



REPORT
2016

ESPORÃO

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MESSAGE FROM THE CHAIRMAN

Once again, we are providing an account of our activity and its impact in 2016, in a single and comprehensive report, a task we have carried out every year and in this format since 2010.

This year represented the full implementation of our 2015-2017 strategic plan, where several challenges were overcome. Last year, our second sales market, Angola, suffered a financial crisis that prevented the export of our products and, in practice, resulted in sale forecasts that were not fulfilled. We were also affected by a lower agricultural production than in previous years, although the farming practices we have adopted in recent years have had a mitigating effect on this decline in production compared with the yields obtained this year in national production.

Environmental indicators demonstrate consolidated improvements and the increased efficiency of our activity, resulting in lower impacts. A clear success that confirms our will and need to keep reinforcing the culture of sustainability that has come to characterise us.

This was also a year in which we continued to build our capacity, with the first olive oil production carried out in the new olive press constructed at Herdade do Esporão. This facility enables us to keep meeting the increasingly growing demand for our olive oils. Proving the customer preference for high quality products, our olive oils presented a great performance, growing once again this year.

The decrease in sales in Angola was compensated by the remaining markets. Portugal performed positively in comparison with our competitors and far beyond our initial expectations, due to our continuous focus on the market despite the difficult years it endured. The Brazilian market also stood out, where our team based in São Paulo has consistently delivered decades of continued growth, which we cannot commend enough.

This year we also carried out a set of distribution changes in some important markets where we also want to grow. This alteration was achieved without significant interruptions in the supply of our products to the markets in question, and has sowed the seeds for growth in the years to come.

Finally, but of prime importance, a word of thanks to the entire team who makes the Esporão project the success I imagined from the beginning in 1972. I am personally certain that the best times for Esporão are still ahead.

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José Roquette

(Chairman of the Board of Directors)



DNA

01

DNA

Esporão in Alentejo from an unconditional desire to make the finest wines. That is the motivation that remains at the base of everything we do, now extended to other products and regions.

In each place, nature inspires us and helps us do better. Therefore we respect and protect it, building a more promising future.

We believe that companies should serve society, not the other way around. Thus we strive to develop our activity in a responsible manner. That responsibility is neither abstract nor merely collective; it is individual, for each person who makes Esporão a part of their life.

We encourage nonconformity and change, we strive to do better and not necessarily more. We have learned that progress depends on nonconformity and creativity to find the best solutions, on the knowledge we develop and apply, on believing in what we do and putting our heart into it.

We are a family company that we hope will be economically, socially, energetically and environmentally sustainable, capable of providing unique products and experiences that improve people's lives.

We are committed to the continuous management and improvement of our activity, abiding by all legal requirements and defining ambitious goals, guaranteeing the necessary information and resources to attain them, always bearing in mind the environmental impacts and the continued improvement of our energy performance, through operational control, improvement initiatives and the procurement of energy efficient products and services.

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.



Fig. 1 Our Mission statement, an 'inside view' (conteúdo online: <https://goo.gl/APrZTA>)

THE ORGANISATION'S STRUCTURE

Esporão, SA is a company that produces high quality wines, as well as a corporation that leads 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 that 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. Therefore, **Esporão, SA** coordinates a group of companies whose sole shareholder is the Roquette family, whereby all of those firms share a single corporate governance model (Fig. 2).

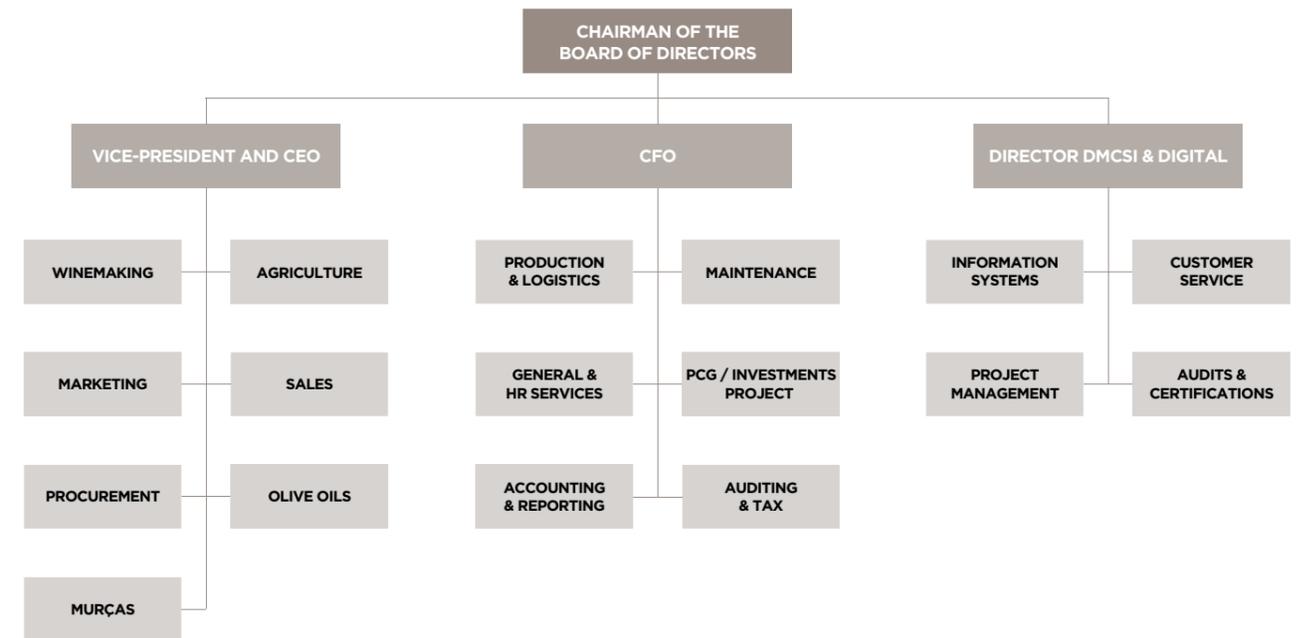


Fig. 2 The Esporão group's governance structure



In order to pursue its key objectives, the Esporão group has a highly experienced multidisciplinary technical team. The products and services are provided in a personalised manner according to each client's needs. In order to better guarantee the quality of its products and services, as well as ensure the continued improvement of its know-how and processes, internally, the Esporão Group is organised by technical areas, and these extend across the group's various companies. The Esporão Group is comprised of 5 companies – Esporão SA, Esporão Azeites Lda., Esporão Vendas e Marketing, SA (EVM), Murças SA and Esporão Produção Biológica, Lda. – and these share the same policies, objectives and processes in all locations. In every department, there is a Director who ensures and is responsible for the management of the Department, in the group's numerous locations and companies. Companies included in the group's consolidation (Fig. 3):

ESPORÃO, SA

company, founded in 1973, Lisbon

MURÇAS, SA

Quinta dos Murças, Covelinhas, Peso da Régua, Douro

ESPORÃO AZEITES, LDA

Herdade do Esporão, olive oil production

ESPORÃO VENDAS E MARKETING, SA

Herdade do Esporão, Wine tourism & warehouses

ESPORÃO PRODUÇÃO BIOLÓGICA, SA

Herdade do Esporão, organic production

QUALIMPOR

São Paulo (Brazil), imports & distribution

PRIMEDRINKS, SA

Sales & distribution in the Portuguese market

DBRANDS

Luanda (Angola), sales & marketing

ESPORÃO WINES & OLIVE OILS

New York (USA) business development & marketing campaignsg

Fig. 3 Affiliated companies & principal activities

VOX ESPORÃO

'ZÉ' PEDRO ROQUETTE AND THE STORY OF THE FIRST WINERY

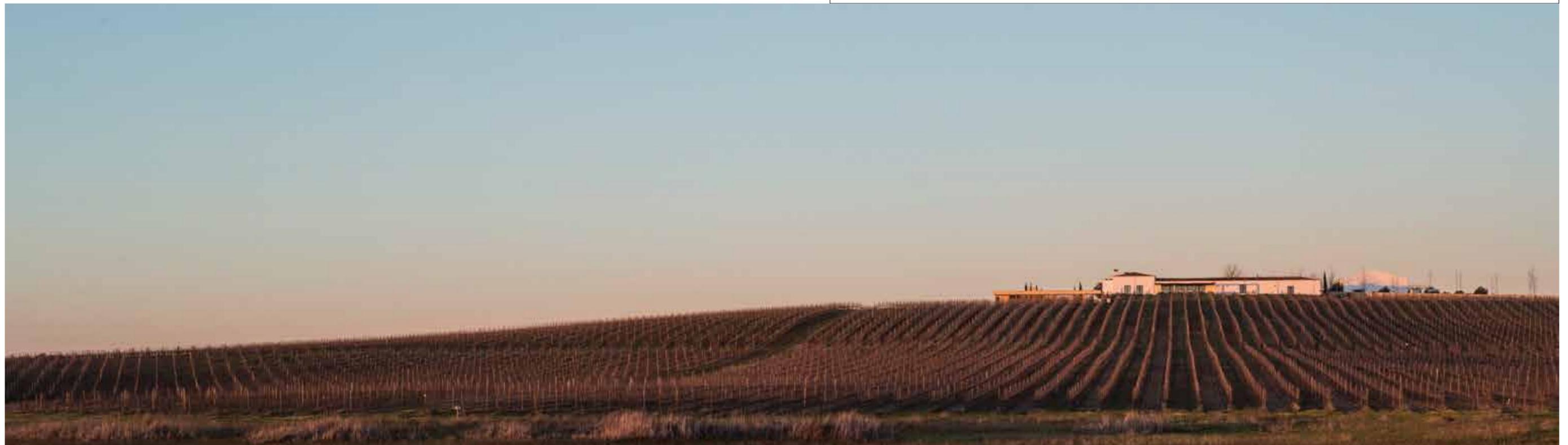
How did we decide one day to go ahead with the first winery at Herdade do Esporão? Let me tell you:

Naturally we didn't have many vineyards at the time, and I was monitoring the relationship with the Reguengos cooperative closely. The atmosphere was still tense between the small producers and 'landowners' as they called us. At the time, the company was managed by Joaquim Bandeira, co-founder of Finagra (the name of the company back then) and whose attitude differed from the local culture.

We were then in the middle of the harvest, at the stage when the grapes are delivered to the cooperative, when I accompanied a delivery of white grapes. There was a considerable line-up, ten to twelve tractors and we were informed that the last two tractors (which belonged to us) were no longer going to be collected that day. For those who do not know, in the middle of an Alentejo summer, white grapes overheat and spoil. At that moment, it became clear that we needed to have our own winery in order to maximise our grapes' potential. The following year was our winery's first year, still in the early stages, but operating at full capacity thanks to the team's enormous effort.

This has always been our spirit; the determination to launch this project that, when appraised by the IFADAP (Financing & Development Aid for Agriculture & Fisheries), was considered 'megalomaniacal and destined to fail quickly', would operate fully and create the conditions for the Alentejo region to start producing top quality wines with a distinctive identity.

A great deal happened in those frantic and troubled times at the end of the 1970s and during the 1980s, until reaching 2016 with a stable company recognised by everyone as a producer of excellence. But to tell the whole story, we'll have to write a book one day!



PROGRESS REPORT ON THE 2015-2017 STRATEGIC PLAN

In 2016, we executed the 2nd year of the 2015-17 Strategic Plan, which defines 4 drivers for growth:

- Increase the company's international dimension – **INTERNATIONALISATION**
- A long term vision based on efficiency and quality – **SUSTAINABILITY**
- Strengthen the current relationships with our clients and consumers – **PROXIMITY**
- Create the ideal conditions to drive organic growth – **INNOVATION**

Within this context, despite the challenges we face on a macroeconomic level and due to the performance in Angola, the country where Portuguese wine exports were 70% less than in 2015, we took important steps to achieve our objectives:

- **Sales & the principal economic outturns continued to grow.** The most relevant increases were recorded in Portugal, Switzerland, the Netherlands, China, England, France, Mozambique, Ireland and Japan. Portugal remains the largest market (with 44% of total sales), followed by Brazil, USA, France, Angola and Switzerland.
- As of 2016, **Esporão is the largest owner of organic vineyards in Portugal** and one of the largest in the world, managing more than 500ha of vineyards and 80ha of olive groves, with Organic Production certification. This represents a greater commitment to the quality of our soils, plants, fruits and products.
- **We have purchased additional land** in northern Alentejo (Portalegre), with higher altitudes, to plant new vineyards in order to find ways to address the need to adapt to climate change.
- We invested 3.2M € in **new olive oil production facilities at Herdade do Esporão**, to attain new levels of quality, productivity and capacity in a sector that is undergoing solid development and growth.
- **We rebuilt the house at Quinta dos Murças**, in the Douro, part of our family's heritage and now also a space for tourist accommodation, where we can welcome our partners and anyone who would like to be a part of this mutual challenge to build this brand that has become very dear and relevant to us.



We initiated new and stimulating distribution partnerships in key markets:

- In Switzerland, where our longstanding partner GomesWeine is now our sole representative;
- In Japan, we are proud to be a part of the Kinoshita portfolio, which offers us good market prospects;
- In Belgium, we are excited to be included in the distributor Chacalli's portfolio;
- In Luxembourg, where we are now distributed by Othon Schmitt;
- In the USA, an extremely important market for us, we are in the process of expanding our representation to be able to import and resell products as well. We continue to count on our longstanding partnership with Aidil to distribute our portfolio in key states on the east coast;
- In Germany, as of 1 April 2017, we initiated a new distribution partnership with Eggers & Franke.



Our team was reinforced in 2016:

- We have a new marketing leadership and are focusing more on brand and content management;
- More available resources and greater managerial independence for Quinta dos Murças and for olive oil development, with the appointment of new marketing and sales directors for each project;
- A dedicated Customer Service department and team, which are already producing encouraging results;
- The new Digital team has been building the necessary skills to interact and create value in the digital world. These changes are already producing results, but these will be more evident throughout 2017.

In terms of innovation and new products, we improved the Quinta dos Murças portfolio with 3 new and exciting wines: Minas, Margem and VV47. We also launched on the market, only for the third time, our icon wine Torre 2011 (see BOX);

Equally important, the shareholder base changed: remaining 100% in the Roquette family, it is now shared between the first and second generations. This is a clear sign of the shareholders' commitment to maintain Esporão a family

business, with the same values that have remained so important to this day, and which we share with everyone who is connected to this company, in every way.

Regarding the future, 2017 will be the final year of our 2015-17 Strategic Plan. We will be focusing on attaining results, but also projecting Esporão into 2020 and beyond. During 2017 we plan to:

- Increase sales by 5%, resulting from the great quality of the 2015 and 2016 vintages, the improvements made to our international distribution, the rapid growth of the Douro and olive oil projects and the launch of new organic wines;
- Improve the support we give our distribution partners, by building deals with mutual benefits in terms of first class markets, brand management and customer service;
- Increase focus on social responsibility projects, with more resources and execution capacity;
- Conceive and prepare significant improvements to our Herdade do Esporão red and white winemaking capacities;
- Build new offices in Lisbon and Alentejo;
- Launch the new wine tourism offer in the Douro;
- Develop the 2018-20 Strategic Plan.

All of this was, and will continue to be, possible thanks to the joint efforts and commitment to keep *“making the best products from what nature provides, in a responsible and inspiring manner”*.

FIND OUT MORE ABOUT ...: TORRE

In 2004, Esporão Reserva and Private Selection had reached a balance and position that allowed us to consider new projects. We wanted to create a wine better than Private Selection, in small quantities and, due to the conditions, this was the right year to go ahead. After three years of bottle ageing, the first Torre, comprised mostly of Touriga Nacional, was ready.

In 2007, the extremely cool spring enabled our grapes to ripen slowly and gradually, and the mild temperatures during the harvest were reflected in the wine's aromas and flavours. Year, which proved to be one of the best years in the decade, resulted in the second Torre, where the Aragonez grape variety predominated and stood out.

Climate and Nature dictate when it is possible to create a wine like this, and are the key factors that make a year unique. We waited until 2011 for the ideal conditions to return to produce Torre again. Torre 2011 is based on three different varieties with unique characteristics that we have been developing in a more customised manner for that past 40 years. The different soils at Herdade do Esporão where we find Alicante Bouschet, Syrah and Touriga Franca (granite, schist and sandy loam), are essential to the wine's identity and richness.

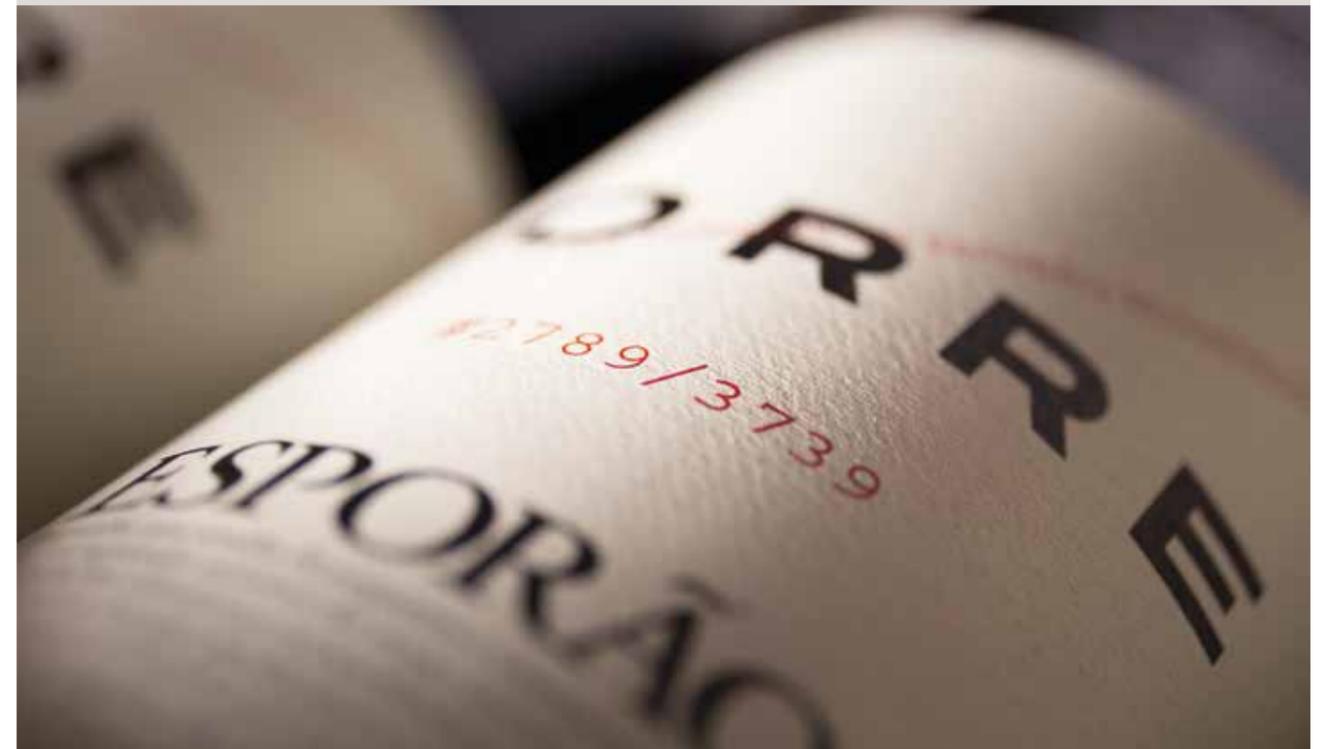
The quality of Torre is also reflected in the way the grapes are selected and how the wine is vinified. The harvest is carried out by grape variety and the best grapes are selected to be trodden in wine presses. Following alcoholic fermentation at controlled temperatures in open winepresses (22° to 25°C), crushing and malolactic fermentation in barrels, the wine aged in mostly new French and American oak barrels for 18 months, and 3 years in the bottle. Due to its characteristics, this wine is produced in small quantities and there are only 4 055 bottles – 3 743 of 750ml bottles and 312 of 1.5l bottles.

The three editions of this wine come together in a single story – their origin, the story of Herdade do Esporão. In 2004, 2007 and 2011, we can find the fresher side of the vintages and the characteristics of each grape variety.

Vintage after vintage, we raise the bar. And it is rewarding, when the time comes to taste the wine, to confirm that all of the hard work and effort was worthwhile. Now it's time to enjoy it while we wait for the next great year.

Climate and Nature dictate when it is possible to create a wine like this, and are the key factors that make a year unique.

Full version: <https://goo.gl/i8rMBh>



LAND

02



LAND

HERDADE DO ESPORÃO

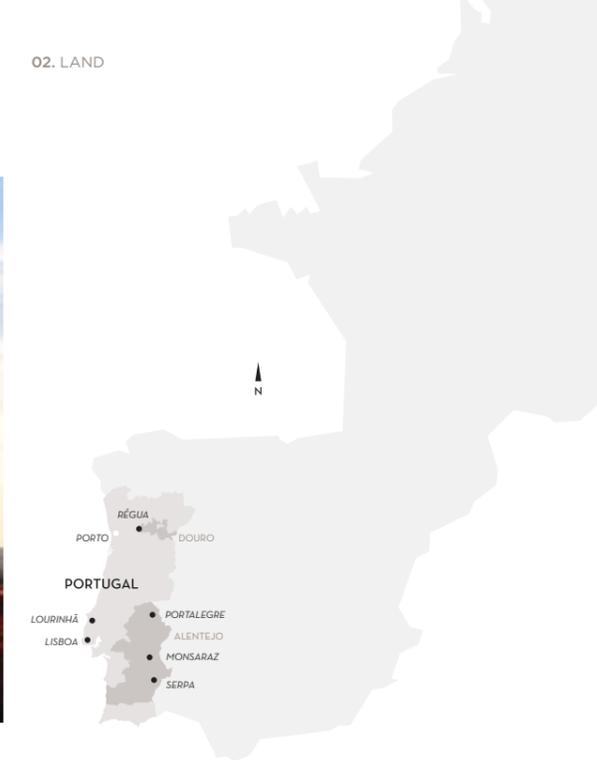
Located at the heart of Alentejo and included in the Reguengos de Monsaraz DOC Wine Route, the Estate presents unique conditions for agriculture and wine tourism. There are approximately 700ha of vineyards, olive groves and other crops made possible by Organic Farming and Integrated Production methods. Around 40 grape varieties, 4 olive varieties, orchards and vegetable gardens are planted on this land.



THE VINEYARDS

The 450ha of vineyards, planted in Herdade do Esporão's prime agricultural areas, follow the principles of organic production. There are 194 varieties planted on the Estate, 37 of which are in full production and are best suited to the region, many of which have been in this area for many years.

Aside from the traditional varieties, which are the basis of our vines, Esporão pioneered the introduction of certain varieties that, over time, have adapted very well to the Alentejo — varieties such as Touriga Nacional, Verdelho and Semillon, which bring identity and quality to Alentejo wines. Some of these vines are old enough to be classified as old vines, currently reaching 40 years of age.



FIND OUT MORE ABOUT ...: HERDADE DO ESPORÃO'S AMPELOGRAPHIC FIELD

The idea was simple: why not create a depository of natural capital to protect the genetic heritage of the grape varieties that Esporão depends or may come to depend on? Subsequently, Herdade do Esporão developed a preliminary study, jointly with Instituto Nacional de Recursos Biológicos (INRB-National Institute of Biological Resources), to identify the most important varieties and clones in the national and international panorama. Next, and always in collaboration with INRB, research was initiated to define which plant material should be installed and one line was planted, representing 112 plants, of each variety. The result was the Ampelographic Field, which includes 189 varieties and where we can find:

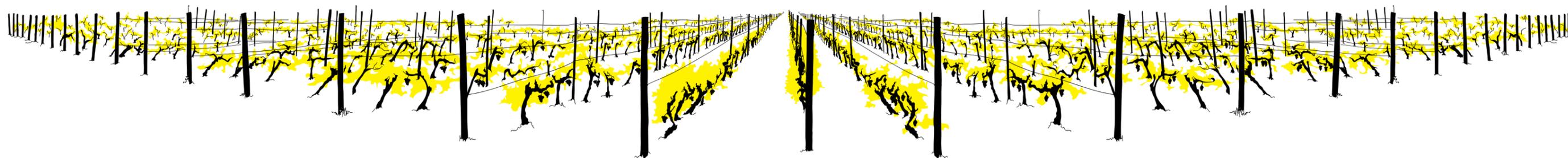
- All of the varieties in the Alentejo region;
- All of the varieties in the Douro region;
- The principal varieties in every wine region in Portugal;
- National varieties with little expansion but winemaking potential;
- International varieties with potential in the Alentejo region.

