUÇÃO BIOLÓGICA, LDA.

The company Esporão-Produção Biológica, Lda, is a private limited company with head office at Herdade do Esporão, in the council of Reguengos de Monsaraz. The company was established by private deed on 30 July 2012, and began its activity immediately.

The principal activity of the company Esporão-Produção Biológica, Lda is agricultural production using organic farming methods and techniques and, at the moment, it produces grapes for wine production and olives to produce olive oils. 90% of the company is owned by ESPORÃO, SA, with head office at Herdade do Esporão, Reguengos de Monsaraz, and 10% is owned by the company MURÇAS, SA, with head office at Covelinhas, Peso da Régua.

2. ACCOUNTING REFERENCE FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

These financial statements were prepared and are in compliance with all of the standards included in the Sistema de Normalização Contabilística (SNC-*Unified Accounting System*) in force at the closing date of the financial year. The Basis for Presentation of Financial Statements, Financial Statement Models, Accounting & Financial Reporting Standards (NCRF) and Interpretive Guidelines, must be considered as part of the SNC standards.

Whenever the SNC does not respond to particular aspects of transactions or situations, the International Accounting Standards are applied, in the order indicated, under Regulation (EC) No. 1606/2002, of the European Parliament and of the Council, of 19 July; as well as the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), issued by the IASB, and respective interpretations by the SIC-IFRIC.

The financial statements were prepared on a going concern basis within the current economic and social framework in Portugal.

The values presented are expressed in euros, except for those specifically expressed in other currencies.

2.2 DEROGATIONS FROM THE SNC STANDARDS

During the financial year, there were no exceptional cases of derogation from the standards foreseen in the SNC.

2.3 COMPARABILITY OF FINANCIAL STATEMENTS

As presentes demonstrações financeiras de Esporão, SA foram preparadas com base nos registos contabilísticos mantidos de acordo com a legislação em vigor.

3. KEY ACCOUNTING POLICIES

The key accounting policies applied in preparing the financial statements are described below. The policies were applied consistently to every financial year presented, except where indicated otherwise.

3.1 MEASUREMENT BASES USED IN PREPARING THE FINANCIAL STATEMENTS

3.1.1 CONSOLIDATION

3.1.1.1 FINANCIAL HOLDINGS - SUBSIDIARIES

Subsidiaries are all entities where the Esporão Group has the power to decide on financial or operational policies, which is normally associated with direct or indirect control of more than half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing the control Esporão has over another entity.

Financial holdings in subsidiary companies where the Group exercises control are consolidated using the full consolidation method, from the date the Group assumes control over their financial and operational activities until the control ceases to exist.

The acquisition of affiliates is recorded under the purchase method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The identifiable assets acquired and contingent liabilities assumed in a business combination, are initially measured at their fair value at the acquisition date, regardless of the existence of minority interests.

The excess in the acquisition cost over the fair value of the Group's holdings in the identifiable assets acquired is recorded as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement by consolidated nature. Transactions, balances and unrealised gains among Group companies are eliminated. Unrealised losses are also eliminated, but considered an indicator of impairment of the transferred asset.

The accounting policies of affiliates are altered whenever necessary, in order to ensure consistency with the policies adopted by all of the Group's companies. The entities included in the consolidation through the full consolidation method as at 31 December 2016 and 31 December 2017, and which qualify as subsidiaries, are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES IN 31.12.2017				
Esporão - Vendas e Marketing, SA	Reg Monsaraz	100%	26.684558	1.338.241
Esporão Azeites, Lda	Reg Monsaraz	98%	1.913.049	132.976
Murças, SA	Peso Régua	100%	3.739.887	43.537
Esporão - Produção Biológica, Lda	Reg Monsaraz	100%	1.942.347	1.207.149
Qualimpor Sarl	S. Paulo/Brazil	95%	2.705285	805.886
DIRECT SUBSIDIARIES IN 31.12.2016				
Esporão - Vendas e Marketing, SA	Reg Monsaraz	100%	24.897.049	2.491.386

Esporão Azeites, Lda	Reg Monsaraz	98%	1.833.534	19.202
Murças, SA	Peso Régua	100%	3.739.402	-5.794
Esporão - Produção Biológica, Lda	Reg Monsaraz	100%	735.198	209.812
Qualimpor Sarl	S. Paulo/Brazil	95%	2.608.988	466.195

3.1.1.2 FINANCIAL HOLDINGS - ASSOCIATES

Investments in associates are presented as the value resulting from application of the equity method. According to this method, the consolidated financial statements include the Group's share in the total gains and losses recognised from the date when the significant influence begins until the date when it effectively ceases.

Associates are entities where the Group has between 20% and 50% of the voting rights, or where the Group has significant influence, but cannot exert its control. Unrealised gains or losses from transactions between the Group and its associates are eliminated.

Dividends attributed by the associate are considered reductions in the investment held.

The excess in the acquisition cost over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill, which, less the accumulated impairment losses, is considered in the value recorded as the Esporão Group's investment in Associates.

If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement by consolidated nature.

When the share of an associate's losses exceeds the investment in the associate, the Group recognises additional losses in the future, if the Group has incurred obligations or made payments for the associate's benefit.

The accounting policies of "associates" are altered whenever necessary, in order to ensure consistency with the policies adopted by all of the Group's companies. The entities included in the consolidation through the equity method as at 31 December 2016 and 31 December 2017, and which qualify as associates, are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES IN 31.12.2017				
Prime Drinks, SA	Lisboa	50%	2.434.379	134.379
DIRECT SUBSIDIARIES IN 31.12.2016				
Prime Drinks, SA	Lisboa	50%	2.375.902	75.902

3.1.2 PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment is valued at the cost net of accumulated depreciation and impairment losses.

This cost includes: (a) the "considered cost" determined on the date of transition to the SNC, which in the case of land and buildings, was measured by the net value retained from the former SNC, including legal revaluations; and (b) the acquisition cost of assets purchased or constructed after that date.

The acquisition cost includes the asset's purchase price, expenses directly attributable to its acquisition and charges incurred to prepare the asset and put it in working condition.

Costs incurred through renovations and major repairs, which increase the asset's useful life, are recognised in the asset's cost. Day-to-day repair and maintenance expenses are recognised as costs during the period in which they occur.

The estimated useful life of the more significant property, plant & equipment is as follows:

	YEARS
BUILDINGS AND OTHER CONSTRUCTIONS	50
BASIC EQUIPMENT	8

TRANSPORTATION EQUIPMENT	4 to 6
REMAINING TANGIBLE FIXED ASSETS	3 to 12

The useful life of assets is reviewed in each financial report, to ensure that the depreciations applied are in line with the assets' consumption patterns.

Changes to the useful life are treated as a change in accounting estimate and are applied prospectively.

Gains and losses arising from the disposal of assets are determined by the difference between the proceeds of disposal and the asset's book value, and are recognised in the Income Statement by consolidated nature.

3.1.2.1 LAND

The amount relating to land, recorded in the Group's financial statements, is broken down as follows:

- Land at Herdade do Esporão occupied by vine plantations; intended to produce grapes for winemaking;
- Land at Herdade do Esporão occupied by traditional Alentejo forest area;
- Land at Herdade dos Perdigos occupied by vine plantations for grape production;
- Land at Lavradores and Machuguinho located in the Portalegre region, occupied by vine plantations;
- Land at Enxofral located in the Portalegre region, for vine plantations;
- Land of the S. Braz do Regedouro cheese factory in Évora;
- Quinta dos Murças including the areas planted with vineyards and the forest.

The land is recorded at fair value based on the valuation carried out as at 31 December 2010 and the same asset value was assumed for subsequent financial years, since no facts occurred that could significantly alter its value. The technical valuation is based on the property value of the entire land, whether used or not for the company's operations and corporate purpose.

The land in Portalegre and Évora was purchased by Esporão, S.A. at the end of the 2012 financial year, and is valued at cost, taking into account the time that has passed since its acquisition and also due to the lack of exceptional events that could alter its purchase value. Quinta dos Murças is valued at fair value through a land value study carried out in 2009 and maintained in subsequent financial years, due to a lack of facts that could significantly alter its value.

3.1.2.2 BUILDINGS

The item buildings is comprised of the constructions that make up the winery, wine tourism, warehouses, bottling plant and tower. These were initially recorded at their construction cost and subsequently adjusted in the company's accounts at fair value. This value was calculated as at 31 December 2010, based on the property valuation carried out by an independent company, and maintained in the subsequent financial years due to the lack of facts that could significantly alter its value. The cheese factory building located in S Braz do Regedouro, was included in the company's assets at the end of the financial year, and is valued at cost. During the financial year, the buildings that made up the oil mill in Serpa were sold, as part of a project to concentrate olive oil production at the Reguengos de Monsaraz industrial complex.

3.1.2.3 PRODUCTION EQUIPMENT

Production machinery and equipment is expressed at acquisition cost, plus all charges resulting from its preparation for use. The value of major repairs that increase the equipment's useful life or the asset's production capacity is added to the value of the assets.

3.1.2.4 DEPRECIATION & AMORTISATION

Depreciation is calculated from the date when the assets become available for use, using the straight-line method, according to the estimated useful life of each group of assets, pursuant to Regulatory Decree No. 25/2009.

The depreciation rates used are based on the expected useful life (in years) described in the introduction in paragraph 3.1.2.

3.1.2.5 PROPERTY, PLANT AND EQUIPMENT IN PROGRESS

Property, plant and equipment in progress regard assets under construction, recorded at acquisition cost, net of impairment losses. These assets depreciate from the moment they are available for use and in the necessary conditions to operate.

These include:

- the Lagares winery and ETAR buildings;
- costs incurred for works to expand the Esporão winery;
- costs to launch reconstruction of administrative and sales buildings at Quinta dos Murças, due to be completed in the 2017 financial year;
- costs incurred to reinforce the IT and digital infrastructure, including hardware and software in the development phase.

3.1.2.6 COLLATERAL

The land and buildings of Herdade do Esporão, including plantations and all respective improvements, were mortgaged in favour of the bank syndicate led by Banco Comercial Português, which also includes BIC bank and Banco Popular, as a repayment guarantee for the funding granted in the form of a Commercial Paper Program in the maximum amount of 23 million euros. At the closing date of this financial year, the total value of commercial paper issued and which is equal to the company's debt was 10 million euros.

The land and buildings of Perdigoes, Lavradores, Machuginho and Enxofral, are mortgaged in favour of Banco Santander as collateral for a loan to Esporão, SA which, as at 31.12.2017, was 4.25 million euros.

The land and buildings of Quinta dos Murças are mortgaged in favour of CCAM as collateral for a loan to Esporão, SA which, as at 31.12.2017, was 8 million euros

3.1.3 BIOLOGICAL ASSETS

Biological production assets are comprised by the following plantations:

- Vines intended to produce grapes for making the wines traded by the company;
- Olive groves intended to produce olives to sell to the company Esporão Azeites, Lda, which produces olive oils and where there is an equity stake. This plantation has the technical characteristics of a semi-intensive planting regime.
- Forest made up of holm oaks and stone pines.

The vines are recorded at their fair value, calculated based on estimates using the discounted cash flow method, according to the following assumptions:

- Useful life: 25 years.
- Benchmark price of own grapes: average of the purchase costs over the last two financial years, plus a premium equal to the weighted average of the wine prices.
- Production costs: average of the last two years.
- Average productivity: productivity calculated using the average of a normal harvest.
- Discount rate: 6.14% applied on the cash flow values at constant prices throughout the financial year.
- Significant changes in fair value observed in the assumptions are recognised for a period of 25 years.

The discount rate used is the average rate of the cost of debt capital sustained by the company over the last four years, excluding the rates negotiated some years ago and which are below the market rate, adding 1.6% of risk premium.

The price of grapes was calculated based on the average purchase price in the financial year, plus a mark-up calculated using a correlation of the weighted average selling price of the wines they are intended for, in the last three years.

The fair value of the olive groves was calculated using the discounted cash flow method at the rate of 6.14% per year, applied over the values of profit net of the expected costs, and for a plantation lifecycle of 25 years.

3.1.4 INTANGIBLE ASSETS

Intangible assets are recognised and measured when: i) they are identifiable; ii) it is likely they will result in future economic benefits; and iii) their cost can be reliably measured.

When acquired individually, intangible assets are recognised at cost, which includes: i) the purchase price, including costs for intellectual rights and fees after deducting any discounts; and ii) any cost directly attributable to prepare the assets for their intended use.

When purchased within a business combination, separable from goodwill, intangible assets are valued at fair value, determined by applying the purchase method, as foreseen in NCRF 14 - Concentrações de Atividades Empresariais (Business Combinations).

Assets generated internally, namely expenses for internal development, are recorded as expenses when incurred, whenever the research phase cannot be distinguished from the development phase, or when it is impossible to reliably determine the costs incurred in each phase or the probability that these will result in economic benefits for the group.

Expenditures from studies and evaluations carried out during operational activities are recognised in the income statement of the financial year when they are incurred.

The useful life and the amortisation method applied to intangible assets are determined based on the consumption estimate of the economic benefits associated with the asset.

Intangible assets with a defined useful life are amortised on a systematic basis from the date when they are ready for use, during the estimated useful life.

Assets that, due to their nature, do not have a defined useful life, are not amortised and are subject to annual impairment tests whenever they present signs of impairment. As at 31.12.2017, balances that carried over from the associate Qualimpor are recorded as intangible assets, namely: i) Software - values spent to acquire rights for IT applications and the configuration costs incurred, to support the activities performed, as well as the cost to build software for shared use, by way of services rendered; ii) Telephone Lines - Telephone lines and network.

3.1.5 FINANCIAL INSTRUMENTS

The Board of Directors determines the classification of financial assets, at the date of initial recognition, pursuant to NCRF 27 - Instrumentos Financeiros (*Financial instruments*).

Financial assets can be classified/ measured:

- (a) at cost or amortised cost, less impairment losses; or
- (b) at fair value, with changes in fair value recognised in the income statement.

The Group classifies and measures at cost or amortised cost, financial assets: i) with a foreseeable future or defined maturity; ii) where the return is a fixed amount, with a fixed or floating interest rate based on market indexing; and iii) that do not have a contractual clause that may result in a loss in nominal value and accumulated interest.

For assets recorded at amortised cost, the interest obtained to be recognised in each financial year is determined using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts during the expected life of the financial instrument.

Financial assets are recorded at cost or amortised cost when these constitute loans granted, receivables (clients, other debtors, etc.) and equity instruments, as well as any associated derivative contracts that are not negotiated in an active market or whose fair value cannot be reliably determined.

The Group classifies and measures at fair value financial assets that do not comply with conditions to be measured at cost or amortised cost, as described above. Financial assets that constitute equity instruments traded in an active market are recorded at fair value, as well as derivative contracts and financial assets held for trade. The changes in fair value are recorded in the income statement for the financial year, except for derivative financial instruments that qualify as a cash flow hedging relationship. At each financial reporting date, the Group evaluates the existence of indicators of loss of value for financial assets that are not measured at fair value through profit or loss. If there is objective evidence of impairment, the Group recognises an impairment loss in the income statement. Financial assets are derecognised when the rights to receive cash flows from those investments expire or are transferred, as well as all of the risks and rewards of ownership.

3.1.1.10 FAIR VALUE OF FINANCIAL INSTRUMENTS

If there is an active market, the market rate is applied to determine the fair value of a financial asset or liability. If there is not an active market, which is the case with some financial assets and liabilities, generally accepted valuation techniques based on market assumptions are applied.