The main goal of this collection is to preserve the national wine heritage by planting varieties that risk disappearing from national vineyards and assessing their agricultural potential within the same terroir. This way we can face the scenario of climate change with more solutions. Using these lines of vines, we are producing microvinifications to analyse the potential of these varieties in different years and conditions.

By combining all of these practises, as well as others to be developed in the future, we are building a better future for Herdade do Esporão's vineyards and olive groves, which we hope, with age, will grow increasingly resistant and healthy, effectively helping us produce better wines and olive oils.



AMPELOGRAPHIC FIELD



PORTUGAL



ALENTEJO



HERDADE DO ESPORÃO



AMPELOGRAPHIC FIELD



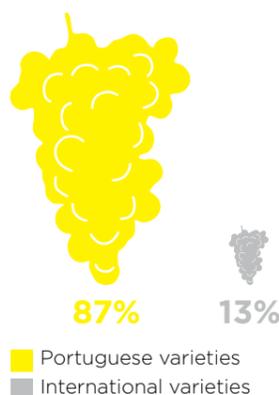
9.7 hectares of vineyard dedicated to the ampelographic field

GRAPE VARIETIES



189 varieties
120 plants per variety

GRAPE VARIETY ORIGIN



WHAT IS IT?

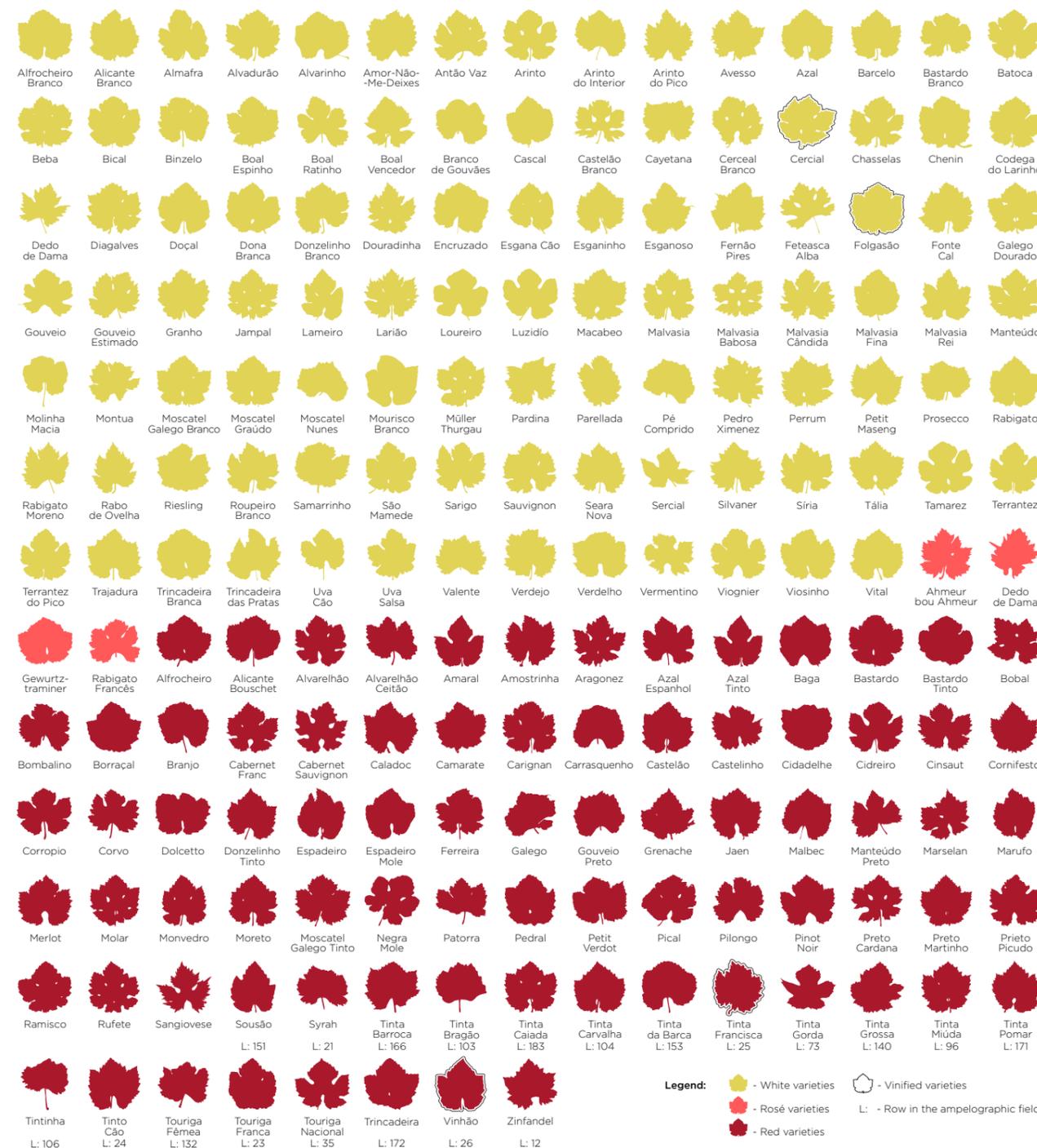
An experimental field covering 9.7 hectares, set-up at Esporão in 2011 and planted with 189 grape varieties (*Vitis vinifera* L.). The field boasts every variety of the Alentejo region, all the varieties of the Douro region, the main varieties of all of Portugal's winegrowing regions, other Portuguese varieties that are rarely used but with winegrowing potential, and international varieties with potential for this part of the Alentejo.

WHY AN AMPELOGRAPHIC FIELD AT ESPORÃO?

1. To be better prepared for climate change: a study that focusses on 50 years of weather data for 27 wine-producing regions suggests that the impact of global warming may have major effects on wine quality in the near future.
2. To contribute to increasing our organic production and the longevity of our vineyards and business: we believe that only by respecting the balance of ecosystems will our viticulture with a future; to preserve varieties that now only exist in collections and are at risk of extinction.

WHAT DO WE WANT?

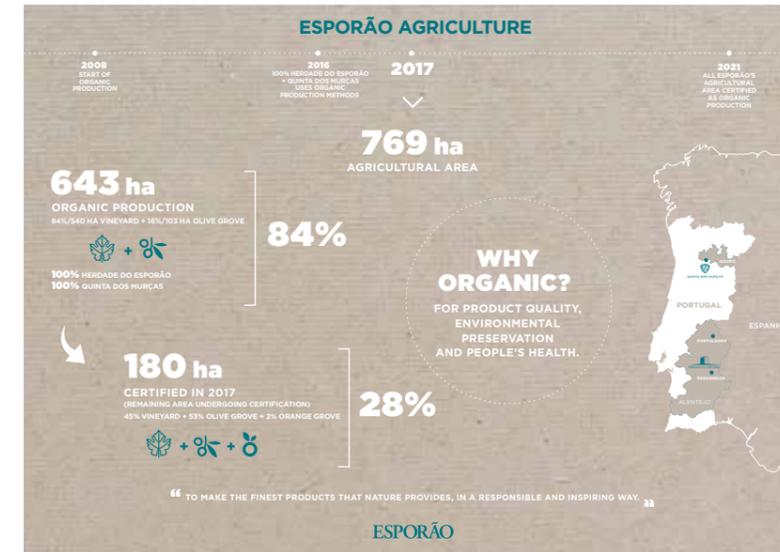
1. To assess the winegrowing potential of each grape variety in the same terroir and draw scientific conclusions that serve the business and viticulture in general.
2. To preserve part of Portuguese wine heritage, planting grape varieties that are at risk of disappearing.
3. To study the adaptation of each variety to climate change and more sustainable production methods (organic viticulture), in order to guarantee the quality of our wines in the future. From this field, micro-vinifications have already been made of the following varieties: Cercial, Folgasão, Tinta Francisca and Vinhão.



THE OLIVE GROVES

In order to ensure the quality and consistency of our olive oils, produced almost exclusively from national olive varieties, we decided to use the transitional areas between the vineyards and the forested areas, applying an intensive model that has low environmental impact on ecosystems and water resources, to plant an 80-hectare olive grove under Organic Production methods (OPM). In addition, there is a small 100-year old olive grove that also employs natural production methods and completely traditional processes.

Because the characteristics of this agricultural production are almost forest-like, given the low intensity of intervention in the terrain, the diverse undergrowth and the layout of the plantation, which is pesticide and herbicide-free, the olive grove acts as a transitional ecosystem, with great floral diversity.



THE FOREST

Herdade do Esporão has almost 1000 hectares of forest area where the Caridade water reservoir stands out, which is carefully managed to support agricultural production without compromising its characteristics as a local sanctuary for biodiversity, especially for birds. Aside from the reservoir, there is an area with many holm oaks and cork oaks, fields of rock-rose and rosemary, meadows whose colours change with the seasons and where the riverside vegetation varies between ash trees and oleanders, as well as open areas of willows and reeds, extending along the edge of the Caridade stream and the western boundaries delineated by the Degebe River - the two watercourses that bring life to the Estate and sustain its production. There are also stone pine plantations that are being converted / restored to mixed tree plantations.



FIND OUT MORE ABOUT ...: ORGANIC ESPORÃO

The year 2016, more specifically on November 11, was historic for Herdade do Esporão because it marked the date when the entire Estate adopted Organic Production methods or initiated the legal conversion period. By converting to Organic Production, Esporão intends to:

- improve soil fertility;
- create a balance between pests and auxiliary organisms;
- reduce water consumption for irrigation;
- apply organic compounds (using sub-products generated by our own activity);
- promote variability of the ecosystems' fauna and flora;
- above all, produce grapes of better quality.

Various initiatives were developed to increase the sustainability of our activity. We highlight some of the most significant measures below:

- Execution of an extremely demanding annual Sowing Plan;
- Increase in compost production;
- Use of kaolin, in order to decrease the crops' water requirements;
- Installation of auxiliary organisms to control yellow mite attacks;
- Mass capture of green leafhopper;
- Certification of category A irrigation, as a result of good irrigation management;
- Subscribed to Wines of Alentejo Sustainability Plan (CVRA);
- Introduced grazing to control spontaneous vegetation in the vineyards.

ESPORÃO DIGITAL: INSIDE THE CELLARS

Chief Winemaker, explains a little about how and where Esporão wines are made, stored and aged.



<https://goo.gl/3bQMv9>

ARCHITECTURAL HERITAGE

HISTORIC CENTRE: THE TOWER, ARCH AND CHAPEL

Since being founded in 1267, Herdade do Esporão's geographic boundaries have remained virtually unchanged. There are three historic monuments at the heart of the Estate: the Esporão Tower (Torre), the Esporão Arch (Arco) and the Nossa Senhora dos Remédios Chapel (Ermida).

THE BARREL TUNNELS AND CELLARS

The large barrel tunnel measures 15 metres wide and is buried 12 metres deep, maintaining the best temperature and humidity naturally, without requiring artificial temperature control. It houses 1.500 225-litre Bordeaux oak barrels. Approximately 30% of the barrels are replaced every year, and each barrel has a lifespan between 3 and 4 years. In addition to the large tunnel, there are side niches where we store and age the wine after it has been bottled, as well as a cellar where we keep a collection of our best vintages. There are also refrigerated cellars to stabilise and store our white wines.

RED WINERY

Built in 1987, this winery was designed to apply the principle of gravity in order to reduce the use of pumps, decrease the distance between the winery's numerous operations and minimise the impact on grape quality. It is fitted with three distinct lines, each containing different technologies adapted to the type of wines being crafted. One of the lines is reserved for the wine Monte Velho; a second line, with 31.000-litre fermentation tanks and several pumping options, is used for Monte Velho as well as Defesa; and there is a third line of 16.000-litre mechanical presses reserved for Esporão Reserva and red Monovarietals.

WHITE WINERY

Designed and built in 2002 in order to accommodate two different lines of vinification: one for Defesa and Monte Velho and the other for wines from a higher quality segment, such as Monovarietals, Esporão Reserva and Esporão Private Selection. Equipped with an efficient refrigeration system, pneumatic presses and stainless steel tanks with various capacities, this winery allows us to work the grapes while respecting and enhancing the fruit's natural characteristics. There is also a cellar for fermentation and barrel ageing, sometimes with băttonage - which involves gently stirring the fermentation lees to give white wines greater texture and complexity.

LAGARES WINERY: ON LAND AND TIME

The Lagares Winery, constructed in 2015, has special meaning for us. Conceived to create the finest wines, returning to vinification origins and using all of the local resources where Herdade do Esporão is located. Employing different techniques and a detailed architectural plan, this is where we craft wines in a more personalised and manual manner, in balance with Nature.

<https://goo.gl/V1CtmD>



OLIVE MILL

The major novelty in 2016 was the new Herdade do Esporão oil mill, where the olives are extracted, cleaned and filtered. In this new mill, currently with a capacity for one million litres, but which can be expanded to two million litres, the olives are separated and processed in smaller batches, thereby increasing our flexibility during olive selection to produce the finest olive oils. Furthermore, we make better use of the olive oil's by-products: stones for the Estate's thermal power plant and pomace for the compost used to fertilise the olive groves. As of the 2016 harvest, our olive oil also began to be bottled on the Estate.

WINE TOURISM

RESTAURANT

Set against the Herdade do Esporão's landscape, the restaurant faces outward, using local materials to define the space's architecture, giving precedence to authenticity and comfort. On the main wall of the restaurant and throughout the building, visitors can admire original paintings that illustrate some of the labels that have adorned Herdade do Esporão bottles since 1985. Here we favour the simplicity of flavours, the highest quality and seasonal ingredients, to create a unique cuisine in perfect harmony with what nature offers, but that is also current, combining modern knowledge with a respect for tradition.

WINE BAR & SHOP

This ample and comfortable space was conceived to maximise the tasting experience and selection of our products, as well as connecting the visit to the wineries. Our shop offers exclusive Esporão products and rare vintages of Herdade do Esporão and Quinta dos Murças wines that can only be purchased here.

FIND OUT MORE ABOUT...: SUMMER SOLSTICE AT THE PERDIGÕES ARCHAEOLOGICAL COMPLEX

The Herdade dos Perdigões Estate is part of Herdade do Esporão's production complex, it is located one kilometre north of Reguengos de Monsaraz. Visitors can discover the Perdigões Archaeological Complex, built and inhabited for 1.500 years (3.500-2.000 B.C) and occupying a total area of 16 hectares. The magnitude of this place can only be truly understood within the landscape that surrounds it, revealing a remarkable knowledge of the land and precise planning with a clear purpose for its architecture. The Perdigões layout is, in itself, a valuable contribution to understand the vision of those who built and inhabited it.

The Perdigões Complex is made up of various spaces, among which a necropolis and, outside, a megalithic ceremonial enclosure. The impact of Perdigões on the terrain and, in particular, on the remaining population of the Álamo riverbank, indicates that this may have been above all a space for socialising during sacred events, rather than just a place for everyday life.

One of the fundamental aspects that regulated the daily life of Neolithic communities was the solar cycle, which dictated (and dictates) the agricultural cycle. Along with the lunar cycle, this was the basis used to measure time. Sunrise and sunset were also a metaphor for life and death, birth and dying, perpetual rebirth and eternal return.

As such, east was always an important focal point for Neolithic communities, who oriented their megalithic funeral monuments, cromlechs and other structures, such as ditched enclosures, in that direction. Some of these, more than simply facing east, used their architecture to mark important moments in the solar calendars, such as solstices and equinoxes.

This is the case with the outdoor enclosures at Perdigões, whose entrances face the summer and winter solstices at sunrise. The sun's first rays would penetrate the site through these entrances on the longest and shortest day of the year, when these days may possibly have been marked by celebration rituals, attracting people from the region and beyond.

Full Version: <https://goo.gl/ZWeRGn>



PORTALEGRE COMPOUND

ENXOFRAL

This property occupies approximately 60 hectares in Alegrete, in the Serra de São Mamede Natural Park, and currently being planted with a vineyard.

LAVRADORES

Located in Castelo de Vide, this property was purchased in 2012 and measures 11 hectares, which are in full production. Both properties employ Organic Production methods.



Vineyard at Lavradores, under Organic Production, Castelo de Vide.

QUINTA DOS MURÇAS

Located at the heart of the Douro DOC region, the Estate is characterised by the variety of micro terroirs resulting from a combination of different altitudes and sun exposures, schist soils and the Douro River valley's typical climate. Aside from the vineyards, there is also an olive grove, orange grove, almond trees and a Mediterranean forest that help maintain the ecosystem's balance. The entire property employs organic production methods.

THE VINEYARDS

Quinta dos Murças is located in Cima Corgo, on the right bank of the Douro River, beside the town of Covelinhas, between Régua and Pinhão, in the Alto Douro region, classified by UNESCO as a World Heritage Site. With a total area measuring 155 hectares, 48 of which are vineyards, all of the plots at Quinta dos Murças have 'A' classification, the highest category vineyards can receive in the Douro region, occupying areas with 300-metre altitudes and zones closer to the extensive riverfront. The Estate is impressive due to the imposing verticality of its slopes that contain dozens of the region's indigenous grape varieties. This was where the first vertically trained vines were planted in the Douro, in 1955, many years before these became commonplace in the region. Indigenous varieties predominate in the 285.000 vines, aged between 15 and 65 years, planted in plots by separate varieties: Touriga Nacional, Tinta Roriz, Tinta Barroca, Tinta Amarela, Tinto Cão, Touriga Franca and Tinta Francisca. This region is characterised by the unique combination of climate, geography, geology and old vines, offering the ideal conditions to produce unique wines.



ARCHITECTURAL HERITAGE

In addition to the typical Douro winery – with presses for foot treading and fermentation, as well as mechanical presses –, the property includes a manor house built at the beginning of the 19th century, support structures, offices and 1200 m2 of ruins, namely the Vale Figueira ruins that date back to 1826. The Quinta dos Murças cellars are equipped with 19 concrete tanks and 6 stainless steel tanks to age the Colheita wines, as well as approximately 300 French, American and Portuguese oak barrels with 225 and 550-litre capacities for ageing Reserva wines and part of the Assobio batches. But what really stands out are the 8 vats of 10 000 litres each to age port wines, the 145 casks of old port and 20 casks filled with 550 litres of port wine.

The temperature and humidity control system in the Quinta dos Murças cellars is one of the Estate’s most impressive and innovative features because it uses only fresh water from the estate’s springs, combined with an under-floor system throughout the cellar that enables ecological and functional temperature control.



VOX ESPORÃO

NUNO CABRAL

Latitude: 41°09'16.6"N
Longitude: 7°41'20.2"W

Thinking and walking

It’s early in the morning. The sun rises, the fog is low down by the Douro, which starts to reveal itself in the reflection of the shore across from Quinta dos Murças. It is no more than 9°C. It’s going to rain.

I start walking west, climbing from 70m to 140m, head north and walk through the vineyards up to 300m. I cross over to the Assobio vineyard. The vegetation exposes a watercourse that marks the boundary between the vineyards and the Mediterranean forest. A boundary that both separates and joins man and nature. It has started to rain.

I take a deep breath and try to quiet the thoughts that won’t stop, that seem to repeat the same words over and over, like a broken record.

Now I look and listen to the birds more carefully, I walk down through the vineyards facing north and west until I reach the woods that hide some ‘mortórios’ – which are nothing more than the ruins of old terraces that were never replanted –, several animals and much more life than I can see or even identify. I see that the stream is there which, like all the others, flows into the Douro. I follow it south. I must be at an altitude of 240m. On my right I can hear water running and on my left I see the vineyards. I climb down to 140m.

The natural amphitheatre that I am entering is marked by old vertically planted vines, orange trees and vegetation. This alone justifies any man’s choice that this is the right place to live.

The rain has stopped; the temperature has risen.

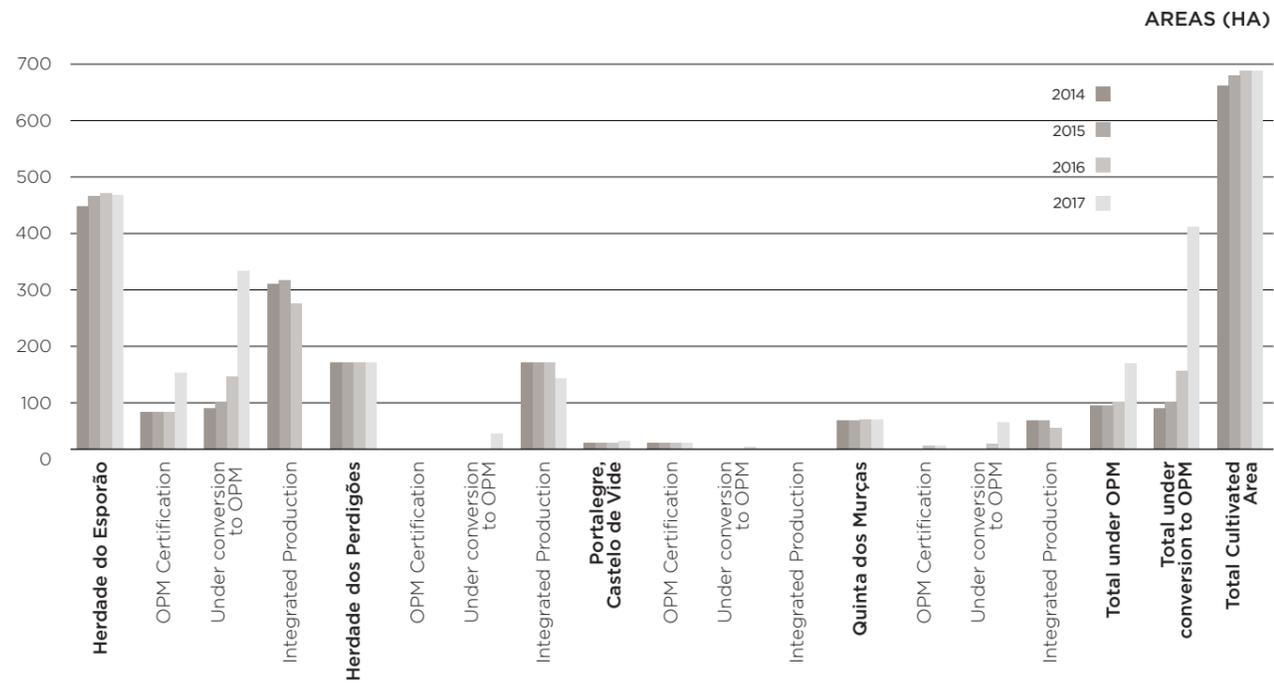
The microclimate here enhances everything I see around me, along with the ruins of a convent that appear completely integrated into the landscape.

I wonder what it would be like to fall asleep and wake up here. I see life all around me.

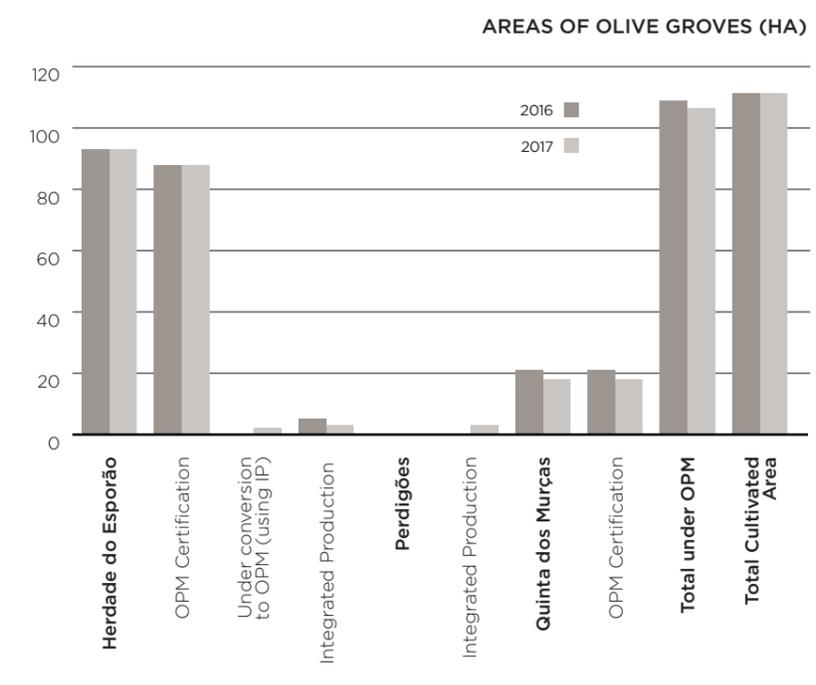
I calm my thoughts and begin a new cycle.



RECORD OF THE AREAS UNDER CULTIVATION, BY AGRICULTURAL PRODUCTION METHOD UNDER WAY - VINESE



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

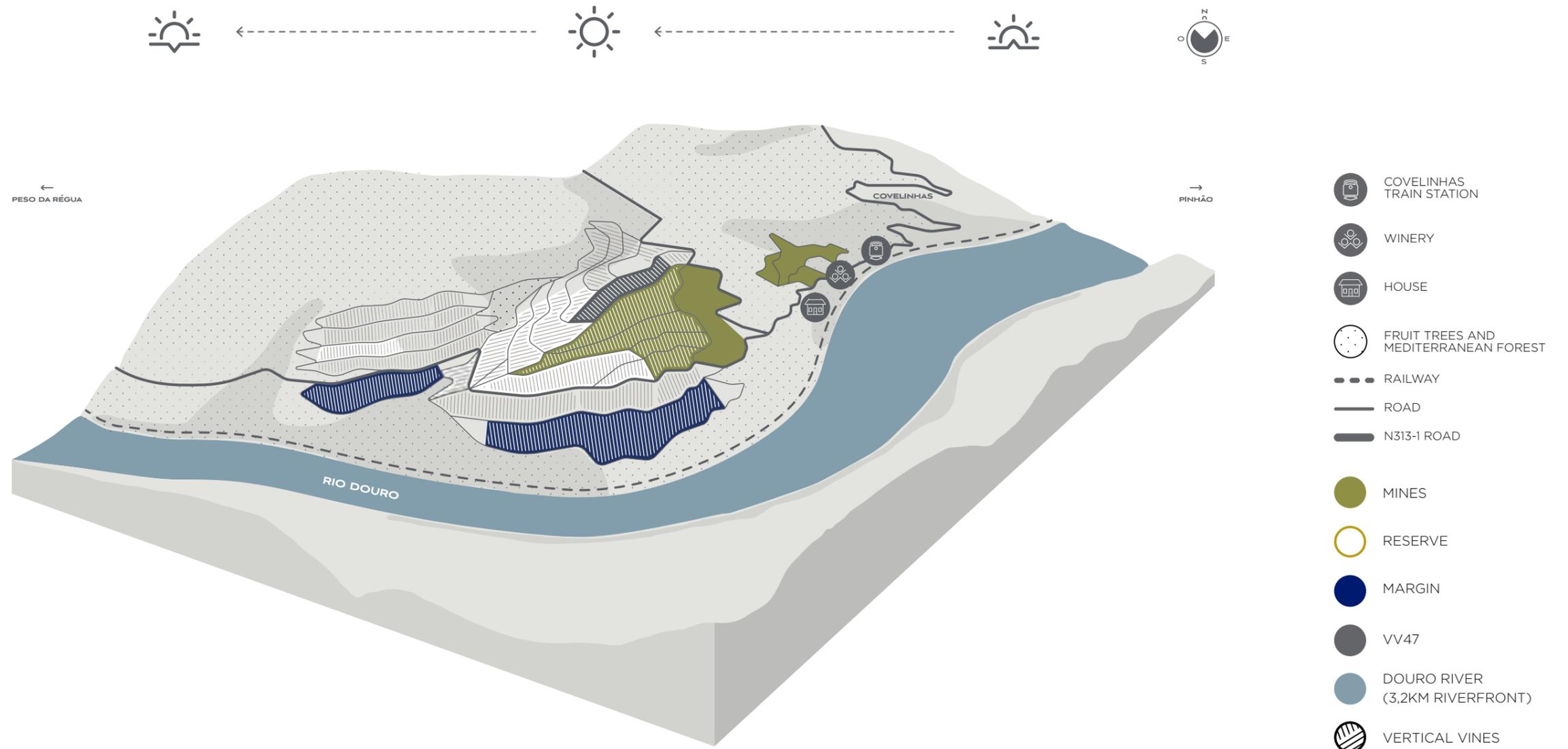




QUINTA DOS
MURÇAS
DOURO · PORTUGAL

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.





CLIMATE & THE ENVIRONMENT

CLIMATE & THE ENVIRONMENT



INTEGRATED MANAGEMENT SYSTEM

Esporão is firmly committed to the continuous improvement of the quality, energy efficiency and environmental impact of our products and services, across the entire organisation, preventing environmental non-compliance and guaranteeing our staff's safety. For this, we developed the Integrated Management System (IMS), which links strategic guidelines with the management of various types of certifications.

The Esporão group is certified by the norms ISO 9001 - Quality Management Systems, ISO 14001 - Environmental Management Systems and ISO 50001 - Energy Management Systems (certification in 2017), and is currently implementing the HACCP system in all of its production units - Esporão Azeites, Quinta dos Murças and Herdade do Esporão.

ISO 9001 ISO 14001	<ul style="list-style-type: none"> Implemented transition to 2015 version of the norm Audit & certification expected in 2017
ISO 50001	<ul style="list-style-type: none"> Concluded 1st phase of the audit Certification audit in 2017
HALAL	<ul style="list-style-type: none"> HALAL certification of the entire Olive Oil range Certification renewed in December 2016
EMAS	<ul style="list-style-type: none"> Awaiting usage permit for the Mill

Fig. 1 status of certification processes under development throughout 2016



EMISSIONS	T CO ₂ EQ				CO ₂ EQ BY SALES						
	2014	2015	2016	VARIATION	g/CX9L				g/BOTTLE(0,75L)		
					2014	2015	2016	VARIATION	2014	2015	2016
COMPONENTS	16.219	14.985	14.925	-0,6%	12.396	11.480	11.394	-0,7%	1.033	957	950
RAW MATERIALS PURCHASED	2.273	2.451	2.472	0,9%	1.737	1.874	1.887	0,7%	145	156	157
ELECTRICITY	965	732	740	1,0%	737	560	565	0,9%	61	47	47
MOBILE EQ. - QT FUEL	314	307	289	-6,0	240	235	221	-6,1%	20	20	18
WASTE TREATMENT	264	234	336	43,8%	202	179	257	43,5%	17	15	21
STATIONARY COMBUSTION	116	116	55	-52,7%	89	89	42	-52,8%	7	7	3
SUBSIDIARY PRODUCTS / MATERIALS	49	48	48	0,3%	37	37	37	0,1%	3	3	3
OUTSOURCED EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-
LOST EMISSIONS	4	0	19	-	3	-	15	-	-	-	950
TOTAL GENERAL	20.204	18.873	18.884	-0,1%	15.441	14.431	14.417	-0,1%	1.287	1.203	1.201

CLIMATE CHANGE - ADAPTATION AND MITIGATION

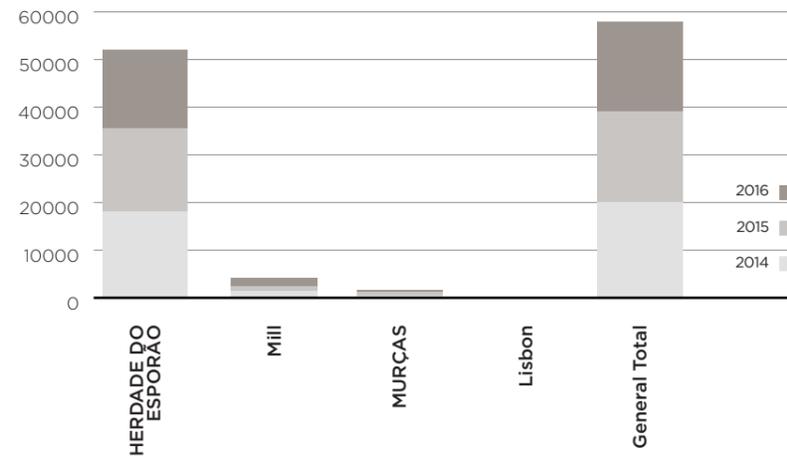
CO₂ emissions decreased at Herdade do Esporão essentially due to a reduction in Direct Emissions:

- Significant reduction in gas consumption by the Wine tourism operation due to a decrease in the number of meals served (the number of groups also decreased), a change in concepts (2 menus available instead of à la carte), and alterations made to processes;
- Reduction in agricultural Diesel. In the case of Murças, due to lower tractor intervention in the vineyards;
- Reduction in road Diesel, essentially in the use of the production Boiler. With the entry into operation of the Thermal Power Plant, the production boiler ceased to operate;
- Reduction in gas consumption in Lisbon, due to termination of meal preparation in the kitchen.

EMISSIONS	2014	2015	2016
COMPONENTS	434	424	363
RAW MATERIALS PURCHASED	4	-	19
ELECTRICITY	116	116	55
MOBILE EQ. - QT FUEL	314	307	289
WASTE TREATMENT	965	733	740
STATIONARY COMBUSTION	965	733	740
SUBSIDIARY PRODUCTS / MATERIALS	18 806	17 747	17 781
OUTSOURCED EQUIPMENT	264	234	336
LOST EMISSIONS	49	48	48
GENERAL TOTAL	2 273	2 451	2 472
EMBALAGENS	16 219	15 014	14 925
TOTAL GENERAL	20 204	18 904	18 884

Fig. 2 Emissions

There was a more significant increase in CO₂ Equivalent emissions in the oil mill because, due to the sale of the mill, consumption in 2015 was only considered until July. Regarding 2016, the increase is due to a larger quantity of olives purchased and a rise in the amount of components purchased due to the increase in litres of olive oil bottled.



WATER

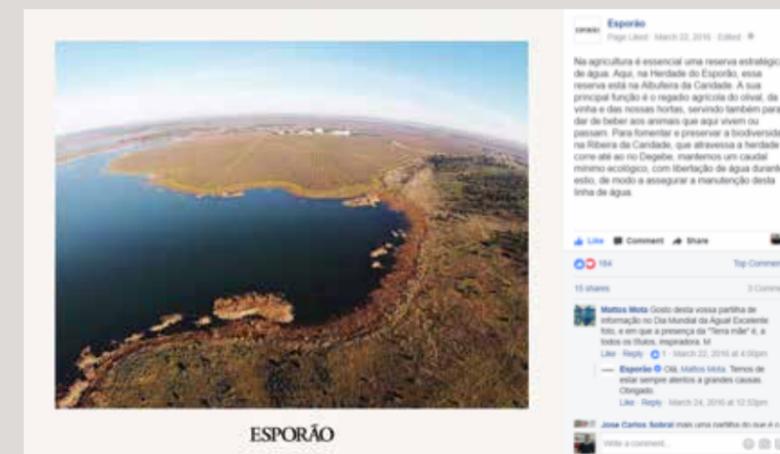
Water continues to be one of our major concerns, therefore over the years we have developed various initiatives to reduce the consumption associated with our activities, whether through programs to monitor consumption by department, or by optimising processes. Our objective is to reach 1L of water for 1L of wine.

Water consumption diminished in 2016, partly due to a decrease in water consumption in the vineyards where, although the requirements are greater, there was less irrigation due to a lack of water. There was also a significant increase in water at Quinta dos Murças, essentially associated with the installation of a drip irrigation system in the vineyards, where there is now an irrigation plan, which was previously non-existent, as well as an increase in the volume vinified.

LOCATION	ORIGIN	USAGE	CONSUMPTION (m³)		
			2014	2015	2016
Herdade Esporão	Water table	Winery, Wine tourism, Filling, Offices	15 044	17 845	17 729
Herdade do Esporão - Irrigation	Caridade reservoir, Water table	Agricultural irrigation, Offices	759 753	1 266 054	953 119
Quinta dos Murças	Douro River	Winery, Offices	1 913	2 314	2 550
Quinta dos Murças - Irrigation	Douro River	Agricultural irrigation	910	500	3 270
Restelo	EPAL	Offices	473	317	365
Serpa	Water table	Winery, Filling, Offices	2 116	385	-
Total			780 209	1 287 415	980 694



ESPORÃO DIGITAL



<https://goo.gl/RkNOOs>



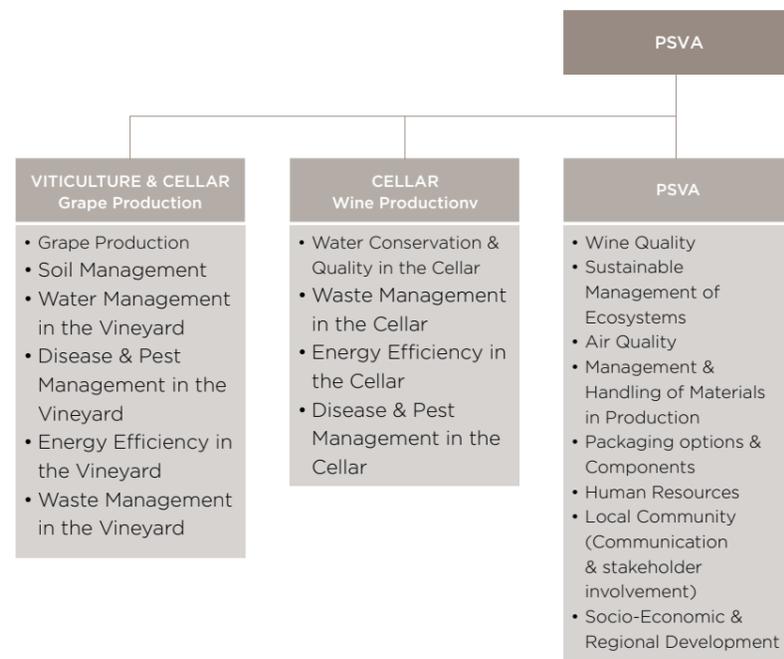
FIND OUT MORE ABOUT... SUSTAINABLE PLAN FOR ALENTEJO WINES

The Sustainable Plan for Alentejo Wines (PSVA) is an initiative that is joined voluntarily and which Esporão has been a part of from the outset, promoted by the Comissão Vitivinícola Regional Alentejana (CVRA- Alentejo Regional Winegrowing Commission) and aimed for grape and wine producers in the Alentejo wine region. Collective Sustainable Plans are common practise in some winegrowing regions in the world, and have been gaining importance in markets where Alentejo wines have been making headway. Both foreign and domestic markets are beginning to demand guarantees that sustainable principles are being applied.

In order to initiate the PSVA implementation, a self-evaluation must be carried out. The self-evaluation was developed to be a standard methodology in line with the benchmark established by the Plan, to be undertaken by the members and with a matrix to evaluate performance levels. The self-evaluation is expected to respect the classic methodology for a system's continuous improvement and must therefore be carried out on an annual basis. Self-evaluation is organised into 3 different sectors (Viticulture; Cellar; Viticulture & Cellar). This distinction between sectors is in line with the types of producers in the CVRA universe.

The final goal of each member of the PSVA will be to work on their own continuous improvement by identifying areas where they can improve and implementing annual action plans, in order to evolve during the following year and reach the 'Developed' stage of the General Sustainability Category in the medium term.

SCOPE OF THE SUSTAINABLE PLAN FOR ALENTEJO WINES

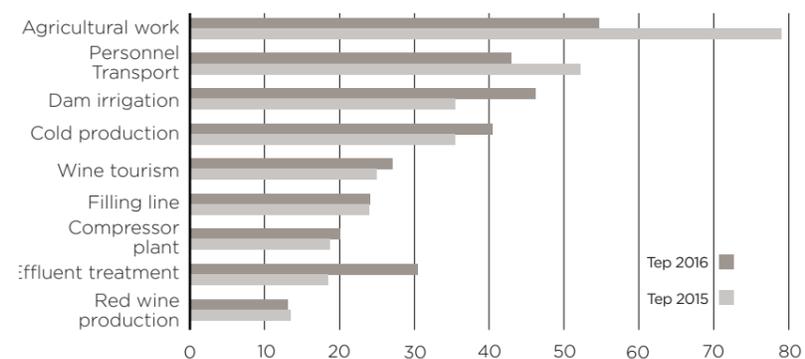


Full version PSVA: <http://sustentabilidade.vinhosdoalentejo.pt/pt/plano-de-sustentabilidade-dos-vinhos-do-alentejo> or <https://goo.gl/xJzrXM>

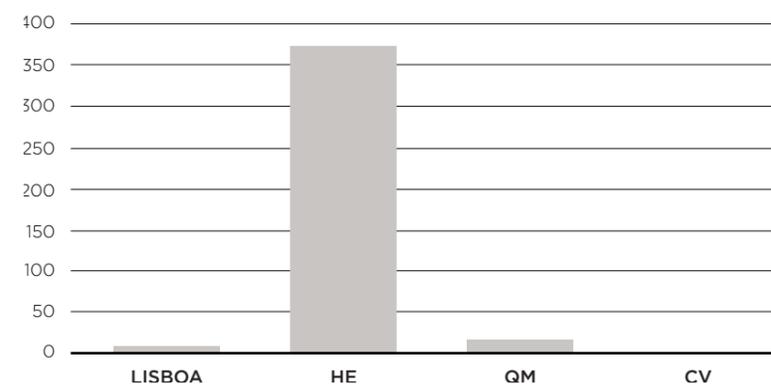
ENERGY

Esporão is currently in the audit and certification phase of the Energy Management System (EMS) pursuant to the ISO 50001 norm. Taking into account the implementation phase / 1st phase of EMS certification, a comprehensive Revision of the Management System will take place in 2017.

SIGNIFICANT ENERGY USES - BASE YEAR 2015



DISTRIBUTION OF CONSUMPTION PER LOCATION



Consumption is monitored in all of the locations mentioned, through an established methodology, enabling us to identify which areas present significant energy use. Indicators are established for these areas. Once energy consumption is analysed and opportunities for improvement are identified, targets and improvement measures are defined.



	LOCATION 1	LOCATION 2	LOCATION 3	LOCATION 4
LOCATIONS	<i>Herdade do Esporão (HE), Reguengos de Monsaraz</i>	<i>Quinta dos Murças (QM), Peso da Régua</i>	<i>Sede, Lisboa</i>	<i>Núcleo de Portalegre, Castelo Vide</i>
ENERGY SOURCES	Electricity; Diesel; Gasoline; Gas and Olive seed	Electricity; Diesel; Gasoline; Gas	Electricity; Gas	Electricity

Following this process, energy efficiency objectives and targets were defined:

OBJECTIVES & MEASURES	Target (annual savings)		
	KWH	€	€/KWH
Objective 1 – Reduce energy for Lighting			
Turn off main switches of partial panels during extended periods of inactivity	11514	1 301,10	0,11
Objective 2 – Reduce energy for Compressed Air			
Reduce loads of compressed air on weekends (switch off nitrogen plant)	24539	2 772,90	0,11
Reduce compressed air leaks	18250	2 062,25	0,11
Objective 3 – Reduce energy for Water Heating Systems			
Optimise processes Tangential Filters (control heating elements)			
Objective 4 – Reduce energy through Training & Awareness			
Training/Awareness - Behavioural changes to drive efficient energy use (Maintenance & Energy Management department)			
Objective 5 – Reduce energy by optimising operation of equipment			
Control filling line using time switch (box gluing process), turn off on weekends	32625	3 686,00	0,11
TOTAL	86 928	6 136	



Regarding key energy efficient measures:

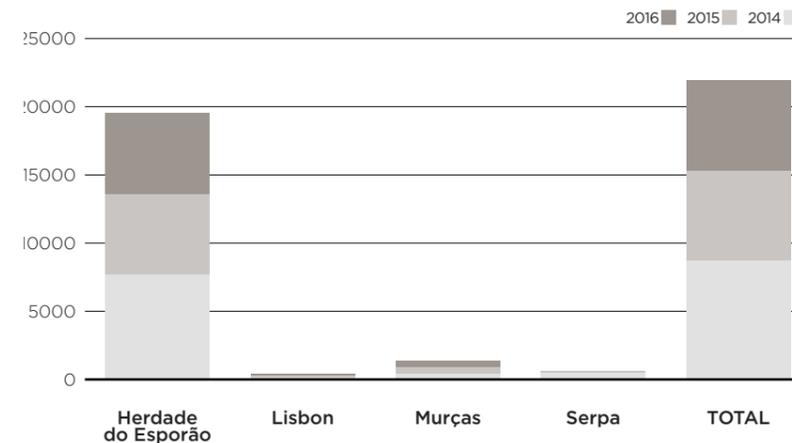
OBJECTIVES & MEASURES	Target (annual savings)		
	KWH	€	€/KWH
Objective 1 – Reduce energy for HVAC			
Optimise wine tourism HVAC systems adjusting setpoints on the machines	15 000	1 695	0,11
Objective 1 – Reduce energy for Lighting			
Switch off bell lighting in Warehouse A	9 675	968,00	0,11
Objective 2 – Reduce energy for Compressed Air			
Disconnect compressed air plant on weekends (avoid loss due to leaks)	32 626	3 686,70	0,11
Objective 1 – Reduce energy for production systems			
Reduce filling shifts from 7am-10pm to 7am-8pm	40 000	4 520	0,11
Total	97 301	10 870	

Regarding direct energy consumption (GJ) we note the decrease in gas consumption by Wine tourism and in Diesel consumption (Road and Agricultural). In the case of Road Diesel, the decrease is due to entry into operation of the thermal power plant at the end of October 2016. During that period, only olive stones were consumed.

ENERGY FOSSIL (NON RENEWABLE)	LOCATION	2014	2015	2016
ROAD DIESEL	Herdade Esporão	2 023	2 140	1 957
AGRICULTURAL DIESEL	Herdade Esporão	2 071	2 174	1 933
GAS	Herdade Esporão	332	705	477
GAS	Lisboa	3	1	0,4
ROAD DIESEL	Quinta Murças	175	138	142
AGRICULTURAL DIESEL	Quinta Murças	130	115	77
GAS	Quinta Murças	35	38	28
ROAD DIESEL	Serpa	147	12	-
GAS	Serpa	-	-	-
TOTAL	4 916	5 323	4 615	100%

RENEWABLE ENERGY

Specifically regarding renewable energy, namely at Herdade do Esporão, two sources are being used:



• Thermal Energy produced from Biomassa

- Thermodynamic study to assess cold and heat requirements in the winery complex
- Construction of a thermal power plant (reduction of 170Kw in electric power, -64.000€/year)
- Introduction of an absorption chiller (lithium bromide)
- Introduction of a pellet boiler powered by olive stones, approximately 400 tons available each year.