The Group applies valuation techniques to unlisted financial instruments, such as derivatives, financial instruments at fair value through profit or loss and financial assets available for sale. The most frequently used valuation models are discounted cash flow and option models, which incorporate, for example, interest rate curves and market volatility.

For some types of more complex derivatives, more advanced valuation models are used that contain assumptions and data that are not directly observable in the market, and where the Group uses internal estimates and assumptions.

3.1.6 INVENTORIES

The items raw materials and packaging & consumption materials are expressed in our accounting records at acquisition cost.

The value of the finished product expressed in the income statement represents its production value without any value adjustment.

The value for raw materials - grapes incorporated in the finished products - was subject to an adjustment due to the effect of applying the fair value method, as mentioned in paragraph 3.1.3 above.

The records of quantities at the end of the financial year were confirmed through a physical inventory count.

Changes in the depreciation criteria of buildings and equipment were adapted to the criteria for costing of manufactured products.

3.1.7 CLIENTS & OTHER ACCOUNTS RECEIVABLE

The value in the items clients and other accounts receivable refers to receivables from clients and other entities, and is expressed at fair value, which is the price established for the operations carried out, subsequently adjusted by impairments.

3.1.8 CASH & CASH EQUIVALENTS

Cash and equivalents are values included in cash and bank deposits, with immediate liquidity, without risk or with a slight risk. Bank overdrafts are presented in the balance sheet as funding in current liabilities.

3.1.9 CURRENCY CONVERSION

3.1.9.1 FUNCTIONAL & PRESENTATION CURRENCY

The Esporão Group's Consolidated Financial Statements and respective notes of this appendix, are presented in euros, unless clearly indicated otherwise.

3.1.9.2 TRANSACTIONS & BALANCES

Transactions in currencies other than the euro are converted to the functional currency using the exchange rates at the date of the transactions.

Exchange gains or losses resulting from payment/ receipt of transactions as well as conversion using the exchange rate at the balance sheet date, of monetary assets and liabilities denominated in foreign currency, are recognised in the Income statement by consolidated nature, in the item financing costs, if these relate to loans, or in other gains or operating losses, for all other balances/transactions.

3.1.9.3 FOREIGN OPERATIONS

Profits & losses and the balance sheet of Esporão Group's foreign operations, which have a functional currency other than the euro, were converted to the presentation currency using the exchange rate at the closing date of the financial year.

3.1.9.4 RATES APPLIED

The foreign exchange rate used to convert the balance sheets expressed in foreign currency, was as follows:

1 EURO (EUR) = X FOREIGN CURRENCY	CURRENCY	31.12.2016	31.12.2017
REAL BRAZIL	BRL	3,43	3,97
US DOLLAR	USD	1,07	1,20

3.1.10 INCOME TAX

Income tax for the financial year includes current taxes and deferred taxes. Income tax is recorded in the consolidated income statement, except when it relates to items that are recognised directly in equity. The value of the current tax to be paid is determined based on income before taxes, adjusted according to the tax regulations in force.

As of 2011, the Group is subject to the Regime Especial de Tributação dos Grupos de Sociedades (RETGS - *Special Tax Regime for Groups of Companies*), whereby the dominant entity is Gesparte, SA. Profits or losses resulting from tax consolidation adjustments are the responsibility of the dominant company. The companies included in the Group of Companies along with Esporão, SA are: a) Esporão Vendas e Marketing, SA; b) Murças, SA; c) Esporão Azeites, Lda. and Esporão Produção Biológica, Lda.

The tax declarations of Esporão and affiliated companies from the years 2014 to 2017 may still be subject to revision. However, the Company believes that any corrections by the Tax Administration to the tax declarations still subject to revisions/ inspections, will not have a significant effect on the financial statements as at 31 December 2017.

According to the RETGS, tax losses determined in this financial year are deducted from the tax profits of the Companies included in the RETGS, for a period of five years.

Deferred taxes are recognised in the company's balance sheet, considering the temporary differences resulting from the difference between the tax base of assets and liabilities and their values in the consolidated financial statements. Deferred taxes are calculated based on the tax rate in force or officially communicated at the balance sheet date, and which is expected to be applicable on the date in which proceeds from deferred tax assets or payment of deferred tax liabilities are due.

Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available to apply the temporary difference. Deferred tax liabilities are recognised for all taxable temporary differences, except those relating to: i) initial recognition of goodwill; or ii) initial recognition of assets and liabilities, that do not result from a business combination and which, on the transaction date, do not affect the accounting or taxable profit.

However, regarding the taxable temporary differences relating to investments in affiliates, these should not be recognised to the extent that: i) the parent entity has the ability to control the reversal period of the temporary difference; and ii) it is unlikely that the temporary difference will reverse in the near future.

3.1.11 PROVISIONS

Provisions are recognised when the Group has: i) a present legal or constructive obligation resulting from past events; ii) where it is likely that expenditure of internal resources will be required to pay that obligation; and iii) the amount can be reliably estimated. Whenever one of the criteria is not met or the obligation is dependent on the occurrence (or lack) of a certain future event, the Esporão Group discloses the fact as a contingent liability, unless it is considered unlikely that expenditure of resources will be required to pay the obligation.

Provisions for restructuring and judicial processes are recognised when: the Group has a legal or constructive obligation resulting from past events; it is likely that an outflow of resources will be necessary to liquidate the obligation; and the amount can be reliably measured.

Restructuring provisions include severance for termination of employee contracts. Future operating losses are not recognised as provisions.

When there is a set of similar obligations, the need for an outflow to liquidate the obligation is determined by considering the class of obligations as a whole.

A provision is recognised even if the probability of an outflow regarding an item included in the same class of obligations is slight.

Provisions are measured at the present value of expenditures estimated to liquidate the obligation using a rate before taxes, which reflects the market assessment for the discount period and for the risk of the provision in question. Provisions are revised at the Balance sheet date, as well as the respective origins, and are adjusted in order to reflect the best estimate at that date.

The Group recognises provisions for financial investments for consolidated associates through the equity method, whenever it has future responsibility. When the share of an associate's losses exceeds the investment in the associate, the Group recognises additional losses in the future, if the Group has incurred obligations or made payments for the associate's benefit.

3.1.12 RECOGNITION OF EXPENSES & INCOME

Expenses and income are recorded in the year to which they refer, regardless of when paid or received, pursuant to the accrual-based accounting principle. The differences between the amounts paid and received and the corresponding revenue and expenses are recognised as assets or liabilities, if they qualify as such.

3.1.12.1 REVENUE

Revenue is measured at the fair value of the amount received or receivable relating to services rendered during the Group's regular business. Revenue is recorded net of taxes or trade and financial discounts attributed.

3.1.12.2 ACCRUAL OF EXPENSES & INCOME

Expenses and income are recorded in the year to which they refer, regardless of when paid or received, pursuant to the accrual-based accounting principle. The differences between the amounts received and paid and the corresponding revenue and expenses are recognised as assets or liabilities, if they qualify as such.

3.1.13 CLASSIFICATION OF BALANCE SHEETS

Assets and liabilities due in more than one year from the Balance sheet date are classified as non-current assets and liabilities, respectively.

3.1.14 SUBSEQUENT EVENTS

Events that occur after the balance sheet date that affect the value of assets and liabilities, are considered when preparing the financial statements for the year. If they are significant, these events are disclosed in the notes to the financial statements.

3.1.15 SUPPLIERS

The value in the item suppliers regards payables to suppliers and is expressed at fair value, representing the price established for the operations carried out.

3.1.16 FUNDING OBTAINED

Balance relating to bank loans and overdrafts. These are expressed at fair value.

3.1.17 OTHER ACCOUNTS PAYABLE

Includes funding granted by the shareholder and payables to other entities. These are expressed at fair value.

3.2. KEY SOURCES OF UNCERTAINTY

Preparation of the financial statements pursuant to the SNC requires the use of estimates, assumptions and critical judgment in the process of determining which accounting policies the Esporão Group should adopt, with significant impact on the accounting value of assets and liabilities, as well as on income and expenses in the reporting period.