• Electric Energy from Solar Parks

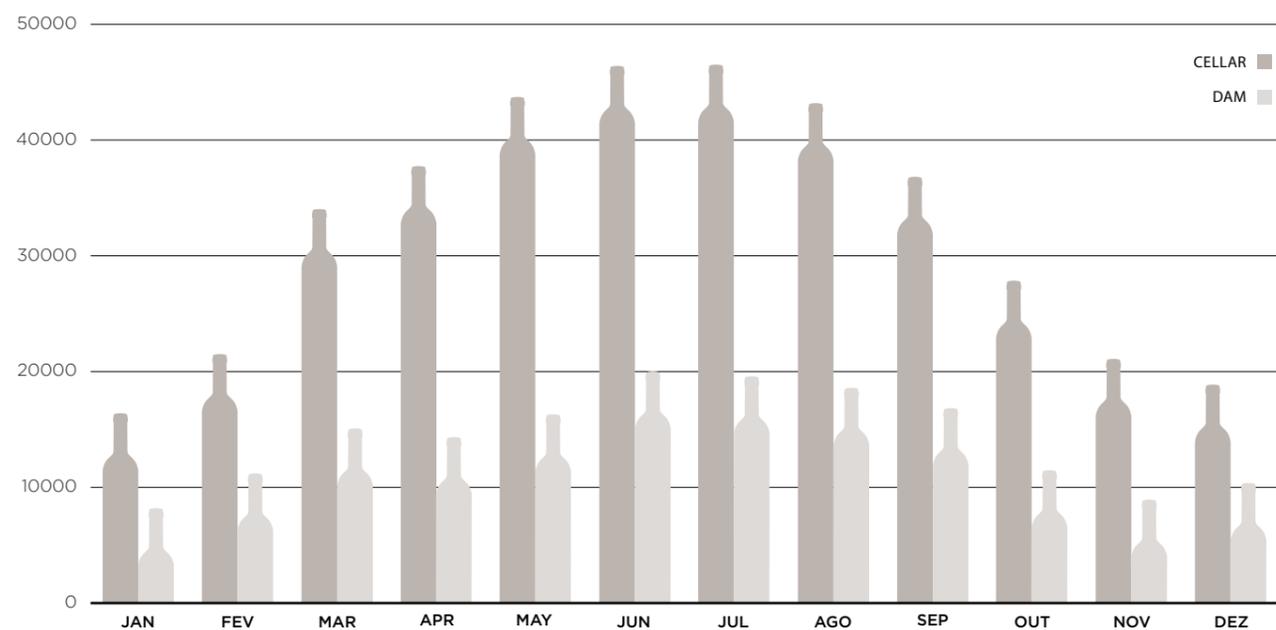
- 250Kw solar park at the winery - mini-generation
- 100Kw solar park at the vineyards for irrigation - mini-generation

Specifically regarding production powered by solar energy, these were the results in 2016:

RENEWABLE ENERGY (GJ)	2014	2015	2016
BIOMASS, OLIVE STONES	844	436	1 145
SOLAR PANELS - WINERY	389	1591	1 176
SOLAR PANELS - DAM	462	625	467
TOTAL	1 684	436	1 612

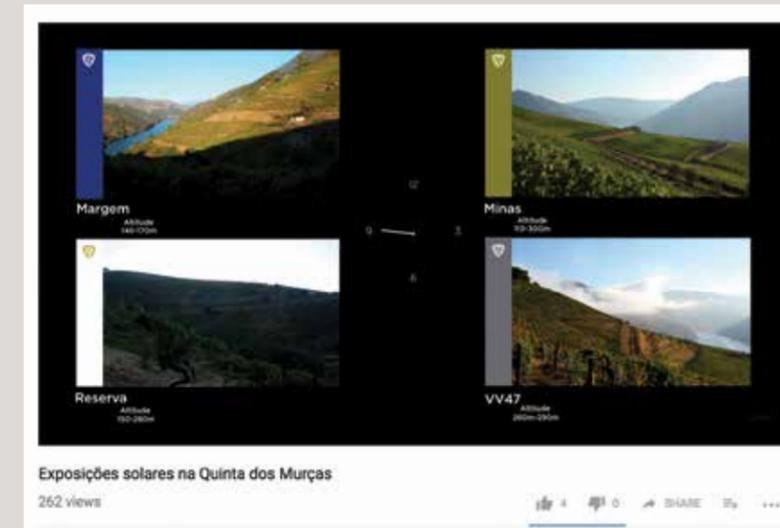


Specifically regarding production powered by solar energy, these were the results in 2016:



DIGITAL ESPORÃO: THE INFLUENCE OF SUN EXPOSURE AT QUINTA DOS MURÇAS

The Estate is located at the beginning of the Cima Corgo sub-region, closer to the Baixo Corgo sub-region and, due to this being a cooler part of the Douro, it is essential that the vineyards have better sun exposure to guarantee good grape ripening. To better understand the sun's influence, we placed cameras in four vineyards and let them film. For 14 hours, we observed the sun's movement on the Murças Minas, Reserva, Margem and VV47 vineyards, and this work enabled us to reinforce some ideas and draw important conclusions.



<https://goo.gl/YVWc07>

Our vineyards facing north, like the Assobio vineyard, are more protected from the sun and therefore result in more aromatic and less mature wines, with acidity and a lively fruitiness. Campo Redondo and Minas vineyards face south/southeast. Vineyards that are vertically planted and exposed to the sun for many hours a day yield extremely concentrated grapes.

Some plots of the Rio, Vale Figueira and Assobio vineyards are planted on slopes facing west, receiving more sun in the afternoon when it's hotter. This results in more concentrated and riper grapes that provide structure and ripe fruit aromas. Altitude can reinforce or balance sun exposure. The vineyards at higher altitudes are in a fresher climate, while areas closer to the river, with lower altitudes, are subject to higher temperatures, resulting in wines that are potentially warmer, more concentrated and mature.

WASTE

At Esporão, we follow the 3R policy (Reduce, Reuse and Recycle), giving precedence to reducing.

Adopting recycling methods in 100% of our activities brought a series of related benefits, such as reducing the volume of waste generated, optimal management of available resources in recyclable waste, and a reduction in costs associated with final waste disposal.

There was an increase in the total amount of waste in 2016 because, in some cases, the waste produced in 2015, such as sewage sludge, contaminated packaging, lab absorbents and chemical products, were only collected at the beginning of 2016, resulting in the quantities being reflected that year.

LOCATION	2014	2015	2016
HERDADE ESPORÃO	207 966	175 028	198 636
SERPA	88 760	11 620	-
MURÇAS	46	84	36
LISBON	-	600	-
GENERAL TOTAL	296 772	187 332	198 672



VOX ESPORÃO

VOX ESPORÃO
JOÃO BARROSO, SUSTAINABILITY MANAGER FOR ALENTEJO WINES

I first came into contact with Esporão in 2006, when they let me prepare my master's thesis on Industrial Symbiosis, at a time when the concept of Circular Economies, reusing resources and creating inter-industrial synergies was still taking its first steps. At that time, this subject was almost unheard of, however Esporão embraced it immediately and even used it as a catalyst to involve several regional stakeholders in the project. Once my thesis was successfully completed, I was invited to continue my collaboration with Esporão, this time to adapt the conclusions of my thesis to explore ways to produce energy from biomass waste.

After concluding this study and due to personal reasons, I switched hemispheres and headed to Australia. Since I had built a relationship of respect and friendship with Esporão and the people who worked there, I stayed in touch, remotely, but closely monitoring how this organisation was a pioneer on several levels, experimenting with new methods and practises, constantly pursuing technological innovation, growing economically, founded on a great regard for the environment, its staff and the community.

I returned to Portugal in 2012 and collaborated with Esporão once again, this time analysing the winery's processes and implementing product dematerialisation methodologies, striving to reduce the use of materials and paints, replacing production components with more environmentally-friendly alternatives, in an effort to reduce waste production.

Today, I coordinate the Sustainable Plan for Alentejo Wines, and it was no surprise, when the project was launched, to see Esporão, not only join the initiative immediately, but position itself as one of this project's champions, always willing to share its experiences and best practises, always keeping its doors open to the sector in order to help establish the Alentejo region as a leader not only in sales, but also as a pioneer in sustainable compliance in the national wine sector. Thank you for that and for everything you have done.



PEOPLE

04



PEOPLE

In 2016, Esporão's internal staff base comprised a total of 267 people, recording a slight increase in the total number of contracts, most notably a significant rise in male hires, which reinforces the convergence between male and female employees (Chart 1).

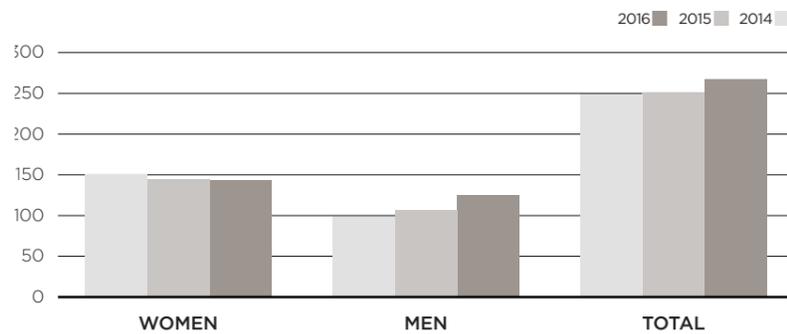


Chart 1 Employment contracts by gender.

In terms of contract typology, there is a tendency, especially among male employees, for a greater proportion of temporary contracts, which is inherently associated with the seasonality of the agricultural sector. However, the proportion of open-ended contracts was reinforced, clearly indicating employment stability (Chart 2).

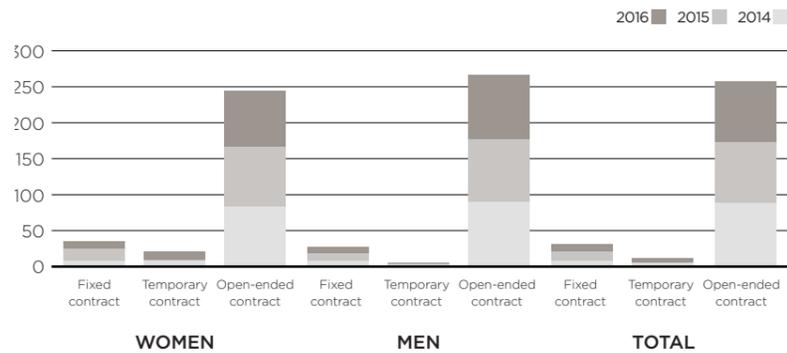


Chart 2 Employment contracts by typology and gender (relative percentage/year)

Regarding the governing body, we note the entry of the first woman in a director's position, although there was a decrease in female representation in supervisory positions. Overall, there was slow organic growth of the governing body's teams (Chart 3).

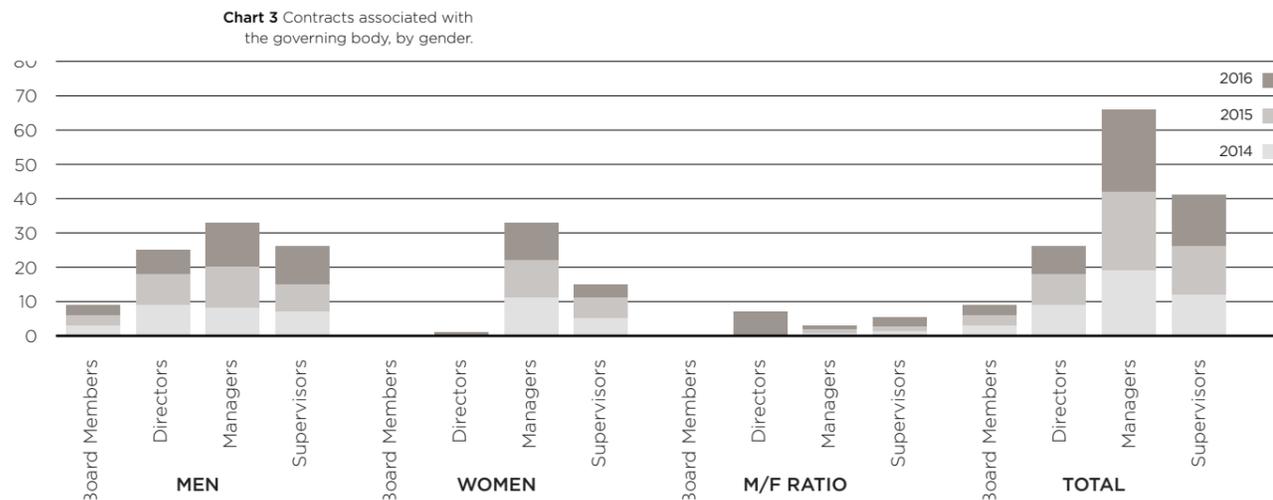


Chart 3 Contracts associated with the governing body, by gender.

VOX ESPORÃO

ALEXANDRA MANAÇAS

There are two characteristics that strike me in the Esporão culture.

The first is the love employees have for the products. Whenever there is a new launch, everyone wants the opportunity to try it right away. They are the first customers. And the proudest. They receive news of awards won with great satisfaction and are quite pleased when they find our olive oil on a table or our wines on restaurant menus.

The second is the sense of family among everyone. Some of the people who work at Esporão have been here for years. For many, this will be the only job they ever have. There is a strong sense of belonging and common identity. We all feel that Esporão is much more than a company. From the vineyards, to production, to services, it is one big family.



Regarding the balance between new hires and contract terminations, we note the relative decrease in employee departures, which reinforces the stability of the staff base, while the relative increase in admissions refreshes the organisation's skill set (Chart 4).

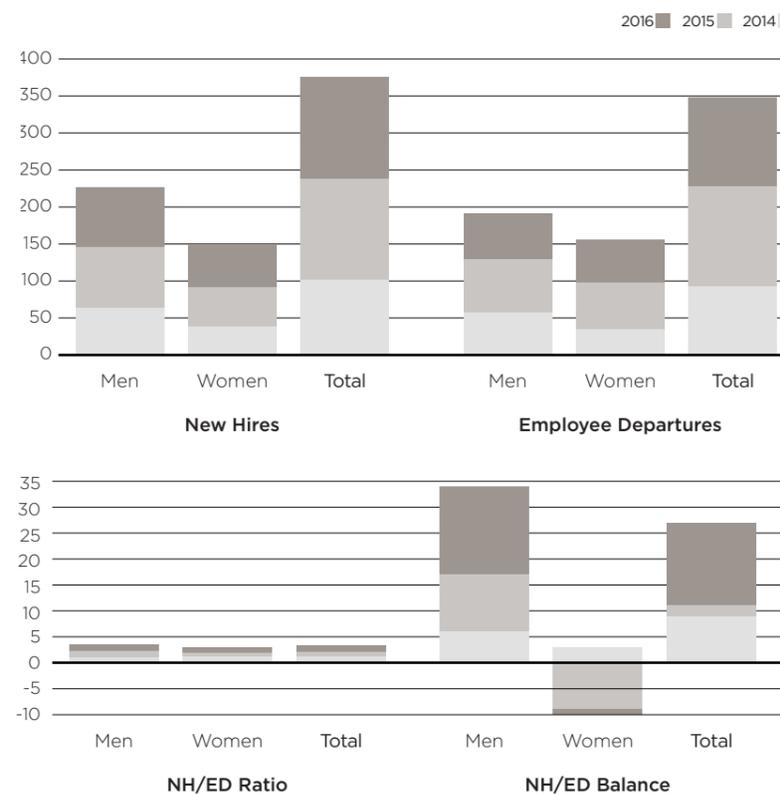
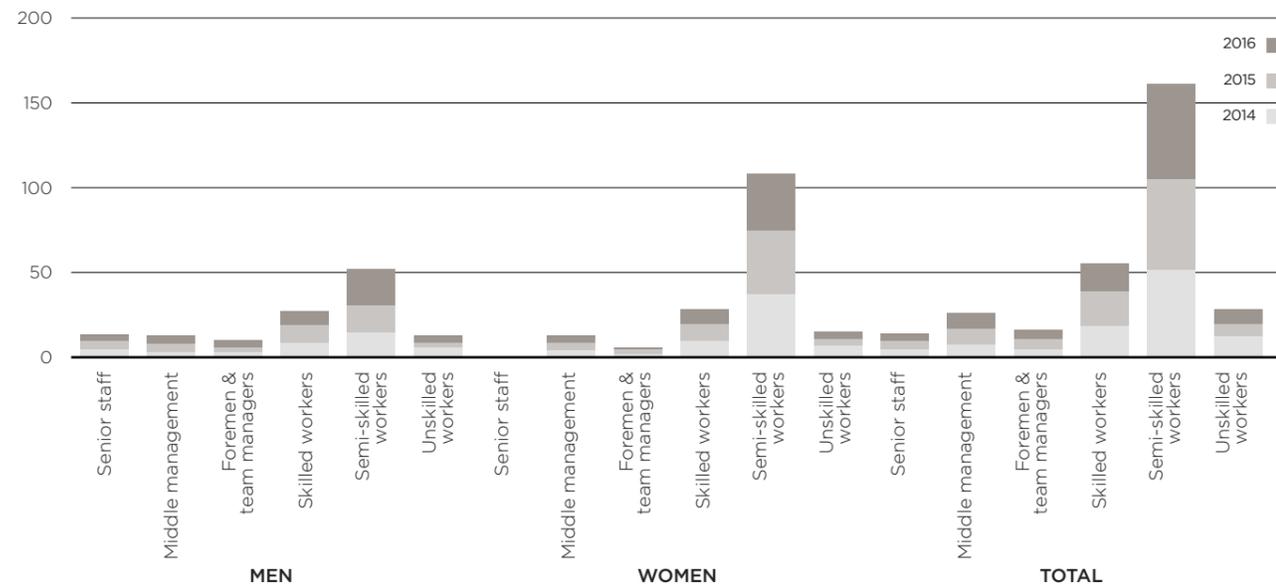


Chart 4 Record of employee admissions & departures, by gender.

Regarding the relative balance in the categories of positions occupied, the tendency remains among women where the greatest amount of jobs held are, on average, in lower categories than the men. Overall, more than 80% of the jobs are in the more elementary categories (Chart 5).

Chart 5 Job categories by gender - relative values



To sum up, there is still a great deal to be done within the organisation to create more equal gender representation, something that is not dissimilar to the socio-cultural realities in Reguengos de Monsaraz and Peso da Régua, where there is still a historic discrepancy in advanced training opportunities for the generations that currently represent our workforce.

BOX DIGITAL ESPORÃO: TWO OUTSTANDING FIGURES

From Reguengos to Douro, there is a vast 'family' of people who make an impression on everyone who passes through Esporão, whether staff or visitors. From so many names that make up this family, we want to reveal a little more about:

RUI FLORES (HERDADE DO ESPORÃO)



<https://goo.gl/QjQhKg>

If his connection to the earth was already written in his name (Flores = Flowers), his connection to Esporão came about by a happy coincidence. 14 years later, Esporão's story can no longer be written without Rui, one of our agricultural managers.

ANA MARIA (QUINTA DOS MURÇAS)



<https://goo.gl/Lp52V6>

At Quinta dos Murças, Ana Maria won't let our souls chill even on the coldest days. Like a mother who spoils her children, this is where we savour the finest Douro cooking. The secret ingredient? The right doses of love, dedication and affection.



Regarding representation of the three age groups, there is a general tendency towards rejuvenation on every level (Table 6, Table 7), as well as a tendency for the younger generations to predominate in jobs with greater responsibility within the organisation.

Age group	Category	2014	2015	2016
<30	Senior staff	0.0%	0.0%	0.0%
	Middle management	3.8%	3.4%	5.9%
	Foremen & team managers	3.8%	6.9%	2.9%
	Skilled workers	34.6%	48.3%	26.5%
	Semi-skilled workers	38.5%	37.9%	55.9%
	Unskilled workers	19.2%	3.4%	8.8%
	Relative total	10.4%	11.6%	12.7%
30-50	Senior staff	4.8%	4.7%	4.3%
	Middle management	10.2%	12.8%	11.8%
	Foremen & team managers	4.8%	5.4%	6.8%
	Skilled workers	19.7%	19.6%	16.8%
	Semi-skilled workers	48.3%	49.3%	50.3%
	Unskilled workers	12.2%	8.1%	9.9%
	Relative total	59.0%	59.2%	60.3%
>50	Senior staff	6.6%	6.8%	5.6%
	Middle management	3.9%	4.1%	4.2%
	Foremen & team managers	5.3%	5.4%	4.2%
	Skilled workers	10.5%	12.2%	11.1%
	Semi-skilled workers	63.2%	66.2%	68.1%
	Unskilled workers	10.5%	5.4%	6.9%
	Relative total	30.5%	29.6%	27.0%

Table 6 employees by age group (relative values)

	Age group	2014	2015	2016
New hires	<30	48	80	67
	30-50	50	47	61
	>50	4	9	9
Employee departures	<30	43	73	56
	30-50	41	47	50
	>50	9	14	15

Tabela 7 Record of employee admissions & departures, by age group

With regard to accidents at work and lost days,

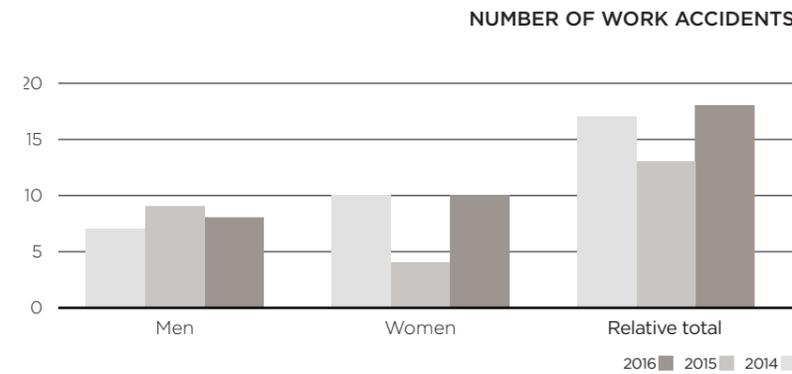


Chart 8 Record of work accidents, by gender

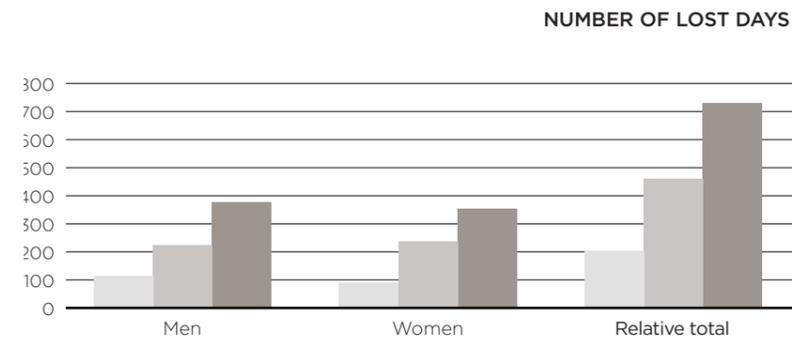


Chart 9 Record of lost days, by gender

BOX FIND OUT MORE ABOUT...: A SAD DAY

On 16 November 2016, something happened that left a mark on all of us and led us to spend a great deal of time pondering the reasons why it happened and how to prevent it from ever occurring again.

It was shortly after 10am and a check was under way using a telescopic camera, a normal procedure that takes place every 3 months to evaluate the proper hygiene of the lines, namely the use and concentrations of cleaning products. José António Cruz, one of our longstanding and highly experienced employees in this department, was washing one of the filling lines and was burnt with extremely hot water, resulting in severe burns on most of his body.

After many months in the hospital, a difficult and courageous recovery, and despite the scars that remained, we were happy to have José António back, with his hard work and professional pride, an extraordinary example of commitment and dedication to the company where he works.

After this episode and despite everything we had done in the past to avoid it, Esporão initiated an extremely strict auditing process to the working conditions in the company's numerous departments. Those efforts have already resulted in a set of improvements that are being executed and which we hope will reduce to a minimum the risk of serious accidents like this.

Regarding training, we underline the adjustment made in 2016 to facilitate a larger period for female employees, in order to reduce the difference that still exists between genders and which had worsened in 2015. Training also focused more on the less skilled categories in order to stimulate greater skill development (Table 10).

Training	Category	2014	2015	2016
Total hours of training by gender	Women	53.2%	33.8%	56.9%
	Men	46.8%	66.2%	43.1%
Total hours of training by category	Senior staff	2.8%	36.4%	0.7%
	Middle management	23.1%	56.8%	6.7%
	Foremen & team managers	5.5%	0.6%	8.2%
	Skilled workers	42.2%	2.8%	9.2%
	Semi-skilled workers	23.2%	3.4%	67.7%
	Unskilled workers	3.3%	0.0%	7.5%
Hours of Training	Total	581	792	2429.5

Table 10 Training, by gender and category, relative values



Regarding salary equality, using the lowest base-salary as a base value, we note that the salary difference between the upper and lower decile is quite high, which reflects the Portuguese reality in terms of uneven cultural contexts, namely regarding differences in the rural labour markets, such as Reguengos and Régua, and urban markets, where there has been exponential progress in qualifications through higher education in the last decades. This reality will tend to fade with the entry of younger generations and better prepared employees to enable them to further their careers more naturally within the organisation (Table 11).

Category	Wage multiple	Gap with immediately preceding category
Senior staff	9.36	53%
Middle management	4.38	55%
Foremen & team managers	1.99	-4%
Skilled workers	2.07	44%
Semi-skilled workers	1.16	12%
Unskilled workers	1.02	-

Table 11 Wage rates, by category

FIND OUT MORE ABOUT...: QUINTA DOS MURÇAS THROUGH THE EYES OF DUARTE BELO

Photographer and architect Duarte Belo has been visiting Quinta dos Murças, in the Douro, since 2008. He keeps many portraits and countless unforgettable memories of each return.

13 NOVEMBER 2008

It was early morning. There was a thick fog. I had just passed a sign for Quinta dos Murças and parked on the roadside, beside a building in ruins. The landscape was of autumn vineyards, in reddish and bright brown hues. The place was dense, the old vines exhibited some neglect, but the river's presence lent the slopes a powerful earthy dimension. This was my first contact with Quinta dos Murças.

8 SETEMBER 2009

I returned to the Estate some months later. Work was being done on virtually the entire property. The land was being prepared for new vineyards, watercourses were being drained and walls repaired. The walls were erected using traditional processes, employed in the Douro for centuries. Stone upon stone, some impressively large. This marked a return to the use of schist in the region and a refusal to use concrete, to retain the Estate's character and preserve its memory.