Although these estimates are based on the Board of Directors' best experience and best expectations regarding current and future events, the current and future balances can differ from these estimates.

Changes in these estimates that occur after the date of the financial statements will be corrected in the income statement prospectively.

Areas that involve a greater degree of judgment or complexity, or areas where

assumptions and estimates are significant to the consolidated financial statements, are presented in Note 3.1.3.

4. CASH FLOW

4.1

The Esporão Group does not hold cash funds or equivalents with restrictions on their use in the periods presented.

4.2

As at 31 December 2017 and 2016, cash and cash equivalents are broken down as follows:

	2017	2016
CASH	34.585	27.467
BANK DEPOSITS	2.296.278	2.018.972
OTHER BANK DEPOSITS	814.686	2.316.430
OTHER FINANTIAL ASSETS	719.302	59.450
CASH AND BANK DEPOSITS	3.891.852	4.422.319

5. RELATED PARTIES

5.1 RELATIONSHIPS WITH THE PARENT ENTITY

The immediate parent entity is Gesparte, S.A. The ultimate controlling entity is JHR, S.A.

5.2 REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of key management personnel only applies to remuneration of the governing bodies:

	2017	2016
REMUNERATION OF CORPORATE BODIES	268.424	267.639
REMUNERATION OF KEY PERSONNEL	268.424	267.639

5.3 TRANSACTIONS BETWEEN RELATED PARTIES

5.3.1.1 AMOUNT OF OUTSTANDING BALANCES, INCLUDING COMMITMENTS:

		2017	2016
RECEIVABLES			
Clients	Esporão Azeites, LDA	0	0
Clients	Esporão Produção Biológica, LDA	0	0
Clients	Esporão Wines	0	296

Clients	Esporão, SA	0	0
Clients	Gesparte, SA	363.874	87
Suppliers	Esporão Produção Biológica, LDA	0	0
Suppliers	Gesparte, SA	0	299.601
Suppliers	Esporão Wines	0	0
Shareholders/partners	Gesparte, SA	2.432.228	3.446.228
Other debtors and Creditors	D. Brands	330.127	428.422
Other debtors and Creditors	Gesparte, SA	1.392.000	1.392.000
Other debtors and Creditors	Murças, SA	0	0
Other debtors and Creditors	Others	44	44
Other debtors and Creditors	Prime Drinks, S.A.	378.288	378.288
Other debtors and Creditors	Resumo Parcela	300	300
		4.896.861	5.945.266
PAYABLES			
Clients	Esporão Vendas e Marketing, S.A.	0	0
Clients	Murças, SA	0	0
Suppliers	Esporão Azeites, LDA	1	1
Suppliers	Esporão Vendas e Marketing, S.A.	0	0
Suppliers	Esporão Wines	57.824	11.921
Suppliers	Esporão SA	0	0
Suppliers	Gesparte, SA	0	-
Suppliers	Esporão Wines	0	-
Suppliers	STDA, SA	31.754	13.436
Shareholders/partners	Esporão Vendas e Marketing, S.A.	0	0
Other debtors and Creditors	Murças, SA	0	0
Other Equity instruments	Gesparte, SA	17.632.756	17.632.756
Other Equity instruments	Global Prom, B.V.	1.424.000	1.424.000
		35.154.028	19.082.114

6. INTANGIBLE ASSETS

6.1 MEASUREMENT BASIS OF GROSS CARRYING AMOUNT

The item Intangible assets includes IT programs and systems for shared use by various user companies.

6.2 DEPRECIATION METHODS AND USEFUL LIVES APPLIED

Depreciation was calculated and recorded using the straight-line method, as described in paragraph 3.1.4.

6.3 GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

	R&D EXPENSES	COMPUTER PROGRAM	INDUSTRIAL PROPERTY	OTHER IA	UNDERWAY	TOTAL
Initial gross carrying amount	828.328	0	1.473	76.900	0	906.700
Initial accumulated depreciation	-503.996	0	0	-38.435	0	-542.430
Initial net carrying amount	324.332	-	1.473	38.465	-	364.270

Final gross carrying amount	1.767.929	2.329	1.271	76.900	0	1.848.428
Final accumulated depreciation	-745.818	0	0	-51.246	0	-797.064
Final net carrying amount	1.022.111	2.329	1.271	25.654	-	1.051.364

6.4 RECONCILIATION OF THE CARRYING AMOUNT AT THE BEGINNING AND END OF THE FINANCIAL YEAR

	R&D EXPENSES	COMPUTER PROGRAM	INDUSTRIAL PROPERTY	OTHER IA	UNDERWAY	TOTAL
Initial net carrying amount	324.332	-	1.473	38.465	-	364.270
Additions						
Transfers						-
Revaluation of Property						-
Depreciation reversal						-
Acquisitions	939.601	2.329	(202)	-	-	941.728
Total Net Addition	939.601	2.329	-202	0	0	941.728
Reductions						
Depreciations	(241.822)	-	-	(12.812)	-	(254.634)
Disposals						-
Regularisations						-
Transfers						-
Write-downs and disposal						-
Total of reductions	(241.822)	-	-	(12.812)	-	(254.634)
Final net carrying amount	1.022.111	2.329	1.271	25.654	-	1.051.364

7. PROPERTY, PLANT & EQUIPMENT

7.1 GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

	LAND	BUILDING	TRANSPORTATION EQUIPMENT		OTHER ASSETS	UNDERWAY	TOTAL
			BASIC	TRANSPORTE	ADMINISTRAT.		
Initial gross carrying amount	22.104.714	45.264.051	15.609.638	1.210.639	830.526	1.477.803	91.950.820
Initial accumulated depreciation	-331.459	-26.062.240	-11.807.120	-908.427	-773.849	-985.982	-40.869.078
Initial net carrying amount	21.773.255	19.201.812	3.802.518	302.212	56.677	491.821	51.081.743
Final gross carrying amount	22.104.714	49.127.261	17.361.211	1.182.221	899.674	1.675.959	93.762.448
Final accumulated depreciation	-331.511	-27.468.616	-12.417.604	-967.694	-796.277	-1.113.219	-43.094.921
Final net carrying amount	21.773.203	21.658.644	4.943.607	214.527	103.398	562.740	50.667.527

7.2 RECONCILIATION OF THE CARRYING AMOUNT AT THE BEGINNING AND END OF THE FINANCIAL YEAR

	LAND	BUILDING	TRANSPORTATION EQUIPMENT			OTHER ASSETS	UNDERWAY	TOTAL
			BASIC	TRANSPORTE	ADMINISTRAT.			
INITIAL NET CARRYING AMOUNT	21.773.255	19.201.812	3.802.581	302.212	56.667	491.821	5.453.448	51.081.743
ADITIONS								
Transfers	-	3.349.321	689.489	-28.418		166.486	(4.176.879)	0
Revaluation of Property								-
Acquisitions								-
Total Net Addition	-	513.888	1.062.083	-	69.148	31.670	134.838	1.811.628
TOTAL DAS ADIÇÕES	0	3.863.209	1.751.572	-28.418	69.148	198.156	(4.042.040)	1.811.628
REDUCTIONS								
Depreciations	(52)	(1.406.377)	(741.725)	(74.240)	(22.428)	(127.237)	-	(2.372.048)
Regularisations								-
Transfers								-
Write-downs and disposal			131.231	14.973	0			146.204
TOTAL OF REDUCTIONS	(52)	(1.406.377)	(610.484)	(59.267)	(22.428)	(127.237)	-	(2.225.844)
FINAL NET CARRYING AMOUNT	21.773.203	21.658.644	4.943.607	214.527	103.398	562.740	1.411.408	50.667.527

7.3 RESTRICTIONS ON TITLE OF PROPERTY, PLANT & EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

The land and buildings of Herdade do Esporão, as well as the plantations and improvements carried out, are compelled to fulfil the obligations of compliance with the Commercial Paper Program in the maximum amount of 28 million euros, granted by the bank syndicate led by BCP. At the end of the financial year, the total value of commercial paper issued within this contract amounted to 26 million euros.