26 APRIL 2016

Although Quinta dos Murças isn't particularly large, there are terrains with different sun exposures that result in different wines, each with its own distinct characteristics. But this soil holds other secrets, like the springs that hide in its slopes. These are openings that carry us inside the earth, water sources that are no longer as important as they used to be, but continue to etch this maze of landmarks hidden from a less discerning eye.

27 SETEMBER 2016

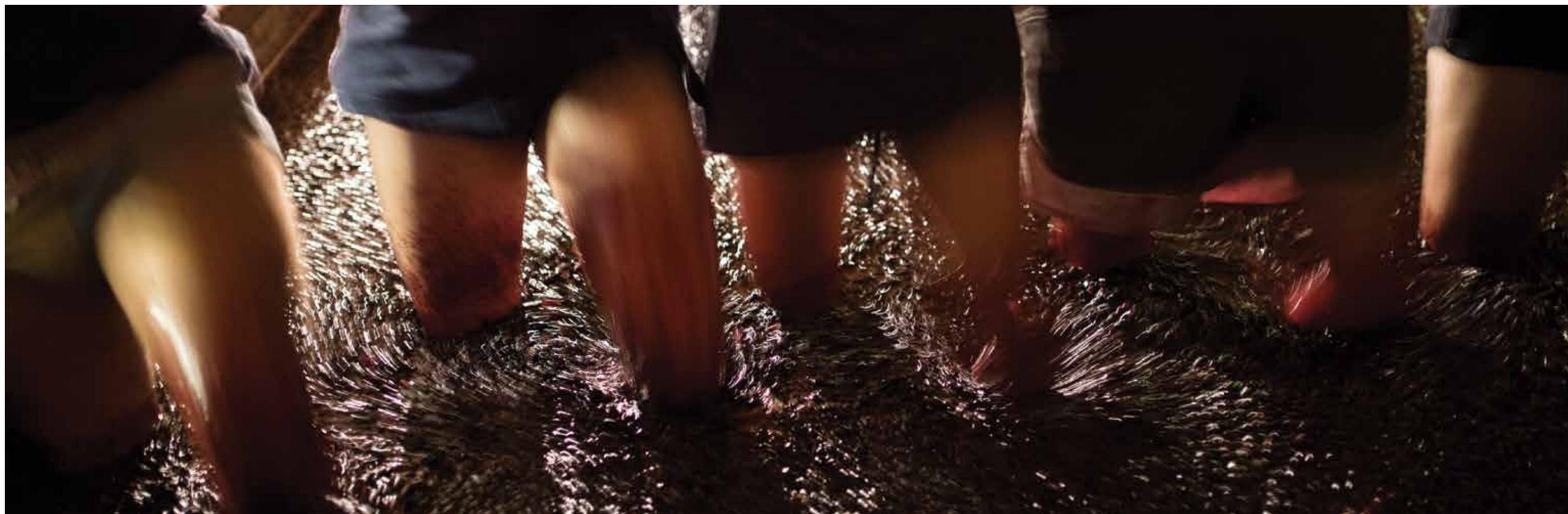
It's the end of summer, harvest time. We look around and are surrounded by earth-coloured fields, interspersed with ruins of old Douro terraces, or with scrublands that were never planted. But the soil at our feet is covered with undergrowth, weeds that make the land seem alive. The vineyards rise from the living earth like a garden. A green blanket intersected by lines of olive trees. When we navigate the river and look around us, we understand this silent landscape better.

Full version: <https://goo.gl/N38ehf>



Regarding the benefits developed exclusively at the organisation's intention, we underline the following for the period under analysis:

- 2016 was a difficult agricultural year that demanded great dedication from everyone, therefore Esporão assigned an extraordinary bonus to all of its agricultural staff;
- Esporão grants some days off that are not national holidays, such as Carnaval and December 26;
- Every permanent employee is offered a case of wine and the Board's best wishes on their birthday;
- Every employee is offered a Christmas gift of wine and olive oil;
- During their children's summer holidays, several departments keep a different work schedule to let them take Friday afternoons off;
- Vintage and harvest events are organised so that employees and their families may participate;



- There are several staff cafeterias, located beside various workplaces;
- The Wine tourism cafeteria at the estate prepares approximately 250 meals every day for all employees and guests;
- Collective transport is available to staff between the vineyard, the winery, production and logistics at Herdade do Esporão;
- There is a concern and focus on people's health and wellbeing, which has been developed in order to promote and encourage healthy habits and lifestyles. Therefore, employees are offered nutrition counselling and weekly Pilates classes.



COMMUNITY

05

COMMUNITY

IDENTIFICATION OF STAKEHOLDERS

The Stakeholders are groups or organisations who participate in the company directly or indirectly, who can affect or be affected by the actions, policies and objectives defined and implemented. These groups benefit from a company's success as much as they can be harmed by its failure. In the definition of our stakeholders assessment model, we are developing an approach with various levels, where we divide the Stakeholders as follows:

- **'Decision Making'** - with direct impact on the definition and implementation of corporate strategies; Includes: Shareholders, Board of Directors, Staff, Affiliated Companies.
- **'Production Chain'** - with indirect influence on the definition and implementation of strategies, facilitate the creation of symbioses and synergies. Including: Competition from Substitute Products, Direct Competition, Consumers, Distributors, Importers, Agricultural Suppliers, Component Suppliers, Technical and Services Suppliers, Financial Institutions, Complementary Products.
- **'Progress & Goodwill'** - have a sectorial and/or contextual role that influences strategies but do not intervene in their definition and implementation. These include: State, Facilitators, Teaching and R&D Institutions, Media, NGOs & Private Charities, Regulatory Bodies in the Agricultural Sector in General, Regulatory Bodies in the Wine Sector.

In 2017, we will further develop our strategy of involvement with Stakeholders, actively evaluating the representative groups and analysing each party's expectations.



VOX ESPORÃO

HENRY ARAÚJO, QUALIMPOR

My first visit to Esporão was unforgettable. It took one jeep ride to understand everything. Aside from the beauty of the place and hospitality of the people, I was struck by the way they view nature and how they learn from it every day. I felt that they treat it with humility and want to listen to what it has to say. Like a child with its parent.

The curious 'bat house', silent on the outside, buzzing on the inside, like a crowded party where the guests have made the place their own. Which for the actual owners is the greatest satisfaction. "They feel at home!"

The undergrowth that was once disregarded is now an ally to achieve balance. And the earth below that was once closed, compacted, making all of its living creatures, even if microscopic, behave almost as though on strike, rebuffed, was now in harmony with everything above it. Like they have made their peace with man and nature, and are taking care of each other once again.

That is how I interpreted what I heard from each person or employee who guided me on that visit. Indeed, more than a visit, a lesson on understanding and sensitivity. A sense of pride imprinted on every face.



Regarding our intervention with the community, we underline 2 major projects: **Big Day 2016** and the initiative **Esporão & Portuguese Cuisine Enjoying Itself**.

FIND OUT MORE ABOUT...: BIG DAY 2016, OUR GUESTS' EXPERIENCES

In 2016, the Big Day was about sharing who we are as the Esporão family, sharing our Alentejo, but with a touch of the Douro, and sharing everyday life at Herdade do Esporão. 427 visitors participated in the Big Day weekend, 23 of which were children under the age of 4 and 62 under the age of fifteen. This is the event organised by Esporão attended by the greatest number of children and teens.

We leave here a sample of some of the guests and activities carried out:

- **ESPORÃO CHEFS & PORTUGUESE CUISINE ENJOYING ITSELF** - Chefs Margarida Rego, José Júlio Vintém and José Pinheiro prepared an afternoon of delicacies. A special snack where pork was the star ingredient.
- **DARK SKY ALQUEVA** - When the moon lights up the sky at Herdade do Esporão, with the help of a telescope and binoculars, we can learn more about science and the stars.
- **GRUTERA** - This artist has established himself as one of the Portuguese guitarists to watch. His latest album, "Sur Lie", was recorded in our Barrel Tunnel and was inspired by the Alentejo plains and the art of winemaking.
- **PEDRO JERVELL** - Co-founder of SKREI, this architect was part of "Conversations about Architecture". He was joined by colleagues and friends to debate man's knowledge and relationship with land, from an architectural, agricultural, archaeological and empirical perspective.
- **DUARTE BELO** - This architect and photographer who, over the years, has travelled across Portugal to document the landscape and how our territory is occupied, participated with an exhibition in our Lagares Winery.

Full version: <https://goo.gl/iExyvx>



DIA
GRANDE
UM DIA QUE SÃO DOIS
ESPORÃO



**DIGITAL ESPORÃO:
BIG DAY 2016 - INSTRUMENT MAKERS**

AZ Barradas is a project created by two artisans who build musical toys using local raw materials and artisanal techniques. Ana and Zé Silva were at Big Day to show us more about their work.



Dia Grande 2016 / Big Day 2016: Construtores de Instrumentos / Artisans
127 views

<https://www.youtube.com/watch?v=q4t5RRcG7O4>

**FIND OUT MORE ABOUT...:
A YEAR OF ESPORÃO & PORTUGUESE CUISINE ENJOYING ITSELF**

Time passes quickly these days. Maybe that's why we are always looking for origins and roots, to have somewhere to focus on, that holds us. Gastronomy is also like that; it involves constant transformation, it invents, modernises, strives to be different. We don't have to oppose tradition to be modern and innovative. Both verses are part of the story and, to grow, we need to start at the origin, where it all begins.

For a year, we travelled across Portugal searching for flavours and stories to tell. We found much more than we ever imagined and carry with us memories of unique people. More than 40 recipes and places, many hours at the table sharing food, wine and stories. We learned from the old and the young, grandparents and chefs. And they learned from each other. We learned that one doesn't grow old at the table and the origin of each ingredient is the secret to real flavour. We listened to everyone who wanted to share their trade with us, their passion. We were always welcomed like friends, with a generosity that is priceless.

This journey began in October 2015 and taught us a great deal, made us richer, more curious. There is still so much to learn. Gastronomy in our country is a real treasure. Let's discover even more.

Full version: <https://goo.gl/FSdLfn>



DIGITAL ESPORÃO: SIX MONTHS OF ESPORÃO & PORTUGUESE CUISINE ENJOYING ITSELF IA

We are what we see, hear and eat. We must dive into the roots, get to know the country, its culture, its richness and variety, to build a current and contemporary collective memory. In 6 months, we discovered the roots of some “chefs”. We also went to people’s homes, all over the country, we showed ancient cultures and many varieties of indigenous products, but also modern techniques and joyful gatherings.



https://www.youtube.com/watch?v=8rIHdgu_IVA

FIND OUT MORE ABOUT...: MONTE VELHO AND REGUENGOS DE MONSARAZ BLANKETS

The work developed by Mizette Nielsen at the Fábrica Alentejana de Lanifícios factory, in Reguengos de Monsaraz, not only keeps the legacy and heritage of Alentejo blankets alive, but also brings a new approach to this rich tradition.

When blankets started to be replaced by eiderdowns, quilts and other products, Mizette saw an opportunity to continue the work that had been done so far. A new chapter began and these colourful rugs started to brighten the walls and floors of many Alentejo homes and, later, major hotels. The relationship with the hospitality industry grew and became key. This phase led to new orders and creations, such as poufs and cushions for Herdade do Esporão, the resort L'and Vineyards and the hotel São Lourenço do Barrocal, among others.

Despite expanding to new places beyond Alentejo, this tradition remains deeply rooted in the region’s history and character. Representing an essential part of Alentejo heritage and projects, new designs of Alentejo Capes or in saddles, shed light on what was almost a forgotten memory.

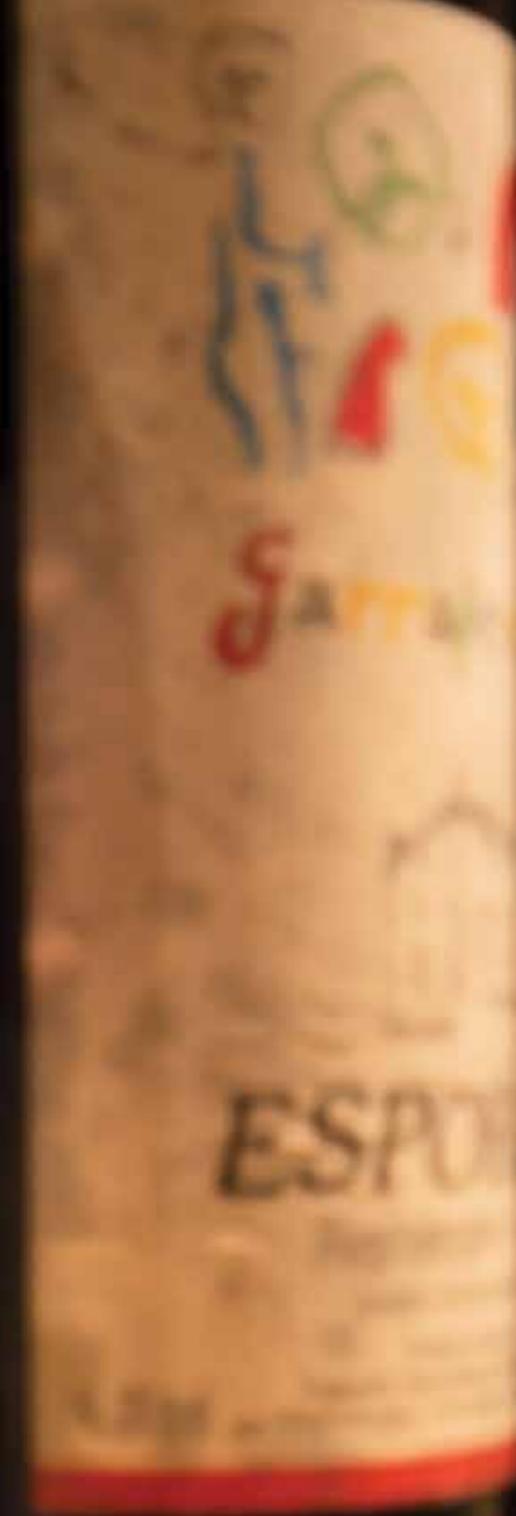
2016 also marked the 25th Monte Velho vintage, therefore we decided to bring this wine closer to its roots and, inspired by the traditional Reguengos de Monsaraz Blankets, applied their intricate patterns on the 2015 label.

Produced according to the Alentejo tradition, Monte Velho’s diverse grape varieties and vinification techniques lend this wine a character typical of the region: rich aromas, a smooth palate and excellent gastronomic potential. As a tribute to that identity and our heritage, Monte Velho 2015 brings the wine and blankets together.

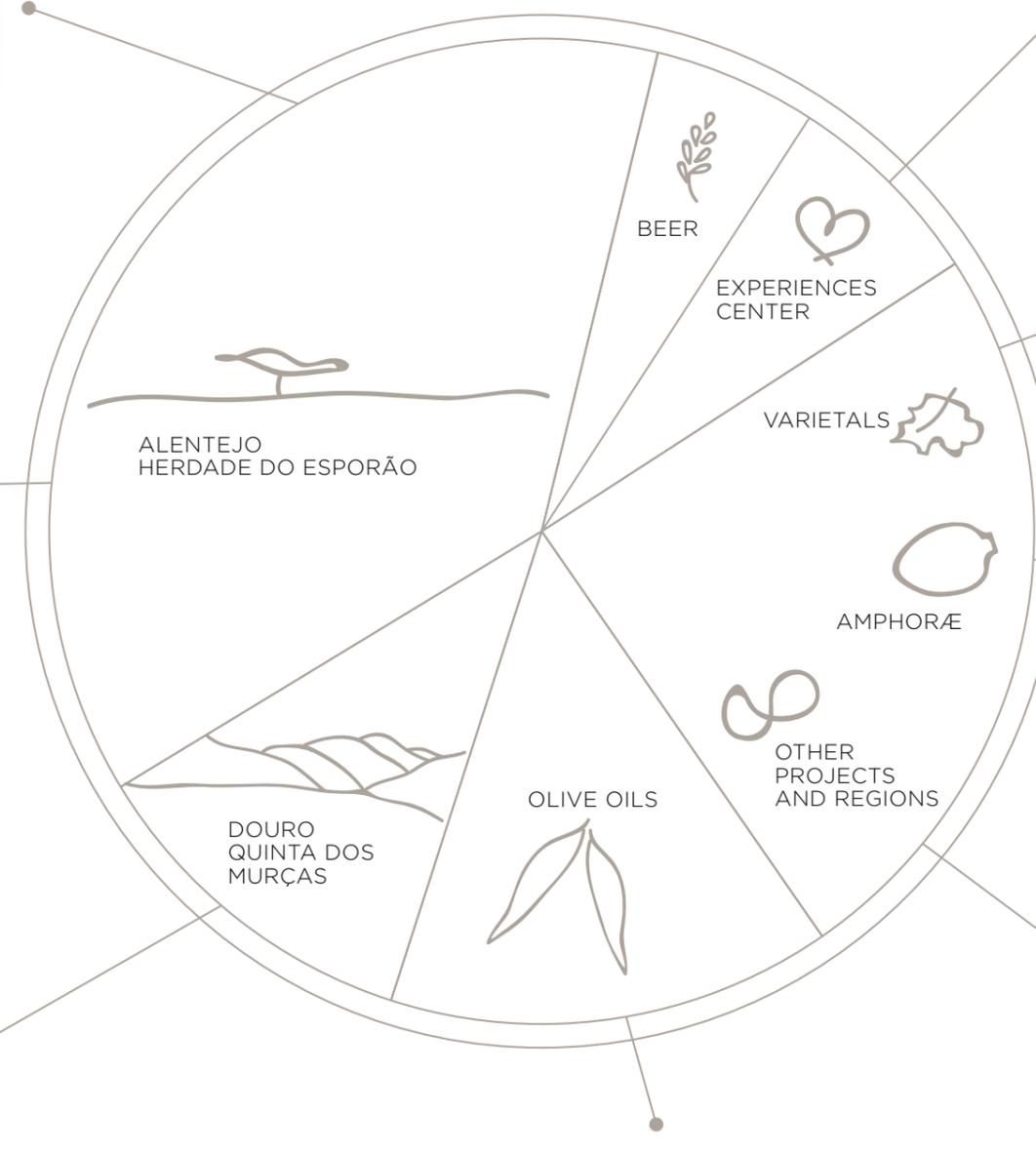


PRODUCTS

06



PORTFOLIO / PRODUCTS AND SERVICES



ALENTEJO - HERDADE DO ESPORÃO
 DOURO - QUINTA DOS MURÇAS
 LISBON - CONCEPT STORE



FIND OUT MORE ABOUT...:
THE STORY OF MONTE VELHO, BY JOÃO ROQUETTE

In 1985, we bottled our first wine, Esporão Reserva. This was the wine that launched our name and established our reputation in Portugal and abroad. We were able to maintain our course, growing at a good rate, with a strong brand and critical acclaim from the experts. At first, the company's economic situation was not easy. Like any project, there are difficulties and challenges in the early years. We took advantage of our growth and made major investments: we built a large red wine winery, underground cellars and planted vineyards. Thus, the project gained momentum.

At the time, some of the wine produced didn't have the quality Esporão Reserva needed and we started to develop a new project. The goal was to produce a wine with the same profile as Esporão Reserva, with the same grapes and terroir, with an excellent organoleptic and aromatic profile, but without barrel or bottle ageing. It was important to make a wine on a scale that would be affordable to more people and markets. And that is how, at the beginning of the 1990s, the Monte Velho brand came about.

Monte Velho gradually became a great success and we started to experience the usual "growing pains": how do we make more wine? We need to expand our vineyards and winery capacity. We had to adapt to this growth until we found the balance we have today. This was also when we made important decisions, planting more vineyards at Esporão and purchasing Herdade dos Perdigões with more than 150 hectares of vines. We invested in building a dam to guarantee water supply for our entire production. All of these factors were crucial to make us leaders in the Portuguese market and project us to a good international position. Therefore, Monte Velho was undeniably a driver for this company's growth, growing side by side with Esporão, first in volume and then in value and maturity. Maturity as a brand, as a product, always integrating and improving its value proposal.

Our dream is that Monte Velho will one day be produced exclusively from organic grapes, like some Esporão wines already are. Of all the wines we produce, this is obviously the most demanding because it involves the largest volume and depends in part on grapes sourced from our partners. This is extremely challenging, but we are closer to reaching our goal and will continue to strive to make it happen.

Full version: <https://goo.gl/t1YvF3>



OLIVE OILS



Esporão's olive oil production grew from a will to apply the knowledge acquired in wine production to produce high quality olive oils. Therefore, as with our wines, we strive to make our olive oils an expression of the land.

Using varieties from Alentejo and the Douro, from our own properties or partnerships with Alentejo olive growers, we strive to showcase these regions' indigenous varieties. All our olive oils, exclusively virgin or extra virgin, are produced using natural methods and entirely traditional processes, preserving the pure juice of the olives we harvest.

AWARDS & HONOURS

AWARDS WON BY ALENTEJO WINES:

Wines	Category	Vintage	Attributed by	Award / Classification
Private Selection	Red	2011	Decanter	Highly Recommended
			Revista de Vinhos	17
			Blind Tasted - Andreas Larsson	93
Esporão Reserva	Red	2013	Mundus Vini	Gold
			Decanter	Recommended
			Wine Magazine	17
4 castas	Red	2014	Decanter	Outstanding
			Blind Tasted - Andreas Larsson	87
Monte Velho	Red	2014	Mundus Vini	84
			Decanter	Recommended
Esporão Reserva	White	2014	Blind Tasted - Andreas Larsson	89
			Mundus Vini	86
Monte Velho	White	2015	Mundus Vini	Gold
Verdelho	White	2015	Blind Tasted - Andreas Larsson	84
			Mundus Vini	78

AWARDS WON BY DOURO WINES:

Wines	Category	Vintage	Attributed by	Award / Classification
Quinta dos Murças Reserva	Red	2011	Mundus Vini	Grand Gold
			Revista de Vinhos	Escolha de Imprensa
			Vinhos de Portugal Competition	Medalha de Grande Ouro
			Japan Wine Challenge	Prata
			Wine Magazine	17
			Decantar Asia Wine Awards	95
Quinta dos Murças VV47	Red	2012	Revista de Vinhos	17
			Revista de Vinhos	17
			Revista de Vinhos	17
Assobio	Red	2014	Mundus Vini	Silver
			Japan Wine Challenge	Prata
			China Wine & Spirits Awards	Double Gold
Quinta dos Murças Margem	Red	2015	Paixão Vinho	16.8
			Fernando Melo/Evasões	16
Assobio	White	2015	Mundus Vini	Gold



AWARDS WON BY OLIVE OILS:

Olive Oil	Category	Attributed by	Award / Classification
Herdade do Esporão - Seleção	Extra Virgin	TerraOlivo	Gran Prestige Gold
Herdade do Esporão - Biológico	Extra Virgin	TerraOlivo	Prestige Gold

VOX ESPORÃO

**LUÍS ROCHARTRE ÁLVARES,
SENIOR SUSTAINABILITY ADVISOR**



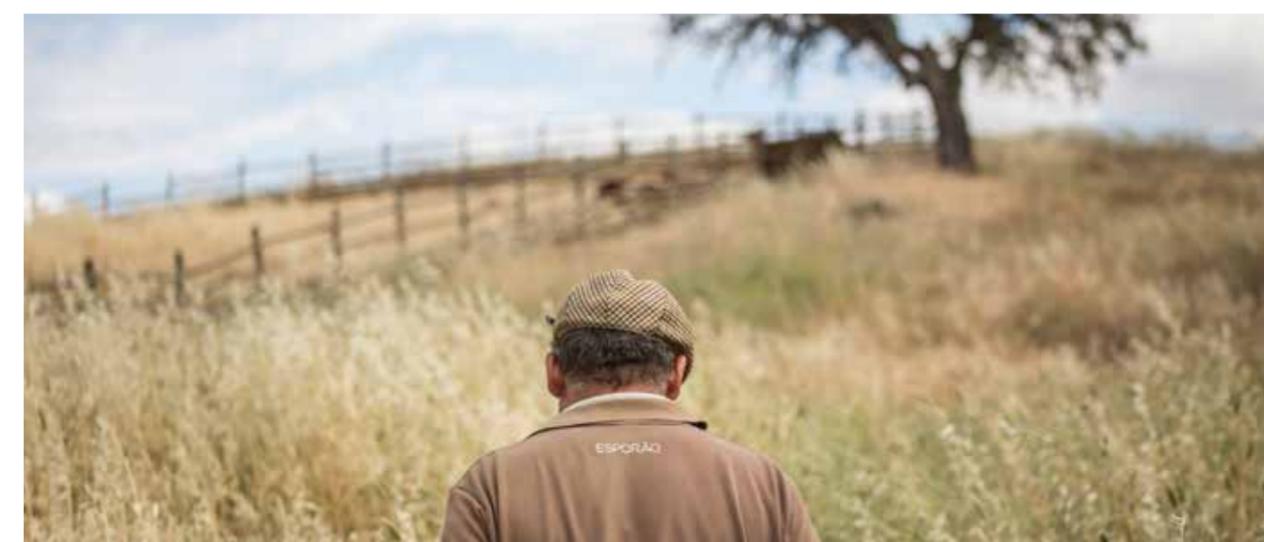
I had been following Esporão's activity from afar since 2005. My interest focused on its role at the time promoting sustainability among Portuguese companies. Therefore, I sought to identify companies that publicly demonstrated some way of practising the principles of sustainability.