The land and buildings of Quinta dos Murças are mortgaged in favour of CCAM as collateral for a loan granted by this institution to Esporão, SA which, at the closing date of the financial year, was 8 million euros.

7.4 REVALUATION OF PROPERTY, PLANT & EQUIPMENT

The Group's property, plant and equipment was revalued under the following legislation:

- Decree-Law No. 399-G/84, of 28.12
- Decree-Law No. 118B/86, of 27.05
- Decree-Law No. 49/91 of 25.01
- Decree-Law No. 264/92 of 24.11
- Decree-Law No. 31/98 11.02

Economic revaluations based on studies by evaluating experts, regarding properties owned by the company.

7.5 CAPITALISATION OF FINANCIAL CHARGES

The Group did not add any financial charges to projects completed during this year, pursuant to the terms foreseen in NCRF 10 (costs of loans obtained) combined with NCRF 7 (property, plant & equipment).

8. ASSET IMPAIRMENT

8.1 CHANGES IN IMPAIRMENT

	CLIENTS
Inicial Amount	8.717
Losses	-
Reversals	-
Final Amount	8.717

Impairments from clients are recognised according to the tax criteria.

9. INVESTMENTS IN SUBSIDIARIES & CONSOLIDATION

The item financial holdings includes the values of shares in each of the associated companies, as well as supplementary or ancillary capital payments.

Stocks and shares representative of capital of the associated companies are recorded at acquisition cost, and this value is adjusted at the end of each financial year using the equity method, pursuant to NCRF 13. This method is applied to all shareholdings that represent more than 20% of the associated company's share capital, and adjusts the value of the shareholding to the value of the controlled company's equity.

	HEAD-QUARTERS	BOOK VALUE		% OF OWNER-SHIP	DATA FROM THE LAST AVAILABLE ACCOUNTS		
		2017	2016		EQUITY	NET INCOME	YEAR
SUBSIDIARIES							
EUA							
Esporão - Wine & Olive Oils							
Participation value		16.825	16.825	100%	29.923	5.563	feb 2017
Financing loans		0	0				
LISBOA							
Primedrinks							
Participation value		394.485	366.013	50%	2.434.379	134.379	2017
Financing loans		378.288	378.288				
		789.598	761.126				
SUBSIDIARIES - OTHER METHOD							
Gesparte - Soc Gestão P Auditoria SA	-	788.000	788.000	3%			
Gesparte - Soc Gestão P Auditoria SA	-	1.392.000	1.392.000				
C.A.R.M.	-	170	170				
CEPAAL-CENTRO ESTUDOS		2.000	2.000				
CCAM Peso da Régua	-	615	615				
Lisgarante Totta		22.500	22.500				
Garval	-	14.500	14.500				
AC Agrogarante	-	29.000	29.000				
Coop Agrícola de Mourão	-	15	15				
Other companies	-	23.063	65				
		2.271.864	2.248.866				

10. AGRICULTURE

10.1 DESCRIPTION OF THE BIOLOGICAL ASSETS

The item biological assets includes vineyards, olive groves and the holm oak and stone pine forest, as well as the animals acquired to establish ecological balance in the areas of cork and holm oak plantations.

The vineyards and olive groves are valued using the fair value method, applying the criteria defined in paragraph 3.1.3.

The value of the forests was determined according to replacement cost criteria. There are areas containing indigenous plants that are not recorded in the company accounts.

The movements in the financial year were as follows:

	2017	2016
VINEYARD		
Initial value	42.572.549	42.719.432
Adjustments	-	-
Alienation	-	-
Improvement/reversal of fair value period	103.501	(146.883)
VALUE IN THE END OF THE PERIOD	42.676.050	42.572.549
OLIVE GROVE		
Initial value	2.739.450	2.706.690
Adjustments	-	-
Improvement/reversal of fair value period	27.231	32.760
VALUE IN THE END OF THE PERIOD	2.766.681	2.739.450
FOREST		
Initial value	374.641	374.641
Adjustments	-	-
Improvement/reversal of fair value period	-	-
VALUE IN THE END OF THE PERIOD	374.641	2.739.450
ANIMALS		
Initial value	6.950	4.550
Adjustments	-	-
Improvement/reversal of fair value period	25.315	2.400
VALUE IN THE END OF THE PERIOD	32.265	6.950
	45.849.637	45.693.590

The Group records the vineyards as biological assets at their fair value, pursuant to NCRF 17 (agriculture). In the 2016 financial year, the premises associated with appreciation of fair value were revised, which happens every two years. The premises relating to the discount rate were altered (6% decrease), as were those relating to the annual running cost (3% increase). The impacts from significant changes in fair value are amortised over the vineyards' useful life (25). These premises are maintained in the 2017 financial year, since no facts occurred that indicated significant changes in the calculation of fair value.

11. INVENTORIES

11.1 ACCOUNTING POLICIES ADOPTED TO MEASURE INVENTORIES

The accounting policies and measuring criteria adopted when preparing the financial statements are described in paragraph 3.1.6

11.2 TOTAL AMOUNT OF INVENTORIES

The item inventories is broken down as follows:

INVENTORIES	2017	2016
Goods	6.241.030	5.065.737
Raw Materials	1.372.281	1.547.033
Products and Work in Progress	3.223.894	2.597.976
Finished Products and intermediate products	15.170.636	15.953.458
	26.007.841	25.164.203

11.3 AMOUNT OF INVENTORIES RECOGNISED AS AN EXPENSE DURING THE FINANCIAL YEAR

The expenses relating to inventories were as follows:

	2017	2016
Finished Products and intermediate products	2.096.340	962.834
Products and Work in Progress	(3.238.795)	(330.813)
Variation in Production	-1.142.455	632.021
Goods	336.616	2.028.795
Raw Material	20.042.475	15.898.365
CMVMC	20.379.090	17.927.159
Shortfalls	94.994	108.373
Offers and samples	261.671	396.426
TOTAL SPENDING	19.593.300	19.063.980

Cost of materials consumed:

	2017		2016	
	FINISH GOODS	WORK IN PROGRESS	FINISHED GOODS	WORK IN PROGRESS
PRODUCTION VARIATION DEMONSTRATION				
Initial Inventory	15.953.458	2.597.976	16.876.165	1.617.351
Inventory reclassification and regularization	985.552	-	689.939	-
Inventory changes on accounting policies (note 3)	-	-	-	-
Final inventory	15.170.636	3.223.894	15.953.458	2.597.976
	(1.768.374)	625.919	(1.612.646)	980.624

Revenue broken down by categories:

	2017		2016	
	GOODS	RAW MATERIALS	GOODS	RAW MATERIALS
COST OF GOODS SOLD				
Initial Inventory	5.066.231	1.547.033	6.657.313	1.690.952
Acquisitions	1.800.374	19.578.763	760.949	15.430.715
Inventory reclassification and regularisation	-	-	-	-
Final inventory	6.241.030	1.372.281	5.065.737	1.547.033
	(2.352.525)	(19.753.515)	(2.352.525)	(15.574.634)

12. REVENUE

12.1 ACCOUNTING POLICIES ADOPTED TO RECOGNISE REVENUE

The principal revenue of the Esporão Group results from the sale of wine and olive oil.

12.2 AMOUNT OF EACH SIGNIFICANT CATEGORY OF REVENUE RECOGNISED DURING THE FINANCIAL YEAR

Revenue broken down by categories:

	2017	2016
Goods	-	-
Finished and intermediate products	48.381.466	43.452.461
Subproducts, waste, residues and scrap	99.238	60.471
Biological affixes	19.765	-
Sales Discounts and reliefs	(1.007.984)	(594.018)
Sales returns	(1.364.015)	(821.934)
SALES	46.128.470	42.096.980
PROVISION OF SERVICES	957.467	1.334.843
OBTAINED INTEREST	98.855	234.267

Sales and services rendered broken down by markets are as follows:

	2017	2016
Domestic Market	19.930.459	20.053.379
Intra-community market	4.848.118	4.854.039
External Markets	21.349.892	17.189.561
SALES	46.128.470	42.096.980
Domestic Market	688.120	796.954
Intra-community market	-	-
External Markets	269.346	537.889
PROVISION OF SERVICES	957.467	1.334.843

13. SUBSIDIES & OTHER SUPPORT FROM PUBLIC ENTITIES

13.1 ACCOUNTING POLICY ADOPTED FOR SUBSIDIES FROM PUBLIC ENTITIES

The company's subsidies are operating subsidies. The respective gains are recognised in the period in which they are received.

13.2 NATURE AND EXTENT OF SUBSIDIES FROM PUBLIC ENTITIES

	2016	2016
IFADAP	203.368	224.339
IEFP	10.041	8.258
OCM-IVV	0	303.802
Other entities	20.517	-
	233.926	536.399

14. INCOME TAX

As mentioned in paragraph 3.1.10, as of 2011, the Group is subject to the Regime Especial de Tributação dos Grupos de Sociedades (RETGS - *Special Tax Regime for Groups of Companies*), whereby the dominant entity is Gesparte, SA. The initial deferred tax rate applied was 24.5%, subsequently adjusted to 21.5%, representing the profit tax rate relating to corporate income tax and others.

14.1 DEFERRED TAX ASSETS & LIABILITIES

Movements that occurred in the items deferred tax assets and liabilities for the financial years presented are as follows:

DEFERRED TAXES ASSETS	2016	INCREASE	DECREASE	2017
Monetary devaluation coefficients of land	2.197.215	25.312	-	2.222.527
Non recoverable results	-	-	-	-
Tax losses	-	316.166	-	316.166
	2.197.215	314.478	-	2.538.693

The value relating to monetary devaluation coefficients of land represents the fiscal impact of applying these coefficients to a potential and hypothetical disposal of land.

In 2015 we carried the amount of € 3.888.928 relating to deferred tax assets on tax losses determined in that financial year. This value results primarily from tax losses incurred through the dissolution of the associated company Zamagri-Agricultura e Comércio Internacional, SA. In 2016, this value was transferred to the account pertaining to Gesparte shareholders, since this company carries out the tax consolidation.

The Board of Directors is convinced that this value can be recovered thanks to the profits generated in this financial year and the prospects for upcoming years.

LIABILITIES TAXES ASSETS	2016	INCREASE	DIMINUIÇÕES	2017
Revaluation of tangible fixed assets	2.678.397	(49.804)	-	2.628.592
Changes in the fair value of Biological assets	3.131.472	430.819	-	3.562.291
investment subsidies	658.468	80.982	-	577.486
	6.468.336	300.033	-	6.768.369

Property, plant & equipment was revalued, as referred in paragraph 7.4. These revaluations are taxed at the time of disposal of the assets, constituting a temporary tax difference.

Changes in the fair value of biological assets regard the adjustment of the value of the existing biological assets when these transitioned from the POC to the SNC. The decrease recorded in 2016 reflects that year's disposals and the revision of premises, which takes place every two years.

The impact of investment subsidies on equity takes place when they are attributed, and are taxed with the depreciation of underlying assets.

15. FINANCIAL INSTRUMENTS

15.1 MEASUREMENT BASIS USED FOR FINANCIAL INSTRUMENTS

We note the measurement basis of financial instruments in the following paragraphs:

- clients and other accounts receivable: 3.1.7;
- cash and cash equivalents: 3.1.8;
- suppliers: 3.1.15;
- funding obtained: 3.1.16;

15.2 CARRYING AMOUNT OF EACH CATEGORY OF FINANCIAL ASSETS & FINANCIAL LIABILITIES

Breakdown:

	2016	2016
FINANCIAL ASSETS MEASURED TO FAIR VALUE REGARDING RESULTS		
Cash and cash equivalents	3.172.549	4.362.869
Other financial instruments	719.302	59.450
Clients	9.954.804	9.447.482
Personnel	22.455	23.429
State	764.681	1.661.327
Shareholders	2.626.642	3.446.228
Other Debtors and Creditors	4.574.220	4.641.009
	21.857.652	23.641.794
EQUITY INSTRUMENTS OF ANOTHER ENTITY MEASURED AT COST LESS IMPAIRMENT		
Participation in other companies	110.362	110.362
	110.362	110.362
FINANCIAL LIABILITIES MEASURED TO FAIR VALUE REGARDING RESULTS		
Suppliers	6.984.486	8.976.916
Personnel	30.753	43.866
State	871.032	1.605.904
Bank loans	44.467.733	42.468.798
Capital participants	994.842	2.288.805
Investment suppliers	939.833	996.866
Other debtors and creditors	1.279.398	1.318.995
	55.568.077	57.700.150
LOSSES ON FINANCIAL ASSETS		
Costs	9.963.521	9.456.199
Impairment	(8.717)	(8.717)
CLIENTS	9.954.804	9.447.482

The principal values are broken down in paragraph 18.1.

15.3 COMPOSITION OF THE CAPITAL

As at 31 December 2017, the share capital of Esporão, S.A. was fully subscribed and paid-up, represented by 1.060.000 shares, with a nominal value of 5 euros each.

The movements relating to adjustments and changes in equity in the financial year ending on 31 December 2017 and 2016, are broken down and systematised in the Statement of Changes in Equity.

15.4 MINORITY INTERESTS

The minority interests as at 31 December 2017 were calculated in the following manner:

	ESPORÃO	EVM	E.AZEITES	MURÇAS	E. BIOLÓGICA	QUALIMPOR	ACUMULATED
Group net income	3.812.873	1.338.241	132.976	43.537	1.207.149	805.866	7.340.642
Total Equity	82.981.867	25.346.317	1.114.732	3.696.330	735.198	3.810.142	117.684.595
% Ownership	100,0%	100,0%	98,0%	100,0%	100,0%	95,0%	
Minority Interest	0,0%	0,0%	2,0%	0,0%	0,0%	5,0%	
I.M. on the result	0	0	2.660	0	0	40.293	42.953
I.M. on equity	0	0	22.295	0	0	190.507	212.802

16. EMPLOYEE BENEFITS

16.1 AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL YEAR AND COSTS

In 2017, the company employed 291 employees (285 in 2016).

Personnel costs are broken down as follows:

	2017	2016
PERSONNEL EXPENSES		
Remuneration of Corporate Bodies	268.424	267.639
Remuneration of Personnel	6.243.429	5.649.607
Post-employment benefits	1.200	600
Compensations	6.728	3.109
Charges on Remuneration	1.336.442	1.147.669
Insurance for Work accidents and professional diseases	187.953	145.544
Social action	18.048	10.246
Others costs with personnel	152.381	160.200
	8.214.604	7.384.615

17. DISCLOSURES REQUIRED BY LAW

17.1 REMUNERATION ATTRIBUTED TO MEMBERS OF THE GOVERNING BODIES

The members of the governing bodies are not remunerated to exercise their positions.

Fees paid to the Statutory Auditor for performing their duty: € 39.100.

17.2 OVERDUE DEBT TOWARDS THE STATE

The company does not have any overdue debt towards the State.

18. OTHER INFORMATION

18.1 OTHER DISCLOSURES

(disclosures considered relevant for better understanding of the financial position and results)

18.1.1 CLIENTS

Breakdown of client balances:

	2017	2016
i) Clients: current account		
Loans	9.952.027	9.447.634
<90 days	-	-
>90 and <150 days	-	-
>150 days	-	-
ii) Clients - trade receivables		
iii) Doubtful debtors	11.495	8.566
	9.963.521	9.456.200
Clients impairment	(8.717)	(8.717)
TOTAL CLIENTS	9.954.804	9.447.483

i) Clients – current accounts: this item regards receivables due to the Group, for services rendered, with short-term receipt;

ii) Clients – trade receivables: this item indicates receivables from client entities in the form of bills of exchange, which had not been discounted at the balance sheet date; and

iii) Clients – Doubtful debtors: receivables from clients where a maximum recoverability risk was evaluated and identified by the Group, whereby these balances are fully adjusted.