I can't specify when and how Esporão caught my attention but, over time, it became a part of my list of organisations to monitor and recruit for my cause. The ultimate reason was the company's public commitment to the Business & Biodiversity initiative, which coincidentally had helped structure the national authority for nature conservation at the time. I had done my homework and it was now time to take action and approach the target directly.

At this time, I should take a brief pause for the sake of full disclosure - I have been an avid wine lover and fan of Esporão products for many years. I understand that companies' commitment to a sustainable policy is completely dependent on projecting and practising leadership, and is a good way of testing how far a company can go. Half-hearted and unclear leadership doesn't go far. With that in mind, I scheduled a meeting with the CEO.

Here, I return to my personal agenda. While the meeting was motivated by the company's sustainable attitude, it was no less my interest to get to know the production details of the wines I'm so fond of. I confess that the time flew and I returned from my mission with one more company for my organisation, certain that I had found one of the few companies that were moving in the right direction, with a leader who was consistent and "practised what he preached" and, most importantly, the wines I liked so much were even better than I thought because they were conceived and produced sustainably.

Other adventures together followed and many are still to come, but Esporão is still, without a doubt, one of the leading references I mention when asked who is maintaining a solid path to sustainability.



10
18H
COM VINHO DO DIA
19H
DO LOCAL
15H/18H
AZETES
VINHO
R AS ADEGAS
ARQUEOLÓGICO NA TORRE
HORTA
LA SOBRE MEL
OP PRATICAS
MONTE VELH
E VINHOS

DIA GRANDE ESPORÃO

16H
IDA À HORTA
UMA AULA SOBRE MEL
WORKSHOP PRÁTICAS AGRÍCOLAS
PROVA MONTE VELHO
PROVA VINHOS DA QUINTA DOS MURÇAS
WORKSHOP AZEITE PARA FAMILIAS
WORKSHOP FOODPAIRING
IDA AO LABORATÓRIO
16.30H
CONSTRUÇÃO DE UM FLIPBOOK
17H
LANCHE NO MERCADO
AULA DE BOMBO
17.45
CONVERSAS SOBRE ARQUITECTURA
19H
CONCERTO LISBOA STRING TRIO
20.30H
JANTAR NA TORRE
21H
ALENTEJO CANTADO
21.04H
PÓR-DO-SOL
21.30H
CINEMA À NOITE

22H
OBSERVAÇÃO DE ANIMAIS
22.30H
CONCERTO B FACHADA
OLHAR A LUA

DIA 19

6.12H
NASCIMENTO DO SOL
9H
VISITA AO COM
DOS PET
9.30H
GUARDADOR
10H
PASSEIO
OBSERVAÇÃO
VISITA A

EXPERIENCES

07

EXPERIENCES

WINE TOURISM

2016 was the year that established wine tourism at Herdade do Esporão as an attractive and innovative offer in the national panorama. This was driven by the company's positioning in terms of diversifying the activities offered, wine tasting and bicycle or truck rides through the estate (Figure 3, Figure 4), complemented by the restaurant's growing attractiveness, focusing strongly on gastronomic experiences closely rooted in the land's cycles.

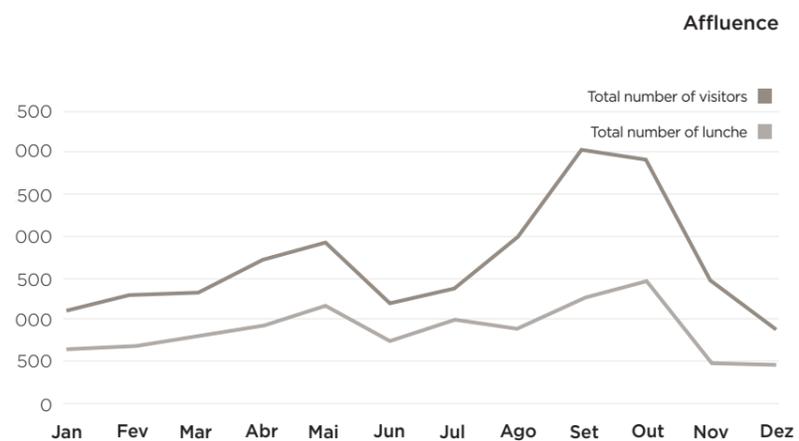


Fig. 1 Number of visitors to Herdade do Esporão restaurant in 2016

DIGITAL ESPORÃO: THE HERDADE DOS PERDIGÕES CHICKENS

2017 is the Chinese year of the Rooster, but at Esporão we started a year early and asked for help from these friendly animals at the end of 2016. With the arrival of autumn at Herdade dos Perdigões came mobile henhouses that are a great help. Chickens are crucial for pest control in organic farming. While they wander around the fields, they feed on insects that are harmful to our vines and peck some of the softer volunteer plants that are part of the soil protection crops.



<https://goo.gl/DFXuBq>



Experiences

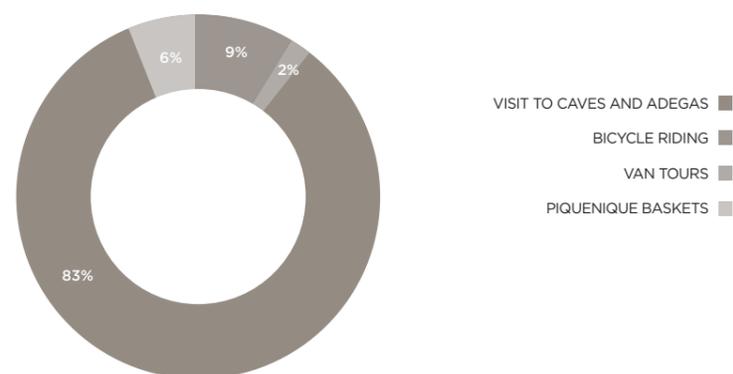


Fig. 2 Typology of other experiences offered by wine tourism (excluding the restaurant), from a total of 494, chosen by visitors in 2016

Visitors were surveyed throughout the year to assess the potential repeat visitor ratio. It was clearly indicated that there was almost total availability to repeat the visit (Figure 3)



Fig. 3 results of surveys to wine tourism visitors at Herdade do Esporão

**FIND OUT MORE ABOUT...: ALENTEJO
CONSIDERED ONE OF THE BEST WINE DESTINATIONS IN THE WORLD**

The Alentejo region was showcased in the last edition of two prestigious international magazines, namely Lonely Planet Traveller and Wine Enthusiast Magazine, which place the region among the best in the world to visit.

In the Wine Enthusiast article, Alentejo is suggested as one of the top ten wine destinations to visit in 2016 - in line with Bordeaux, France; Paso Robles, USA; Burgenland, Australia; and Alto Adige, Italy - where «rustic charm meets ready-to-drink reds in Portugal's most relaxed winemaking region».

Throughout the article, the North-American magazine makes several suggestions, among which are wine tours to Cartuxa, João Portugal Ramos, Herdade do Mouchão, Herdade do Rocim and Cortes de Cima, staying at M'AR de Ar Aqueduto, Convento do Espinheiro and Herdade da Malhadinha Nova, and tasting regional cuisine at Tasquinha do Oliveira, Cadeia Quinhentista and the Herdade do Esporão Restaurant.

Lonely Planet Traveller ranks Alentejo among the 52 top destinations in the world to spend a weekend, highlighting Elvas and its fortresses - classified as Unesco World Heritage - the whiteness of Castelo de Vide and the rocky landscape of Marvão.

Full version: <https://goo.gl/9ylnW8>

At Quinta dos Murças, restoring the house and creating infrastructures will enable us to include a wine tourism offer at the estate as of 2017, which was also a fundamental investment carried out in 2016, providing important leverage to reinforce our Douro wine brands.



FIND OUT MORE ABOUT...: DIARY DESIGNS

In recent years, we have invited an artist or designer to help us create the Esporão diaries. For the 2016 edition, we selected the most important phases of the vineyards during the viticultural period and artist Susana Monteiro illustrated one for each month.

For 2017, we decided to produce a smaller and more practical diary. We knew we wanted gastronomy to be the central theme, thereby strengthening our ties to Portuguese food. Therefore, we decided to share some of our staff's recipes. From January to December, there were twelve different dishes to discover and prepare.

We invited illustrator Ana Gil to illustrate our recipes, wines and olive oils. A trained architect, she discovers the world through drawing. She draws 'everything she sees' but her fascination and curiosity for cuisine take precedence when the time comes to pick up her pen. Drawing what she eats is a way of taking all of the world's flavours home with her.

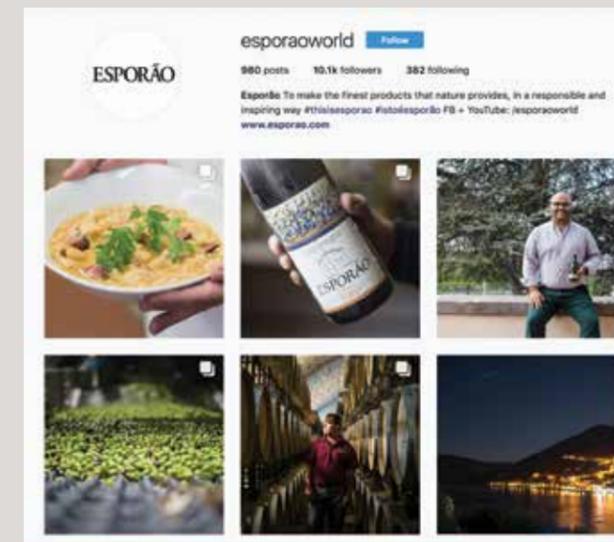
Using Indian ink and countless watercolours, she cooked the lines and shapes of twelve recipes. From Ana Maria's octopus à Lagareiro, to Catarina Santos Christmas Turkey, there are plenty of delicious and inspiring suggestions. After visiting us and illustrating some of the dishes at the Esporão restaurant, there was a mutual desire to collaborate, and the Esporão 2017 diary provided the perfect pretext and opportunity.

"After visiting Herdade do Esporão, I wanted to develop a design project with the Esporão family. That presence and inspiration of winemaking were crucial to this collaboration. The experience could not have been more enjoyable and indulgent" Ana Gil

Full version: <https://goo.gl/OeAq37>

DIGITAL ESPORÃO: ESPORAOWORLD ON INSTAGRAM

The Instagram social network is another way for us to participate in the daily lives of our fans and followers. Here we offer frequent access to updates on the products, experiences and people who make up the Esporão world.



Find out more at: www.instagram.com/esporaoworld/

BUSINESS

08



BUSINESS

Despite the difficulties added by the economic and social climate, there were no relevant changes in our turnover, which amounted to 43.4 million euros, presenting an overall growth of 1% in value and a slight decrease in volume, compared with 2015.

Evolution of values (K€) of the principal economic outturns over the past 4 years

Values in thousands of €	2013	2014	2015	2016
Sales 9L Cases	1267	1357	1350	1345
Sales in €	40179	43167	42813	43432
EBITDA	8488	8495	8693	9488
Net Profit	2718	3304	6619	3914
Generated Cash Flow	5378	5880	4800	6294



Wines and olive oils presented a slight growth, increasing from 1.30 to 1.31 million 9-litre cases, due to the excellent performance of olive oils, which grew 27%, while wines decreased 2% in volume, compared with the previous year. In terms of value, sales presented an overall growth of 4%, 36% of which was in olive oils and 1% in wines, resulting from a better sales mix and an increase in the unit price per case.

Despite a slight decrease in the number of cases sold, sales in value of our principal Alentejo brands (Monte Velho and Esporão), remained at the same level, while there was a 5% growth in the value of our Douro brands (Assobio and Quinta dos Murças). The Alandra brand increased its sales by 4%, reversing the previous year's trend. Finally, we underline the 6% growth in sales of Defesa do Esporão, reflecting this brand's recent repositioning.

Evolution of sale values (€) over the past 4 years - families of products

Values (€)	2013	2014	2015	2016
All products	14,513,554	15,117,407	15,982,004	15,986,819
Alentejo	5,667,872	5,750,459	5,402,668	5,249,340
Douro	5,387,510	5,290,515	4,879,634	5,056,635
Varietals	1,218,193	1,206,618	1,256,011	1,344,245
Other projects/regions	536,977	854,527	1,177,697	1,009,888
Olive oils	340,364	900,121	964,557	962,869
Quinta dos Murças	291,798	277,812	379,384	440,307
4 Castas	330,737	325,939	490,191	308,856
Verdelho	204,259	231,808	296,096	284,916
Super Premium (HE - Private Selection, Monocastas, Vinhas e Torre; QM - VV47, Margem e Minas)	168,907	174,905	136,411	125,219

FIND OUT MORE ABOUT...: THE STORIES OF A LABEL, PEDRO A.H. PAIXÃO

Since 1985, we have invited a Portuguese artist to design the Esporão Reserva and Private Selection labels. Recently, we rediscovered an old friend and artist we greatly admire, Pedro A.H. Paixão, and invited him to create the labels for our latest vintages.

Pedro was born in Lobito, Angola, in 1971, and has travelled the world - he has lived in Lisbon, Chicago, Venice, Porto and Milan. With a PhD in Philosophy and a Master's in Fine Arts, today he is a recognised visual artist and editor. He works with drawing, video, slides and theory. In Portugal, he is represented by Galeria 111, in Lisbon, where he exhibits his work. He is a researcher at University of Porto's Institute of Philosophy and manages a collection of essays called "Disciplina sem nome", for the Lisbon publishing house Documenta.

In order to become better acquainted with his creative process and the reasons that led him to accept the challenge to design our wine labels, we travelled to Milan, where Pedro lives with his family.

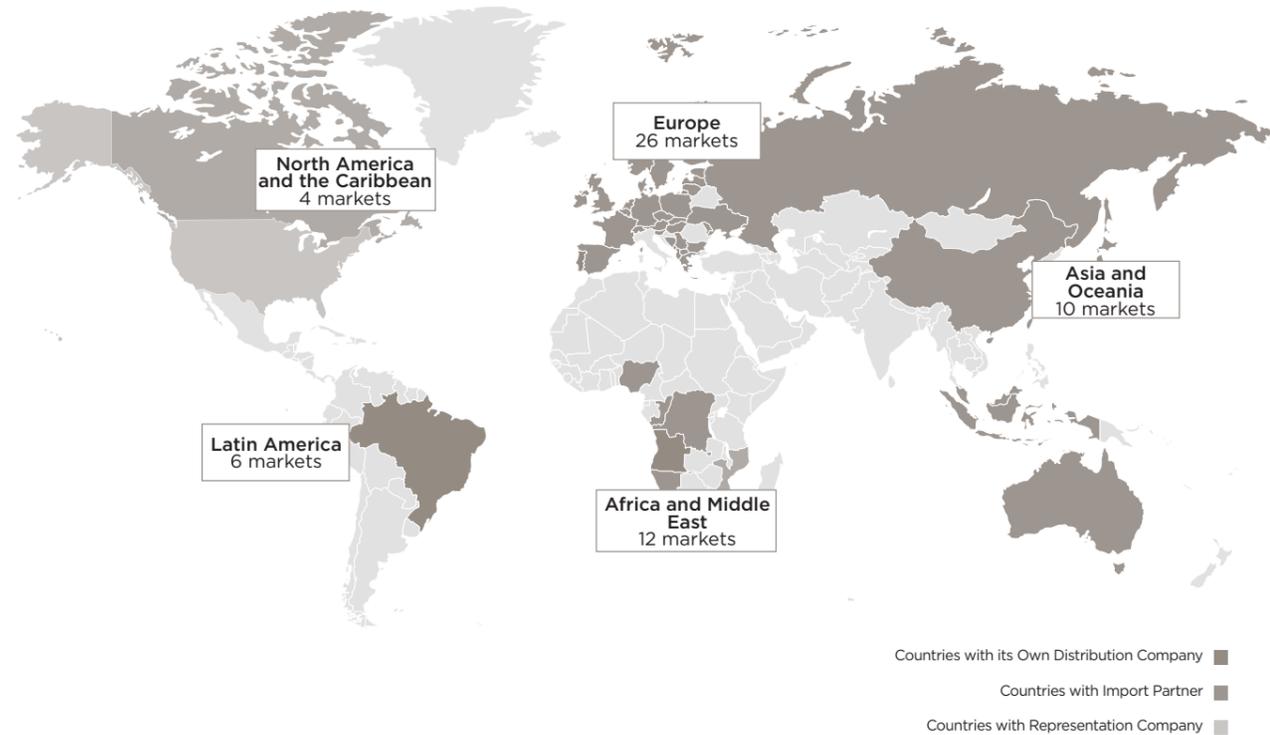
We were welcomed into his "cave" - as he calls it - which is also his studio, located in his home. The space where he spends his days and creates may be small for those just passing through, but it is an expanding world for those who stay. We meet Pedro amidst his harmonious chaos. In fact, we almost feel like intruders. Each object is an extension of himself, of his memories and senses. The scarlet pencil follows his hand, drawing creatures and characters that, as they take shape, also find a voice, as though they have something to tell us. The density with which he immerses himself in the search for sensitive thought is reflected in everything he does. His work feeds off that density, complexity, those stories and, above all, time. Just like our wines. Full of all these things.

Full version: <https://goo.gl/1zpLtl>



MARKETS

ESPORÃO IN THE WORLD - 58 MARKETS



The company's exports present a slightly lower performance than in the previous year, with sales in foreign markets going from 23.0 to 22.6 million euros, heavily penalised by the 1.7 million euro decrease (-59%) in exports to Angola, resulting from the economic crisis and severe restrictions on currency transit. Conversely, we underline the positive performance achieved in sales in Brazil, with a 2% growth leveraged by the country's improved economic conditions, notwithstanding the political instability that remains. France, Switzerland and China, with increases of 16%, 13% and 48%, were the other key markets to present significant growth and help mitigate Angola's negative impact.

Our **markets** are classified as follows:

- **Strategic:** Germany, Angola, Brazil, Canada, USA, Switzerland;
- **Investment:** Australia, Belgium, China, Finland, Netherlands, England, Sweden, Travel Retail;
- **Supporting:** Denmark, Duty-Free, France, Luxembourg, Macau, Mozambique, Poland, Cape Verde, Swaziland;
- **Others.**

In terms of market evolution, the globally recognised drop in the Angolan economy and its consequences on this country's market power were the principal negative factor. The slight decrease in strategic markets also resulted in the search for more forceful sales strategies regarding our positioning in the countries in this segment. However, the evolution of the supporting market is interesting, where it might be worth exploring some niches of opportunity for scalable growth. We reiterate the importance of the Brazilian market, due mostly to the hard work developed by our subsidiary Qualimpor.

Evolution of sale values (€) over the past 4 years

Values (€)	2013	2014	2015	2016
Total	32,291,549	33,625,725	34,711,711	35,336,767
National Market	15,947,878	17,559,945	17,833,914	19,449,924
Foreign Markets	16,343,670	16,065,780	16,877,797	15,886,843
Strategic	10,253,516	9,930,342	10,442,882	8,719,231
Investment	2,008,895	1,541,832	1,705,562	1,615,245
Supporting	3,507,576	3,731,130	4,271,175	4,903,741
Others	573,683	862,476	458,178	648,626

In terms of financial performance, the asset value decreased slightly from 155.5 to 152.0 million euros, presenting a reinforced investment and financing structure compared with the previous year. We also emphasise the increase in property, plant and equipment, due to a significant investment to construct the new olive oil mill at Herdade do Esporão and to rebuild the manor house at Quinta dos Murças, both essential to develop the two key pillars for Esporão's future growth: our olive oils and Douro wines. The value of current assets presents an 11% reduction compared with 2015, resulting from the partial repayment of a loan. Regarding financing sources, there was a significant increase in the value of equity, of 4.5 million euros, obtained essentially through profit. Despite the sizeable investments, the consolidated net debt was stabilised, and there was a significant reduction of approximately 7.0 million euros in bank debt.

FIND OUT MORE ABOUT... : THE HISTORY OF ESPORÃO, PREFACE.

To everyone who asks us how we got here, there's nothing like going back to the beginning.



<https://goo.gl/5MgLsv>

Regarding investment, the overall gross value reached 5.5 million euros, a significant amount that indicates our clear commitment to build solid bases, in order to fulfill the business growth forecast in upcoming years, in line with the principal axes defined in the Strategic Plan. We underline the construction of the new olive oil mill at Herdade do Esporão, an ambitious project that involved many years of planning and will enable us to better integrate the olive oil production and experience in the company's life, and, along with the market challenges, take advantage of the existing efficiencies and great potential. The design of the new mill contains 20 years of experience and knowledge from producing Esporão olive oil, and will support our mission to make the best products from what nature

provides, in a responsible and inspiring manner. We will also be able to make better use of the olive oil by-products: stones for the Estate's thermal power plant and pomace for the compost used to fertilise our crops; as well as creating production synergies, including bottling, which also now takes place on the Estate.

BOX DIGITAL ESPORÃO: COMMITTED TO DIVERSIFYING OUR OLIVE OILS



<https://goo.gl/Qa33By>

At Quinta dos Murças, restoring the house and creating infrastructures, a fundamental investment carried out in 2016, enabled us to start developing our wine tourism in 2017, as well as providing important leverage to reinforce our Douro wine brands. We also note the purchase of a property in Portalegre measuring approximately 60 hectares, called Enxofral, to plant new vineyards in different climate conditions, which will enable us to diversify our portfolio.

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.

We also underline that Esporão has continued to benefit from investment incentive programs, namely within the scope of PDR2020, representing a value of approximately 800 thousand euros in the 2016 financial year.





A human being is a part of the whole called by us universe, a part limited in time and space. He experiences himself, his thoughts and feeling as something separated from the rest, a kind of optical delusion of his consciousness.

This delusion is a kind of prison for us, restricting us to our personal desires and to affection for a few persons nearest to us. Our task must be to free ourselves from this prison by widening our circle of compassion to embrace all living creatures and the whole of nature in its beauty.

Albert Einstein



**COMMITMENTS
& GENERAL
OBLIGATIONS**

COMMITMENTS & GENERAL OBLIGATIONS

GENERAL STATEMENTS

ESPORÃO DECLARES:

- That it has not made direct contact or pressure on any governing body. All activities associated with our economic sector, whether by sharing information or promoting institutional dialogue with the government and other institutions that intervene in the economic, financial, social and political spheres, are carried out through the various organisations that represent our industry, namely:

- > **Viniportugal** - Associação Interprofissional do Sector Vitivinícola (Interprofessional Wine Industry Association).
- > **ACIBEV** - Associação dos Comerciantes e industriais de bebidas Espirituosas e Vinhos (Wine & Spirit Trade Association).
- > **ALABE** - Associação dos Laboratórios de Enologia (Oenology Laboratories Association).
- > **BCSD** - Conselho Empresarial para o Desenvolvimento Sustentável (Business Council for Sustainable Development).
- > **Casa do Azeite de Portugal** (Portuguese Olive Oil Association).
- > **CEPAAL** - Centro de Estudos e Promoção do Azeite do Alentejo (Centre for Alentejo Olive Oil Research & Promotion).

- That it has not conducted corruption risk analyses in the sites where Esporão operates.
- That it has not developed, promoted or sponsored any political activity or entity, internally or externally.
- That it was not the target of any type of legal action due to unfair competition, monopoly or other related practises.
- That it was not the target of sanctions and/or fines due to non-compliance with environmental laws and regulations.
- That it was not the target of sanctions and/or fines due to non-compliance with laws and regulations associated with our products.
- That it did not consider necessary undertaking any formal evaluation in our premises regarding human rights. In Portugal, there are legislative, judicial and social guarantees that ensure human rights are observed in our locations.
- That it did not receive any complaint, from any party, regarding the violation of human rights while conducting our activity.
- That it did not relocate any of its operations or create new locations. Therefore there was no need to conduct impact studies of those actions on the local communities, nor did any damages arise as a consequence.

CONTROL OF OUR PRODUCTS' LIFE CYCLE

The life cycle of Esporão products takes into account all legal considerations in the various markets where it operates and strictly complies with all safety provisions. Particular attention is given to all labels, secondary labels and transport boxes to ensure these contain all statements and descriptions regarding the various markets where Esporão operates, revising these annually for each vintage. During the productive process, various control processes are established that guarantee compliance with food and environmental safety criteria. Analyses are carried out on contaminants and pesticides to screen dangerous or banned substances, eliminate risks resulting from broken glass or other bodies, following HACCP methodologies. Records are kept with full traceability, including components supplied by external entities and the respective food certification, whenever applicable.



The mechanical characteristics of corks are tested to guarantee proper and easy extraction at the time of use.

All components are marked with symbols indicating the type of separation and recycling they should be subject to.

Logistical requirements are also analysed, giving particular attention to the correct packaging and preparation of cargo for transport. Pallets are reused along the entire transport chain, packaging straps for products on pallets are as light as possible and the number of loops around each pallet is studied and controlled to obtain a balance between the packaging safety required and minimal use of materials. The ratio between the gross weight of the logistical transport units and the net weight of the final products is also controlled, in order to diminish the environmental impact of our product distribution throughout the entire logistics chain.

During the period reported, no incidents involving our products were recorded in terms of legal requirements, which resulted in significant environmental impacts or any incident of a food nature in all of the markets where we operate.

A landscape photograph showing a dirt path leading through a vineyard. The vines are bare, suggesting a dormant season. In the background, a large, light-colored stone building with a crenellated roof and a flag on top is visible, along with a silhouette of a city skyline. The scene is bathed in the warm, golden light of a low sun, creating a hazy atmosphere. The sky is a clear, pale blue.

STATEMENTS
ABOUT THE
REPORT

10

STATEMENTS ABOUT THE REPORT

STRUCTURE AND SCOPE

There is only one Esporão report, including the sustainability aspect and financial reporting. Regarding sustainability, Esporão prepared this report based on the standards in the Sustainability Reporting Guidelines 3.1, used here as a guideline to consider the relevance of sustainability indicator aspects. 2016 is the current period under analysis, and we will publish a new report annually for each subsequent period. This is the sixth consecutive year in which we produce the Sustainability Report.

Any issues regarding the report may be sent by email to esporao@esporao.com or by post to the following address:

ESPORÃO
 Av. do Restelo 44
 1400-315 Lisbon Portugal

The content of this report was defined bearing in mind the multiple stakeholders involved in our activity. Its structure is therefore oriented toward each party, with the information grouped according to their particular interests. To produce this report, we did not consult our stakeholders formally.

We decided not to include all of the information regarding our companies DBrands and Esporão Wines & Olive Oils. However, and whenever possible, information is provided on these companies, and these cases are specifically identified. We have made the commitment to include these companies within the scope of this report in the future, in a comprehensive manner.

The data reported was collected directly from official and trade documents, from records generated directly by our quality and environmental management system, by other documents generated internally or by third parties during related activities. Whenever it was necessary to convert data or calculations concerning the available information, we applied coefficients, formulas and/or methodologies that are generally accepted by recognised entities and, whenever justified, the references are indicated.



APPLICATION OF THE PRECAUTIONARY PRINCIPLE

According to the codification of precautionary principle number 15 produced at the Conference on Environment and Development that took place in Rio de Janeiro in 1992, our activities and products do not ignore or constitute significant risks to the environment, and we shall not use the inability to demonstrate impacts as a justification.

We guarantee scrupulous and verified compliance with all European and Portuguese legislation applicable to our activities, focusing particularly on the environment and public health, whereby this legislation is in line with the precautionary principle. For this purpose, we have implemented and documented management tools with this particular objective.

We also maintain a risk analysis regarding the environmental impact of our entire activity, including a mitigation plan based on the concrete evaluation of relevant environmental parameters. Any action or new product that Esporão decides to initiate is assessed according to this methodology.



CONSOLIDATED FINANCIAL REPORT

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 2016.

1.1 GENERAL CONSIDERATIONS

Esporão SA is a company that produces high quality wines, as well as a corporation that leads 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

In 2016, Portugal continued under analysis by the European Commission within the Excessive Deficit Procedure (EDP), therefore the macroeconomic framework showed that decision-making was still based on controlling public accounts, in line with measures implemented over recent years, albeit in a more moderate manner. The budget deficit attained 2.1% of the GDP, the lowest value since 1974, bringing Portugal closer to exiting the EDP, a decision that was made in May by the European Commission. The budget outturn in 2016 was achieved primarily by reducing expenditure compared with 2015, which included a major decrease in public investment.

After a number of years of prolonged recession, in 2016 Portugal registered the third consecutive year of growth, with 2014 proving to be the turning point for the crisis. The GDP grew 1.4%, 0.2 percentage points less than the previous year. The contribution from domestic demand for the change in GDP diminished, reflecting the reduction in investment and, to a lesser degree, the slight decrease in private consumption. Net foreign demand went from a contribution of less than 1.0 percentage point in 2015, to an additional 0.1 percentage points, resulting in a greater reduction in imports of goods and services than in exports of goods and services. We underline that the slowdown in the growth of exports, which went from 6.1% in 2015 to 4.4% in 2016, was common to both goods and services, despite the acceleration in the specific tourism component. The unemployment rate decreased 1.4 percentage points to 11.1% in 2016, a value that, while high, maintains the trend reversal expected to remain in 2017, and the inflation rate was 0.6%, slightly higher than in 2015, according to data by the Instituto Nacional de Estatística (National Statistical Institute).

The macroeconomic framework in Portugal where the company develops its activities remains restrictive, with low expectations and confidence among economic agents and families, although it has displayed signs of recovery over the past 3 years, which leads us to anticipate the beginning of a growth curve, with impacts on public and private consumption.

1.2 ACTIVITIES PERFORMED

1.2.1 COMMERCIAL ACTIVITY

Despite difficulties added by the economic and social scenario, during this financial year there were no relevant changes in the company's operations, which remained in line with the strategic plan defined for the current triennium, and with an operating track record registered over recent years.

The Group's turnover amounted to 43.4 million euros, presenting an overall growth of more than 1% in value and a slight decrease in volume, compared with 2015. Own brand products – wines and olive oils – presented a slight growth, increasing from 1.30 to 1.31 million 9-litre cases, due to the excellent performance of olive oils, which grew 27%, while wines decreased 2% in volume, compared with the previous year. In terms of value, own brand product sales presented an overall growth of 4%, 36% of which was in olive oils and 1% in wines, resulting from a better sales mix and an increase in the unit price per case. The evolution of sales for services rendered justifies the residuals compared with the values presented.

Despite a slight decrease in the number of cases sold, sales in value of our principal Alentejo brands (Monte Velho and Esporão) remained at the same level, while there was a 5% growth in the value of our Douro brands (Assobio and Quinta dos Murças). Although Alandra targets this segment, where the price elasticity is higher, the brand was able to increase its sales by 4%, reversing the previous year's trend. Finally, we underline the 6% growth in sales of Defesa do Esporão, reflecting this brand's recent repositioning.

The company's exports present a slightly lower performance than in the previous year, with sales in foreign markets going from 23.0 to 22.6 million euros, heavily penalised by the 1.7 million euro decrease (-59%) in exports to Angola, resulting from the economic crisis and severe restrictions on currency transit. Conversely, we underline the positive performance achieved in sales in Brazil, with a 2% growth leveraged by the country's improved economic conditions, the political instability that remains. France, Switzerland and China, with increases of 16%, 13% and 48%, were the other key markets to present significant growth and help mitigate Angola's negative impact.

1.2.2 PRODUCTION ACTIVITY

The agricultural conditions in 2016 were quite adverse to wine production, both in Alentejo and in the Douro region, as well as in most wine producing regions in Portugal. We harvested 8.920 tons of grapes, of which 2.067 tons were white and 6.853 were red, representing a 17% decrease compared with the 2015 harvest. The main cause for this reduction which, even so, was less pronounced than in the overall market, is associated with the climate conditions that grape growing was subjected to, particularly at the beginning of the growing season.

In terms of quality, we noted that it was possible to produce wines and olive oils of excellent quality.

1.2.3 ECONOMIC AND FINANCIAL ACTIVITY

ECONOMIC PERFORMANCE

The consolidated turnover of the group of companies that comprise Esporão, presented a 12% growth between 2011 and 2016, amounting to 43.4 million euros in the 2016 financial year. There is some stability in the markets, with average annual increases of around 2%. This overall performance is due to growth in both the domestic and foreign markets.

Below we present the table of sales and services rendered over the past six years:

YEARS	INTERNAL	EXTERNAL	TOTAL	%
2011	17 224	21 406	38 630	
2012	16 123	23 788	39 911	3,3%
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%

(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 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 2016.

YEARS	2012	2013	2014	2015	2016
GVA (SNC)	13 238	14 245	15 106	15 129	15 688
%	--	7,6%	6,0%	0,2%	3,7%

(values in thousands of euros)

Income before depreciation, financing expenses and taxes (EBITDA) calculated for this financial year amount to 9.5 million euros, representing a significant growth of 9%, compared with the 2015 financial year. The Group's economic and financial performance between 2011 and 2016 is summarised in the following table:

(values in thousands of euros)

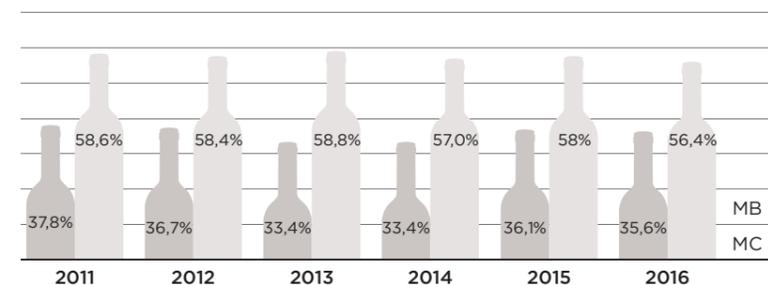
INDICATOR	2011	2012	2013	2014	2015	2016
ECONOMIC DATA						
Sales boxex 9L (in thousands)	1 280	1 292	1 267	1 357	1 350	1 345
Sales	38 630	39 910	40 179	43 167	42 813	43 432
EBITDA	7 742	8 139	8 488	8 495	8 693	9 488
Net income	1 677	1 359	2 718	3 304	6 619	3 914
Cash flows	5 495	6 619	5 378	5 880	4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

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

In the years from 2011 to 2016, the EBITDA margin presents a cumulative growth of 22.6%, expressing the increase in sales volume and trade margin, as well as the change in the company's operating costs.

Regarding the gross margin, there is also a steep decline compared with 2015, resulting from the sharp reduction in agricultural production during the financial year under analysis. Nonetheless, we were able to maintain the trade margin virtually intact, by increasing prices in our key brands and changing the product mix, with greater emphasis on our own brands and less emphasis on the brands represented in Brazil.

GROSS MARKETING MARGIN



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 has deteriorated, like Angola.

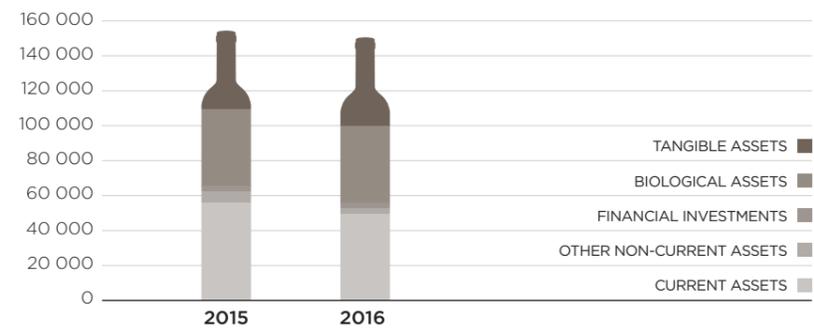
The value in the item personnel costs presents an increase of approximately 5% compared with the previous year, resulting from the overall impact in 2016 of the extension of social support to all of the Group's employees, carried out in 2015, and reinforcement of the team in key areas for developing new business, in line with the 2015-17 Strategic Plan.

The item external supplies and services presented a reduction of around 11%, essentially due to the decrease in business development, trade and marketing costs, which were readjusted according to the specific conditions of each market where Esporão operates or intends to develop. On the other hand, insourcing some tasks that used to be outsourced also helped diminish the value of this item in the company structure.

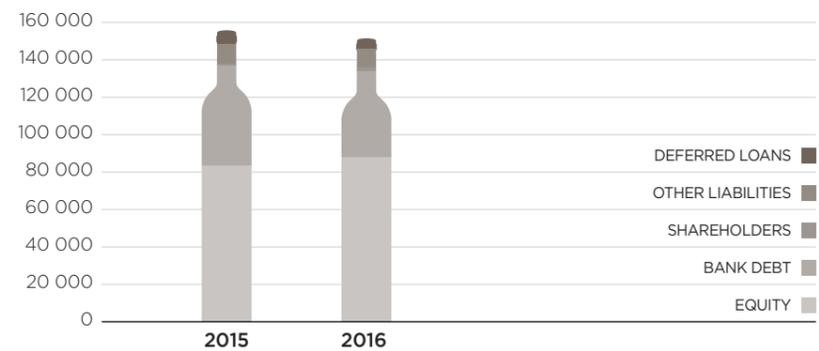
FINANCIAL PERFORMANCE

The Group's asset value also decreased slightly from 155.5 to 152.0 million euros, presenting a reinforced investment and financing structure compared with the previous year, as the following graphs show:

DEFERRED TAXES



RESOURCES



The increase in property, plant and equipment results from sizeable investments made during the financial year, namely for construction of the new olive oil mill at Herdade do Esporão and reconstruction of the house at Quinta dos Murças, both essential to the development of two key pillars that are crucial to Esporão's future growth: Douro olive oils and wines.

The value of current assets presents a reduction of 11% compared with 2015, resulting from the partial repayment of a loan granted to the shareholders in the previous year. The remaining items maintain a rational management of those assets, namely through stock reduction, while the increase in accounts receivable results from the business growth of the Brazilian subsidiary Qualimpor and appreciation of the Real.

Regarding financing sources, there was a significant increase in equity, of 4.5 million euros, obtained essentially through profit in the financial year. We note that, despite the sizeable investments, the Group's consolidated net debt was stabilised, and there was a substantial reduction of approximately 7.0 million euros in bank debt.

During the 2016 financial year, there was a significant decrease in the company's financial costs, resulting on the one hand from a lower level of bank debt and, on the other, from the gradual reduction of spreads and cost of banking services, which are the object of constant rationalisation. At the same time, we also benefited from a decrease in reference rates, which remained extremely low, clearly benefitting companies and economic agents.

We underline that the cost containment mentioned above remains a key focus in our financial activities, which enabled a 16% reduction compared with the previous year, based on the pursuit of cheaper 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

The NET DEBT/EBITDA ratio dropped from 3.80 in 2015 to 3.55 in 2016, clearly below 4, and the EBITDA coverage ratio improved considerably, from 4.7 to 6.1.

1.2.3.1.3 INVESTMENTS

In the 2016 financial year, the overall gross investment reached 5.5 million euros, a significant amount that indicates the Group's clear 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.

The principal investments carried out in 2016 were construction of the new olive oil mill at Herdade do Esporão, an ambitious project that involved many years of planning and will enable us to better integrate the olive oil production and experience in the company's life, and, along with the market challenges, take advantage of the existing efficiencies and great potential. The design of the new mill contains 20 years of experience and knowledge from producing Esporão olive oil, and will support our mission to make the best products from what nature provides, in a responsible and inspiring manner. We will also be able to make better use of the olive oil by-products: stones for the Estate's thermal power plant and pomace for the compost used to fertilise our crops; as well as creating production synergies, including bottling, which also now takes place on the Estate. At Quinta dos Murças, restoring the house and creating infrastructures that enable us to include a Wine Tourism offer in this location as of 2017, was also a fundamental investment carried out in 2016, providing important leverage to reinforce our Douro wine brands.

In addition, we note the purchase of a property in Portalegre measuring approximately 60 hectares, to plant new vineyards in different climate conditions, which will enable us to diversify our portfolio.

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

We also underline that Esporão has continued to benefit from investment incentive programs, namely within the scope of PDR2020, representing a value of approximately 0.8 million euros in the 2016 financial year.

1.3 ASSETS & OPERATING RESULTS

Esporão SA's total assets amounted to 152.0 million euros at the end of 2016, comprised essentially of the company's production assets, including property, plant & equipment and organic production assets, representing a total of approximately 96.8 million euros.

The Group's equity remains quite solid and was reinforced to 87.5 million euros over the last year, despite the distribution of profits to shareholders in the previous year. That equity acts as leverage for the company's projects, providing its assets with a solid financing structure.

Liabilities amounted to 64.5 million euros, which represents a net reduction of 8.0 million euros. We underline the decrease in bank debt shown in liabilities, as a consequence of the partial repayment of an interest-bearing loan granted to one of our subsidiaries in the previous financial year and which is recorded under assets.

Turnover was 43.4 million euros, EBITDA was 9.5 million euros and the Group's consolidated net profit, led by the company, was 3.9 million euros in the 2016 financial year, resulting from the development of the companies' activities.

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 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, 15 March 2017

The Board of Directors



José Roquette
(Chairman of the Board of Directors)



João Pedro Roquette
(Administrador Delegado)



Diogo Corrêa Mendes
(Director)



José Pedro Roquette
(Director)

1.6 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 2016, 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 2016.

1.7 OTHER LEGAL INFORMATION

1.7.1 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.

2. BALANCE SHEET

Unit: €

ASSETS	NOTES	2016	2015
NON-CURRENT			
Tangible fixed assets	7	51.081.743	45.258.570
Intangible assets	6	364.270	52.447
Biological assets	10	45.693.590	45.805.313
Share holdings - Equity Methods	9	761.126	787.658
Share Holdings - Other Methods	9	2.248.866	2.234.866
Assets for deferred taxes	14	2.197.215	5.425.562
		102.346.809	99.564.416
CURRENT			
Inventories	11.2	25.164.203	26.841.781
Clients	18.1.1	9.447.482	6.455.058
Advanced Payments to Suppliers		14.671	8.997
State and Other Public Entities	18.1.3	1.661.327	2.053.732
Shareholders/Partners	18.1.2	3.446.229	11.896.471
Other receivables	18.1.7	4.649.767	3.201.529
Deferrals	18.1.8	801.891	943.149
Cash and bank deposits	4	4.422.319	4.528.716
		49.607.888	55.929.432
		TOTAL ASSETS	151.954.698
			155.493.848
EQUITY			
Paid In Capital		5.300.000	5.300.000
Supplementary Contributions		19.056.756	19.056.756
Share Premium		4.397.355	4.397.355
Legal Reserves		1.060.000	1.000.000
Other Reserves		9.404.689	9.404.688
Retained Earnings		15.849.943	1.526.614
Revaluation Surplus		26.227.623	34.151.999
Other Changes in Equity		2.085.343	1.428.790
		83.381.710	76.266.202
Net Profit for the Period		3.889.883	6.614.857
Minority Interests	15.4	206.397	110.179
		TOTAL EQUITY	87.477.990
			82.991.238
LIABILITIES			
NON-CURRENT			
Total Equity		264.992	236.686
Obtained Financing	18.1.4	34.920.164	36.565.465
Other Obtained Loans		-	781.430
Shareholders/Partners	18.1.2	168.805	572.087
Liabilities by Deferred taxes	14	6.468.336	8.311.060
		41.822.297	46.466.728
CURRENT			
Suppliers	18.1.5	8.976.917	9.576.972
Clients Advances	18.1.6	4	142
State and Other Public Entities	18.1.3	1.605.904	1.443.535
Shareholders/Partners	18.1.2	2.120.000	1
Obtained Financing	18.1.4	7.548.634	12.876.248
Other Payables	18.1.7	2.359.727	2.065.138
Deferrals	18.1.8	43.226	73.848
		22.654.411	26.035.883
		TOTAL LIABILITIES	64.476.708
			72.502.610
		TOTAL EQUITY AND LIABILITIES	151.954.698
			155.493.848

3. INCOME STATEMENT

Unit: €

INCOME AND EXPENSES	NOTES	YEARS	
		2016	2015
Income and Expenses	12	43.431.823	42.813.082
Sales and services	13	536.399	733.824
Operating Subsidiaries		101.870	128.945
Gains/Losses charged to associated subs and joint ventures	11.3	(632.021)	643.586
Variation in production inventories		-	21.641
Works for the entity itself	11.3	(17.927.159)	(18.346.931)
Cost of products sold and materials consumed	18.1.9	(9.323.752)	(10.505.176)
External supplies and services	16.1	(7.384.615)	(7.057.808)
Personnel expenses		(5.000)	(44.405)
Inventory impairment (losses/reversions)		-	-
Provisions (increase/decrease)		-	(316)
Impairment of Non depreciable investments (losses/reversions)		1.584.749	707.565
Increase/Decrease in fair value	18.1.10	1.322.861	1.544.524
Other incomes and gains	18.1.11	(2.217.184)	(1.945.938)
INCOME BEFORE DEPRECIATION, FINANCING COSTS AND TAXES		9.487.969	8.692.593
Expenses/reversions of depreciation and amortization	6/7	(3.844.941)	(2.840.169)
Impairment of depreciable investments (losses/reversions)		-	-
OPERATING INCOME BEFORE FINANCIAL COSTS AND TAXES		5.643.027	5.852.424
Interest and similar income received	18.1.12	234.267	354.721
Interest and similar expenses paid	18.1.12	(1.786.142)	(2.198.111)
INCOME BEFORE TAX		4.091.152	4.009.034
Income tax for the period		(177.575)	2.610.453
NET INCOME FOR THE PERIOD		3.913.577	6.619.487
Shareholders of the mother company		3.889.883	6.614.857
Minority Interests	15.4	23.694	4.630

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	1.000.000	9.404.689	1.526.614	34.151.999	1.428.790	6.614.857	110.179	82.991.239
CHANGES IN PERIOD											
Movement of investment subsidiaries								656.553			656.553
Surplus revaluation assets revaluation						7.924.376	(7.924.376)				
Movements in equity										72.524	72.524
Other regularization movements						1.964.096					1.964.096
Application of results				60.000		4.434.857			(6.614.857)		(2.120.000)
Net income of the period						15.849.943	26.227.623	2.085.343	-	182.703	83.564.412
SubTotal						15.849.943	26.227.623	2.085.343	3.889.883	23.694	87.477.989
OPERATIONS WITH SHAREHOLDERS											
Capital increase											
Other distributions of income											
Position in the end of periods	5.300.000	19.056.756	4.397.355	1.060.000	9.404.689	15.849.943	26.227.623	2.085.343	3.889.883	206.397	87.477.989

Unit: €

5. CASH FLOW STATEMENT

DESIGNATION	2016	2015
Unit: €		
CASH FLOWS OF OPERATING ACTIVITIES - DIRECT METHOD		
Payments from clients	43.848.284	45.132.399
Payments to suppliers	(27.208.657)	(29.414.583)
Payments to personnel	(7.269.496)	(7.007.350)
Cash generated by operations	9.370.131	8.710.466
Payment/ Receipt of income tax	(43.268)	(581.431)
Other payments/ Receivables	(799.283)	34.810
CASH FLOWS OF OPERATING ACTIVITIES	8.527.580	8.163.845
CASH FLOWS OF INVESTMENT ACTIVITIES		
PAYMENTS FOR:		
Tangible Fixed Assets	(5.649.961)	(3.316.193)
Intangible Assets	(486.776)	
Financial Investments	(302.323)	(2.296.859)
Other assets	-	
RECEIVABLES FROM:		
Tangible Fixed Assets		816.918
Intangible Assets	-	
Financial Investments	-	
Other assets	-	
Investment subsidies	344.596	120.109
Interests and similar income	170.160	354.721
Dividends	-	
FLOW OF INVESTMENT ACTIVITIES (1)	-5.924.305	-4.321.304
CASH FLOWS AND FINANCING ACTIVITIES		
RECEIVABLES FROM		
Obtained financing	28.121.647	35.733.157
Realizations of capital and other equity instruments	-	5.024.000
Coverage losses	-	
Donations	-	
Other financing operations	-	
PAYMENTS FOR:		
Obtained Financing	(18.770.032)	(27.795.633)
Interest and similar costs	(1.737.202)	(1.897.959)
Dividends	(1.265.085)	(1.600.000)
Capital reductions	-	
Other financing operations	(9.059.000)	(12.131.376)
FLOW OF INVESTMENT ACTIVITIES (2)	-2.709.672	-2.667.811
VARIATION IN CASH AND CASH EQUIVALENTS (4)=(1)+(2)+(3)	-106.396	1.174.730
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4.528.716	3.353.986
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4.422.319	4.528.716

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 its own rural properties or 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.