18.1.2 SHAREHOLDERS

Shareholder balances:

	2017	2016
Current assets		
Gesparte	2.626.642	3.446.229
Others	194.414	1
	2.626.642	3.446.229
Non current liabilities		
Gesparte	-	-
Dr. José Roquette	296.666	168.805
Current Liabilities	698.176	2.120.000
TOTAL	994.842	2.288.805

The item accounts receivable from Gesparte regards the interest-bearing loan, at the average rate negotiated with the principal bank institutions, issued to this company where Esporão holds 3% of the share capital.

18.1.3 STATE AND OTHER PUBLIC ENTITIES

There is no overdue debt towards the State.

Breakdown of State balances:

	2017	2016
RECEIVABLES FROM STATE		
VAT	637.119	734.806
Income Tax	29.820	0
ICMS (Brasil)	-	830.658
Others	97.742	95.862
	764.681	1.661.327
PAYABLES TO STATE		
Income tax	311.760	1.317.591
IRS	400.552	138.524
VAT	-	-
Social security contributions	155.792	149.789
Others	2.928	-
	871.031	1.605.904
STATE AND OTHER PUBLIC ENTITIES	(106.351)	55.423

Receivables and payables relating to taxes in Brazil are added to or deducted from taxes with the same characteristics in Portugal, adopting the Portuguese classification codes, except for the value of ICMS, due to this being a tax with different characteristics than those applied in Portugal.

18.1.4 - FUNDING OBTAINED

We consider medium- and long-term debt those values relating to commercial paper issued, taken out with the institutions (i) bank syndicate led by MillenniumBcp and comprised of BIC bank and Banco Popular for the amount of 23 million euros, (ii) Montepio in the amount of 5 million euros, (iii) CCAM in the amount of 8 million euros, and (iv) Banco Santander in the amount of 8 million euros.

Breakdown of funding obtained:

	NON CURRENT	CURRENT	TOTAL
Bank loans	41.232.677	3.235.056	44.467.733
Total to 31.12.2017	41.232.677	3.235.056	44.467.733
Total to 31.12.2016	34.920.164	7.548.634	42.468.798

18.1.5 SUPPLIERS

Breakdown of the supplier balance:

DESCRIPTION	2017	2016
Suppliers - Current account (group)	-	-
Suppliers - Current account (third parties)	5.991.549	7.601.342
suppliers - invoices receipt and checking	992.937	1.375.575
SUPPLIERS - INVOICES RECEIPT AND CHECKING	6.984.486	8.976.917

i) Suppliers – current accounts (third parties): this item reflects, as a general rule, business activities established between the Group and suppliers of goods and services;

ii) Suppliers – invoice receipt and checking: documentation regarding transactions carried out by the Group's companies, which remain in the checking state at the balance sheet date. The costs relating to these operations were considered in this financial year, transferring registration and payment of the invoice to the next financial year.

18.1.6 ADVANCES FROM CLIENTS

Breakdown of the balance of advances from clients:

	2017	2016
Suppliers - invoices receipt and checking	19.637	4
TOTAL ADVANCES FROM CLIENTS	19.637	4

18.1.7 OTHER ACCOUNTS RECEIVABLE AND PAYABLE

Breakdown of other accounts receivable and other accounts payable:

	2017	2016
OTHER ACCOUNTS RECEIVABLE		
Non-current		
Other accounts receivable	-	-
Current		
Receivable amounts	335.564	1.238.097
Personnel	22.455	23.429
Debtors	1.057.156	2.755.799
Other Receivable	752.429	632.442
Impairments	-	-
DBrands	1.609.818	-
	3.777.421	4.649.767
OTHER ACCOUNTS RECEIVABLE		
non-current		
Payable amount	-	-
Current		
Investment Suppliers	939.833	996.866
Remunerations payable	964.663	971.442
Interest Payable	8.030	98
Creditors	160.452	125.191
Personnel	30.753	43.866
Other payables	146.253	222.264
	2.249.984	2.359.727
TOTAL	1.527.437	2.290.040

The item accounts receivable from IFAP regards the value of subsidies attributed by national and EC public institutions to support the investments carried out, namely the following:

Construção da adega de lagares	>	704 mil euros
Construção do lagar de azeite	>	500 mil euros
Investimentos agrícolas	>	33 mil euros

The item other accounts receivable includes receivables from D Brands relating to setting up the Esporão distributor in Angola, and market development costs.

18.1.8 DEFERRALS

Breakdown of the items deferrals - assets and liabilities:

	2017	2016
ACTIVE DEFERRELS		
Compensations	58.427	87.640
OCM subsidies	292.552	485.117
Other expenses to be recognized	412.184	229.135
	763.184	801.891
PASSIVE DEFERRALS		
Other income to be recognized	45.625	43.226
	45.625	43.226
TOTAL	717.559	758.666

i) Indemnities paid in the current year and only to be recognised as expenses in the following year;

ii) Income to be recognised in the current year but that shall only be received in the following year;

iii) Amounts paid in 2015 and to be recognised as costs in subsequent years; refers above all to banking commissions and services.

8.1.9 EXTERNAL SUPPLIES AND SERVICES

Breakdown of external supplies and services:

	2017	2016
SUPPLIES AND EXTERNAL SERVICES		
Subcontractors	-	-
Specialized Work	2.131.705	1.907.721
Surveillance and security	39.718	35.548
Fees	66.583	141.752
Commissions	538.831	289.487
Marketing and Publicity	2.459.189	2.529.679
MAINTENANCE AND REPAIRS	451.257	425.328
Buildings and other constructions	20.609	16.780
Basic Equipment	400.523	375.099
Transport Equipment	26.215	32.630
Others	3.910	819
Rapid wear tools and instruments	241.076	165.434
Office Materials	34.772	57.027
Fuels	195.852	194.300
Electricity	373.008	386.328
Travelling and accommodation	581.879	633.390
Transportes de mercadorias	1.092.898	724.535
RENTS AND LEASES	1.154.258	1.010.320
Rents and Leases	496.027	430.273
Vehicles	250.600	303.344
Equipment	401.797	269.203
Others	5.833	7.500
Communication	219.807	184.593
Insurance	111.820	120.828
Representation Expenses	41.985	53.563
Other Services	603.735	463.918
	10.338.372	9.232.752

18.1.10 OTHER INCOME AND GAINS

Breakdown of the balance in other income and gains:

	2017	2016
OTHER INCOME AND GAINS		
Supplementary Income	97.855	11.953
Prompt payment discounts	38.287	56.710
Investment subsidies	370.185	312.605
Income and Earnings in Financial investments	165.986	574.296
Income and Earnings in Non-Financial investments	251.947	4.906
Others	536.845	362.392
	1.461.105	1.322.861

18.1.11 OTHER EXPENSES AND LOSSES

Breakdown of the balance in other expenses and losses:

	2017	2016
OTHER EXPENSES AND LOSSES		
Taxes	272.923	408.973
Donations	34.154	63.336
Offers and samples from stock	453.970	538.016
Disposal of tangibles assets	73.941	37.603
Unfavorable foreign exchange differences	139.899	(11.324)
Others	1.469.747	1.180.579
	2.444.633	2.217.184

The item taxes refers above all to taxes due to the Alentejo and Douro regional wine commissions.

The item others refers to losses observed in inventories, fines and penalties, corrections relating to previous financial years and miscellaneous expenditures.

18.1.12 GAINS AND LOSSES FROM FINANCING

Breakdown of expenses and losses from financing:

	2017	2016
OBTAINED INTEREST AND SIMILAR INCOME		
Obtained interest	98.855	234.267
Other income and financial earnings	-	-
	98.855	234.267
INTERES AND SIMILIAR COSTS PAID		
Interest paid	1.102.366	1.333.328
Other costs and financial losses	360.004	452.814
	1.462.371	1.786.142

The value of financial profits and gains relates above all to interest from loans granted to shareholding companies.

Financial expenses and costs include most costs relating to financing contracts taken out with financial institutions, namely management fees, commitment fees, fees to open and organise processes, bank guarantees, stamp duties, and others.

19. AUTHORISATION FOR ISSUE

The Financial Statements of the financial year ending on 31 December 2017 were approved by the Board of Directors and authorised for issue on 13 March 2018.

Reguengos de Monsaraz, 13 March 2018.

The Board of Directors

The Certified Accountant



José Roquette
(Chairman of the Board of Directors)



Elita Brás



João Pedro Roquette
(CEO)



Diogo Corrêa Mendes
(Director)



José Pedro Roquette
(Director)



Amável Calhau, Ribeiro da Cunha & Associados, SROC, Lda

**RELATÓRIO E PARECER
DO
FISCAL ÚNICO**

Contas Consolidadas

Exmos. Senhores Acionistas,

1. No cumprimento das disposições legais em vigor apresentamos o nosso relatório sobre a verificação efectuada às contas consolidadas, bem como o nosso parecer sobre o relatório de gestão consolidado, o balanço consolidado, a demonstração consolidada dos resultados por naturezas, a demonstração consolidada das alterações no capital próprio, a demonstração consolidada dos fluxos de caixa e as respetivas notas anexas consolidadas relativas ao exercício de 2017, elementos estes submetidos à nossa apreciação pelo Conselho de Administração da "ESPORÃO, S.A."
2. No exercício anterior elaborámos, igualmente, o relatório, parecer e certificação legal das contas sobre as demonstrações financeiras consolidadas.
3. Cumpre-nos informar que as demonstrações financeiras consolidadas são apresentadas de acordo com o normativo contabilístico consignado no Sistema de Normalização Contabilística (SNC), aplicando as Normas Contabilísticas e de Relato Financeiro (NCRF).
4. Os nossos exames foram desenvolvidos de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas, através de testes e verificações dos registos e documentos de contabilidade que considerámos necessários nas circunstâncias.
5. A nossa opinião, no que se refere aos procedimentos de consolidação e aos valores das empresas englobadas na consolidação:
 - 5.1. está suportada no trabalho que desenvolvemos como revisores oficiais de contas das empresas subsidiárias tendo emitido, para o efeito, o relatório e parecer do fiscal único e, ainda, a certificação legal das contas para as diferentes sociedades;
 - 5.2. excepção feita à sociedade Esporão Produção Biológica, Lda., incluída no perímetro de consolidação pelo método integral, cujas demonstrações financeiras não foram sujeitas a quaisquer trabalhos de auditoria legal ou limitada. Consideramos, após a eliminação de transacções e saldos intragrupo, que o seu contributo para o consolidado não é materialmente relevante, tendo aconselhado o Conselho de Administração da necessidade de proceder a uma auditoria futura, baseada em procedimentos limitados.





6. As empresas subsidiárias objecto de consolidação em 31 de dezembro de 2017, foram as seguintes:

Empresas	% Participação	Método Consolidação
1. Esporão Vendas e Marketing, S.A.	100	Integral
2. Murças, S.A.	100	Integral
3. Esporão Produção Biológica, Lda.	90	Integral
4. Esporão Azeites, Lda.	98	Integral
5. Qualimpor, S.A.	95	Integral

Cumpre-nos referir que:

- a sociedade Primedrinks, SA, participada a 50%, encontra-se incluída no consolidado através do método da equivalência patrimonial. A Esporão não tem o controlo de gestão maioritário.

7. Após uma análise cuidada às operações de consolidação e inerentes regularizações, constatámos que os activos líquidos consolidados ascendem a 151.774.361 euros, os rendimentos consolidados ascendem a 48.879.822 euros e os resultados líquidos consolidados, atribuíveis aos acionistas, são positivos de 3.979.684 euros.

8. O relatório de gestão consolidado é concordante com as contas de consolidação e complementa-as adequadamente.

9. As demonstrações financeiras consolidadas, nomeadamente, o balanço consolidado, a demonstração consolidada dos resultados por naturezas, a demonstração consolidada das alterações no capital próprio, a demonstração consolidada dos fluxos de caixa e as notas anexas consolidadas referentes ao exercício de 2017:

- refletem os activos, passivos e resultados da ESPORÃO, SA e das suas subsidiárias;
- foram preparadas de acordo com as Normas Contabilísticas e de Relato Financeiro (NCRF) e com os princípios contabilísticos consignados no Sistema de Normalização Contabilística (SNC);
- representam de forma adequada a situação patrimonial e financeira da empresa.



10. Face ao exposto e tendo em atenção a Certificação Legal das Contas consolidadas somos de parecer:

Que sejam aprovados o Relatório de Gestão consolidado, o Balanço consolidado, a Demonstração consolidada dos resultados por naturezas, a Demonstração consolidada de alterações no capital próprio, a Demonstração consolidada dos fluxos de caixa e as respectivas notas Anexas da "ESPORÃO, S.A.", referentes ao exercício de 2017.

Lisboa, 19 de março de 2018

José Maria Ribeiro da Cunha

Em representação de:

"Amável Calhau, Ribeiro da Cunha & Associados - SROC, Lda."

**CERTIFICAÇÃO LEGAL DAS CONTAS****RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS****Opinião**

Auditámos as demonstrações financeiras consolidadas anexas de “**ESPORÃO, S.A.**”, que compreendem a demonstração consolidada do balanço consolidado em 31 de dezembro de 2017 (que evidencia um total de 151.774.361 euros e um total de capital próprio de 89.172.652 euros, incluindo um resultado líquido de 3.979.684 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada do rendimento integral, a demonstração consolidada das alterações no capital próprio e a demonstração consolidada dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada de “**ESPORÃO, S.A.**” em 31 de dezembro de 2017 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas Contabilísticas e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção “Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas” abaixo. Somos independentes das entidades que compõem o Grupo nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

**Matérias relevantes de auditoria**

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

Descrição dos riscos de distorção material mais significativos identificados	Síntese da resposta dada aos riscos de distorção material mais significativos identificados
<i>Activos Biológicos (Nota 10)</i>	
<p>Estes investimentos estão mensurados ao justo valor.</p> <p>Existe um risco significativo no que diz respeito à valorização deste activo uma vez que o modelo de valorização integra vários pressupostos ou julgamentos no estabelecimento de estimativas para os parâmetros.</p> <p>Metodologias alternativas e o uso de diferentes pressupostos e estimativas poderão resultar num justo valor diferente e por conseguinte ter um impacto nos resultados do Esporão, S.A.</p>	<p>Avaliação e implementação dos principais controlos feitos pela Esporão, S.A. na área de activos biológicos.</p> <p>Avaliação da adequação das metodologias utilizadas na avaliação dos activos biológicos, das taxas de desconto e ainda a razoabilidade das projecções.</p> <p>Analisámos a divulgação feita dos pressupostos e das estimativas de acordo com o normativo contabilístico aplicável.</p>

Responsabilidades do órgão de gestão pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa do Grupo de acordo com as Normas Contabilísticas e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística;
- elaboração do relatório de gestão nos termos legais e regulamentares;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e



- avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluimos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas,
- modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;

- obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;
- comunicamos com os encarregados da governação, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras consolidadas.

RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificámos incorreções materiais.

Lisboa, 19 de março de 2018

José Maria Ribeiro da Cunha

Em representação de:

“Amável Calhau, Ribeiro da Cunha & Associados, SROC, Lda.”