Brief description of the entities that make up the ESPORÃO GROUP as at 31.12.2016

1.1.1 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.

1.1.2 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.

1.1.3 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.

1.1.4 QUALIMPOR

Qualimpor, with head office at Rua Antônio Chagas, 529 - Chácara Santo Antônio, 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.

1.1.5 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.

1.1.6 ZAMAGRI

Zamagri, Agricultura e Comércio Internacional, Lda., a private limited company whose principal activity was the management of agricultural projects based in Mozambique, was dissolved on 17 December 2015, due to extinction of the purpose for which it was established.

2. ACCOUNTING REFERENCE FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The financial statements attached 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

The Esporão, SA financial statements were prepared based on the accounting records kept in accordance with the legislation in force.

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 2015 and 31 December 2016, and which qualify as subsidiaries, are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES IN 31.12.2016				
Esporão - Vendas e Marketing, SA	Reg Monsaraz	100%	24.897.049	2.491.386
Esporão Azeites, Lda	Serpa	98%	1.833.534	19.202
Murças, SA	Peso Régua	100%	3.739.402	-5.794
Esporão - Produção Biológica, Lda	Peso Régua	100%	735.198	209.812
Qualimpor Sarl	S. Paulo/Brasil	95%	2.608.988	466.195
DIRECT SUBSIDIARIES IN 31.12.2015				
Esporão - Vendas e Marketing, SA	Reg Monsaraz	100%	22.541.046	5.527.199
Esporão Azeites, Lda	Serpa	98%	1.197.006	422.067
Murças, SA	Peso Régua	100%	3.851.698	172.424
Esporão - Produção Biológica, Lda	Peso Régua	100%	525.386	227.210
Qualimpor Sarl	S. Paulo/Brasil	95%	939.244	-76.231

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 of 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 2015 and 31 December 2016, and which qualify as associates, are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES IN 31.12.2016				
Prime Drinks, SA	Lisboa	50%	2.375.902	75.902
DIRECT SUBSIDIARIES IN 31.12.2015				
Prime Drinks, SA	Lisboa	50%	2.415.349	115.349

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 Perdigões occupied by vine plantations for grape production;
- Land at Lavradores and Machuguinho located in the Portalegre region, occupied by vines;
- 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. The land at Enxofral, also located in the Portalegre region, was purchased by Esporão, S.A. in 2016 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 following 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.

- costs incurred for the olive oil mill and bottling line;
- costs for the reconstruction of administrative and sales building at Quinta dos Murças, due to be completed in 2017;
- costs incurred by ETAR;
- costs incurred for works to improve the Esporão winery;
- 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, 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 28 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 26 million euros.

The land and buildings at Quinta dos Murças are mortgaged in favour of CCAM as collateral for a loan to Esporão, SA which, as at 31.12.2016, was 3.3 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 sale 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 31.12.2016, 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 business developed, 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 through 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.

6.3.1.1.9 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 an inventory physical 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	31.12.2015	31.12.2016
REAL BRAZIL	BRL	4,3117	3,42737
US DOLLAR	USD	1,0887	1,0748

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.; d) Zamagri, Lda. and Esporão Produção Biológica, Lda.

The tax declarations of Esporão and affiliated companies from the years 2013 to 2016 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 2016.

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 twelve 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 activity. 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 OUTRAS DÍVIDAS A PAGAR

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 2016 and 2015, cash and cash equivalents are broken

	2016	2105
CASH	27.467	946.277
BANK DEPOSITS	2.018.972	1.109.925
OTHER BANK DEPOSITS	2.316.430	2.084.015
OTHER FINANTIAL ASSETS	59.450	388.499
CASH AND BANK DEPOSITS	4.422.319	4.528.716

down as follows:

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:

	2016	2105
REMUNERATION OF CORPORATE BODIES	267.639	266.872
REMUNERATION OF KEY PERSONNEL	267.639	266.872

5.3 TRANSACTIONS BETWEEN RELATED PARTIES

Amount of outstanding balances, including commitments:

		2016	2015
RECEIVABLES			
Clients	Esporão Wines	296	296
Clients	Gesparte, SA	87	0
Suppliers	Esporão Wines	0	-2.681
Suppliers	Gesparte, SA	299.601	0
Shareholders/partners	Gesparte, SA	3.446.228	11.896.445
Other debtors and Creditors	Altri Florestal	0	11.828
Other debtors and Creditors	D. Brands	428.422	608.025
Other debtors and Creditors	Gesparte, SA	1.392.000	1.392.000
Other debtors and Creditors	Others	44	29.660
Other debtors and Creditors	Prime Drinks, SA	378.288	378.288
Other debtors and Creditors	Resumo Parcela	300	300
		5.945.267	14.314.215
PAYABLES			
Suppliers	Esporão Wines	11.921	30.724
Suppliers	STDA, SA	13.436	0
Obtained Financing	Gesparte, SA	0	90.505
Other debtors and Creditors	Others	0	1.646
Other Equity instruments	Gesparte, SA	17.632.756	17.632.756
Other Equity instruments	Global Prom, B.V.	1.424.000	1.424.000
		19.082.114	19.179.660

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	INDUTRIAL PROPERTY	OTHER IA	TOTAL
Initial gross carrying amount	341.854	1.171	76.900	419.924
Initial accumulated depreciation	-341.854	0	-25.623	-367.477
Initial net carrying amount	(0)	1.171	51.277	52.447
Final gross carrying amount	828.328	1.473	76.900	906.700
Final accumulated depreciation	-503.996	0	-38.435	-542.430
Final net carrying amount	324.332	1.473	38.465	364.270

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

	R&D EXPENSES	INDUTRIAL PROPERTY	OTHER IA	TOTAL
Initial net carrying amount	(0)	1.171	51.277	52.447
Additions	-	-	-	-
Transfers	-	-	-	-
Revaluation of Property	-	-	-	-
Acquisitions	486.474	302	-	486.776
Total Net Addition	486.474	302	0	486.776
Reductions	-	-	-	-
Depreciations	(162.142)	-	(12.812)	(174.953)
Alienations	-	-	-	-
Regularisations	-	-	-	-
Transfers	-	-	-	-
Write-downs and disposals	-	-	-	-
Total of Reduction	(162.142)	-	(12.812)	(174.953)
Final net carrying amount	324.332	1.473	38.465	364.270

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	20.337.479	43.582.646	15.190.114	1.117.770	795.166	1.425.352	1.810.411	84.258.939
Initial accumulated depreciation	-603.291	-24.609.072	-11.317.812	-855.192	-739.381	-875.620	0	-39.000.369
Initial net carrying amount	19.734.188	18.973.573	3.872.301	262.578	55.785	549.732	1.810.411	45.258.570
Final gross carrying amount	22.104.714	45.264.051	15.609.638	1.210.639	830.526	1.477.803	5.453.448	91.950.820
Final accumulated depreciation	-331.459	-26.062.240	-11.807.120	-908.427	-773.849	-985.982	0	-40.869.078
Final net carrying amount	21.773.255	19.201.812	3.802.518	302.212	56.677	491.821	5.453.448	51.081.743

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	19.734.188	18.973.573	3.872.301	262.578	55.785	549.732	1.810.411	45.258.570
ADITIONS								
Transfers	(684.766)	1.489.700					(804.934)	
Revaluation of Property								
Acquisitions								
Total Net Addition	2.452.000	191.706	419.525	92.869	35.360	52.451	4.447.971	7.691.882
TOTAL DAS ADIÇÕES	1.767.235	1.681.406	419.525	92.869	35.360	52.451	3.643.037	7.691.882
REDUCTIONS								
Depreciations	-	(1.181.335)	(594.199)	(96.257)	(36.468)	(110.362)		(2.018.620)
Regularisations								
Transfers	271.832	(271.832)						
Write-downs and disposal			104.890	43.021	2.000			149.912
TOTAL OF REDUCTIONS	271.832	(1.453.167)	(489.308)	(53.235)	(34.468)	(110.362)		(1.868.709)
FINAL NET CARRYING AMOUNT	21.773.255	19.201.812	3.802.518	302.212	56.677	491.821	5.453.448	51.081.743

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

The land and buildings at 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 at 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 3.3 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

Impairments from clients are recognised according to the tax criteria.

	CLIENTS
Inicial Amount	8.717
Losses	-
Reversals	-
Final Amount	8.717

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- QUAR- TES	BOOK VALUE		% OF OWNER -SHIP	DATA FROM THE LAST AVAILABLE ACCOUNTS		
		2016	2015		EQUITY	NET INCOME	YEAR
SUBSIDIARIES							
EUA							
Esporão - Wine & Olive Oils							
Participation value		16.825	16.825	100%	29.923	5.563	fev 2016
Financing loans		0	0				
LISBOA							
Primedrinks							
Participation value		366.013	392.563	50%	732.027	203.739	2016
Financing loans		378.288	378.288				
		761.126	787.676				
SUBSIDIARIES - OTHER METHOD							
Gesparte - Soc Gestão P Auditoria SA	-	788.000	788.000				
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	37.500				
Garval	-	14.500	14.500				
AC Agrogarante	-	29.000	0				
Coop Agrícola de Mourão	-	15	15				
Other companies	-	65	65				
		2.248.866	2.234.866				

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:

	2016	2015
VINEYARD		
Initial value	42.719.432	42.813.144
Adjustments	-	-
Alienation	-	-
Improvement/reversal of fair value period	(146.883)	(93.712)
VALUE IN THE END OF THE PERIOD	42.572.549	42.719.432
OLIVE GROVE		
Initial value	2.706.690	2.709.966
Adjustments	-	-
Improvement/reversal of fair value period	32.760	(3.276)
VALUE IN THE END OF THE PERIOD	2.739.450	2.706.690
FOREST		
Initial value	374.641	374.641
Adjustments	-	-
Improvement/reversal of fair value period	-	-
VALUE IN THE END OF THE PERIOD	374.641	374.641
ANIMALS		
Initial value	4.550	-
Adjustments	-	-
Improvement/reversal of fair value period	2.400	4.550
VALUE IN THE END OF THE PERIOD	6.950	4.550
	45.693.590	45.805.313

The Group registers 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 carry over from the 2015 financial year, since no facts occurred that indicated significant changes in the calculation of fair value.

11. INVENTORIES

11.1 ACCOUNTING POLICIES ADOPTED IN MEASURING 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	2016	2015
Goods	5.065.737	6.657.313
Raw Materials	1.547.033	1.690.952
Products and Work in Progress	2.597.976	1.617.351
Finished Products and intermediate products	15.953.458	16.876.165
	25.164.203	26.841.781

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

The expenses relating to inventories were as follows:

	2016	2015
Finished Products and intermediate products	962.834	1.518.839
Products and Work in Progress	(330.813)	(2.162.425)
Variation in Production	632.021	-643.586
Goods	2.028.795	2.292.880
Raw Material	15.898.365	16.054.051
CMVMC	17.927.159	18.346.931
Shortfalls	108.373	128.642
Offers and samples	396.426	399.197
TOTAL SPENDING	19.063.980	18.231.184

Statement of variation in production:

PRODUCTION VARIATION DEMONSTRATION	2016		2015	
	FINISH GOODS	WORK IN PROGRESS	FINISHED GOODS	WORK IN PROGRESS
Initial Inventory	16.876.165	1.617.351	15.509.165	2.574.101
Inventory reclassification and regularization	689.939	-	233.336	-
Inventory changes on accounting policies (note 3)	-	-	-	-
Final inventory	15.953.458	2.597.976	16.876.165	1.617.351
	(1.612.646)	980.624	1.600.336	(956.750)

Cost of materials consumed:

COST OF GOODS SOLD	2016		2015	
	GOODS	RAW MATERIALS	GOODS	RAW MATERIALS
Initial Inventory	6.657.313	1.690.952	7.753.666	1.788.288
Acquisitions	760.949	15.430.715	1.387.433	15.765.809
Inventory reclassification and regularisation	-	-	-	-
Final inventory	5.065.737	1.547.033	6.657.313	1.690.952
	(2.352.525)	(15.574.634)	(2.483.786)	(15.863.145)

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:

	2016	2015
Finished and intermediate products	43.452.461	42.819.318
Subproducts, waste, residues and scrap	60.471	111.246
Biological affixes		1.130
Sales Discounts and reliefs	(594.018)	(555.878)
Sales returns	(821.934)	(716.205)
SALES	42.096.980	41.659.610
PROVISION OF SERVICES	1.334.843	1.153.473
OBTAINED INTEREST	234.267	354.721

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

	2016	2015
Domestic Market	20.053.379	18.611.871
Intra-community market	4.854.039	4.749.564
External Markets	17.189.561	18.298.174
SALES	42.096.980	41.659.610
Domestic Market	796.954	197.338
Intra-community market	-	-
External Markets	537.889	956.135
PROVISION OF SERVICES	1.334.843	1.153.473

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	2015
IFADAP	224.339	120.419
IEFP	8.258	4.953
OCM-IVV	303.802	608.092
Other entities	-	359
	536.399	733.824

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	2015	INCREASE	DECREASE	2016
Monetary devaluation coefficients of land	2.144.462	52.753	-	2.197.215
Non recoverable results	3.276.380	-	(3.276.380)	-
Tax losses	4.720	-	(4.720)	-
	5.425.562	52.753	(3.281.100)	2.197.215

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 R\$ 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				
Revaluation of tangible fixed assets	937.901	1.740.496	-	2.678.397
Changes in the fair value of Biological assets	6.799.305	(3.667.834)	-	3.131.472
investment subsidies	573.853	84.615	-	658.468
	8.311.060	-1.842.723	-	6.468.336

Property, plant & equipment was revalued, as referred in paragraph 7.4.

These revaluations are taxed on the occasion 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;

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

Breakdown:

	2016	2015
FINANCIAL ASSETS MEASURED TO FAIR VALUE REGARDING RESULTS		
Cash and cash equivalents	2.046.439	2.071.126
Other financial instruments	59.450	388.499
Clients	9.649.680	6.463.776
Personnel	23.429	20.419
State	2.804.100	3.536.341
Shareholders	5.934.595	11.896.471
Other Debtors and Creditors	632.442	861.543
	21.150.135	25.238.174
EQUITY INSTRUMENTS OF ANOTHER ENTITY MEASURED AT COST LESS IMPAIRMENT		
Participation in other companies	110.362	96.362
	110.362	96.362
FINANCIAL LIABILITIES MEASURED TO FAIR VALUE REGARDING RESULTS		
Suppliers	9.276.518	9.782.752
Personnel	43.866	19.942
State	5.237.042	2.926.144
Bank loans	57.558.480	58.235.976
Capital participants	168.805	572.087
Investment suppliers	996.866	527.035
Other debtors and creditors	222.264	85.643
Loans Granted to subsidiaries	0	0
	73.503.842	72.149.580
LOSSES ON FINANCIAL ASSETS		
Costs	9.456.199	6.463.775
Impairment	(8.717)	(8.717)
CLIENTS	9.447.482	6.455.058

The principal values are broken down in paragraph 18.1.

15.3 COMPOSITION OF THE CAPITAL

As at 31 December 2016, 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 2016 and 2015, are broken down and systematised in the Statement of Changes in Equity.

15.4 MINORITY INTERESTS

The minority interests as at 31 December 2016 were calculated in the following manner:

	ESPORÃO	EVM	E.AZEITES	MURÇAS	E. BIOLÓGICA	QUALIMPOR	ACUMULADO
Group net income	2.157.615	2.491.386	19.202	-5.794	209.812	466.195	5.338.417
Total Equity	81.635.316	22.405.663	1.035.217	3.745.196	525.386	3.713.845	113.060.623
% 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	384	0	0	23.310	23.694
I.M. on equity	0	0	21.088	0	0	209.002	230.090

16. EMPLOYEE BENEFITS

16.1 AVERAGE NUMBER OF EMPLOYEES DURING THE FINANCIAL YEAR AND COSTS

In 2016, the company employed 195 employees (196 in 2015).

Personnel costs are broken down as follows:

	2016	2015
PERSONNEL EXPENSES		
Remuneration of Corporate Bodies	267.639	266.872
Remuneration of Personnel	5.649.607	5.337.824
Post-employment benefits	600	1.700
Compensations	3.109	3.639
Charges on Remuneration	1.147.669	1.127.526
Insurance for Work accidents and professional diseases	145.544	121.361
Social action	10.246	12.182
Others costs with personnel	160.200	186.704
	7.384.615	7.057.808

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 position.

Fees paid to the Statutory Auditor for performing his 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

18.1.1 CLIENTS

Breakdown of client balances:

	2016	2015
i) Clients: current account		
Loans	9.447.634	6.455.059
<90 days	-	-
>90 and <150 days	-	-
>150 days	-	-
ii) Clients - trade receivables	-	-
iii) Doubtful debtors	8.566	8.717
	9.456.200	6.463.776
Clients impairment	(8.717)	(8.717)
TOTAL CLIENTS	9.447.483	6.455.059

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;

iii) 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:

	2016	2015
Current assets	3.446.229	11.896.471
Gesparte	3.446.228	11.896.445
Others	1	26
	3.446.229	11.896.471
Non current liabilities	168.805	572.087
Gesparte	-	90.505
Dr. José Roquette	168.805	481.582
Current Liabilities	2.120.000	1
TOTAL	2.288.805	572.088

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:

	2016	2015
RECEIVABLES FROM STATE		
VAT	734.806	555.264
Income Tax	0	2.698
ICMS (Brasil)	830.658	1.223.975
Others	95.862	271.794
	1.661.327	2.053.731
PAYABLES TO STATE		
Income tax	1.317.591	1.222.995
IRS	138.524	98.528
VAT	-	-
Social security contributions	149.789	122.012
Others	-	-
	1.605.904	1.443.534
STATE AND OTHER PUBLIC ENTITIES	55.423	610.197

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 26 million euros, as well as with (ii) Montepio Geral in the amount of 5 million euros. As at 31 December, 20 million and 3 million euros of these contracts were consumed.

Breakdown of funding obtained:

	NON CURRENT	CURRENT	TOTAL
Bank loans	34.920.164	7.548.634	42.468.798
Total to 31.12.2016	34.920.164	7.548.634	42.468.798
Total to 31.12.2015	36.565.465	13.657.678	50.223.143

18.1.5 SUPPLIERS

Breakdown of the supplier balance:

DESCRIPTION	2016	2015
Suppliers - Current account (group)	-	-
Suppliers - Current account (third parties)	7.601.342	8.500.447
suppliers - invoices receipt and checking	1.375.575	1.076.525
SUPPLIERS - INVOICES RECEIPT AND CHECKING	8.976.917	9.576.972

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:

	2016	2015
Suppliers - invoices receipt and checking	4	142
TOTAL ADVANCES FROM CLIENTS	4	142

18.1.7 OTHER ACCOUNTS RECEIVABLE AND PAYABLE

Breakdown of other accounts receivable and other accounts payable:

	2016	2015
OTHER ACCOUNTS RECEIVABLE		
Non-current		
Other accounts receivable	-	-
Current		
Receivable amounts	1.238.097	1.211.633
Personnel	23.429	20.419
Debtors	2.755.799	1.107.934
Other Receivable	632.442	861.543
Impairments	-	-
	4.649.767	3.201.529
OTHER ACCOUNTS RECEIVABLE		
non-current		
Payable amount	-	-
Current		
Investment Suppliers	996.866	527.035
Remunerations payable	971.442	877.237
Interest Payable	98	243.541
Creditors	125.191	105.991
Personnel	43.866	19.942
Other payables	222.264	291.393
	2.359.727	2.065.138
TOTAL	2.290.040	1.136.391

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:

Building Adega de Lagares	>	704 thousand euros
Building lagar de azeites	>	500 thousand euros
Agricultural investments	>	33 thousand euros

The investment relating to construction of the Lagares winery was approved by the relevant entities, pursuant to notification by CDRA, and is in the hiring phase. This also includes the value of interest and services rendered that are still in the conclusion phase and will be invoiced in upcoming years.

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:

	2016	2015
ACTIVE DEFERRELS		
Compensations	87.640	116.853 i)
OCM subsidies	485.117	392.085 ii)
Other expenses to be recognized	229.135	434.212 iii)
	801.891	943.149
PASSIVE DEFERRALS		
Other income to be recognized	43.226	73.848
	43.226	73.848
TOTAL	758.666	869.302

- i) Compensations paid in 2015 to be recognised as expenses in 2016;
 ii) Income to be recognised in 2016 but that shall only be received in 2017;;
 iii) Amounts paid in 2015 and to be recognised as costs in the following years;
 refers above all to banking commissions and services.

18.1.9 EXTERNAL SUPPLIES AND SERVICES

Breakdown of external supplies and services:

	2016	2015
SUPPLIES AND EXTERNAL SERVICES		
Subcontractors	-	-
Specialized Work	1.907.721	1.656.073
Surveillance and security	35.548	40.198
Fees	-	-
Commissions	289.487	530.947
Marketing and Publicity	2.529.679	3.547.505
MAINTENANCE AND REPAIRS	425.328	467.348
Buildings and other constructions	16.780	22.816
Basic Equipment	375.099	405.430
Transport Equipment	32.630	37.135
Others	819	1.967
Office Materials	48.722	36.974
Fuels	194.300	198.818
Electricity	386.328	329.302
Travelling and accommodation	1.357.926	1.665.662

RENTS AND LEASES	1.010.320	1.093.181
Rents and Leases	430.273	535.884
Vehicles	303.344	249.031
Equipment	269.203	285.765
Others	7.500	22.500
Communication	184.593	214.004
Insurance	120.828	120.241
Representation Expenses	53.563	50.822
Other Services	779.409	554.103
	9.323.752	10.505.176

Overall, the costs of External Supplies and Services decreased in the 2016 financial year when compared with 2015.

The items "Specialised works" and "Advertising" regard costs incurred by the company to develop its operational support activity.

The balance in the item "Leases and rentals" refers to rents for properties leased to group companies and the rental of equipment under operating leases.

18.1.10 OTHER INCOME AND GAINS

Breakdown of the balance in other income and gains:

	2016	2015
OTHER INCOME AND GAINS		
Supplementary Income	11.953	(10.970)
Prompt payment discounts	56.710	84.746
Investment subsidies	312.605	362.750
Income and Earnings in Financial investments	574.296	290.164
Income and Earnings in Non-Financial investments	4.906	594.634
Others	362.392	223.200
	1.322.861	1.544.524

18.1.11 OTHER EXPENSES AND LOSSES

Breakdown of the balance in other expenses and losses:

	2016	2015
OTHER EXPENSES AND LOSSES		
Taxes	408.973	219.707
Donations	63.336	57.418
Offers and samples from stock	538.016	558.250
Disposal of tangibles assets	37.603	39.043
Unfavorable foreign exchange differences	(11.324)	156.178
Others	1.180.579	915.343
	2.217.184	1.945.938

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, losses from the dissolution of the company Zamagri, losses from the disposal of tangible assets, 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:

	2016	2015
OBTAINED INTEREST AND SIMILAR INCOME		
Obtained interest	234.267	353.109
Other income and financial earnings	-	1.612
	234.267	354.721
INTERES AND SIMILIAR COSTS PAID		
Interest paid	1.333.328	1.724.614
Other costs and financial losses	452.814	473.496
	1.786.142	2.198.111

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.

The decrease in financing expenses represents the Esporão group's efficient management of financing and treasury.

19. AUTHORISATION FOR ISSUE

The Financial Statements of the financial year ending on 31 December 2016 were approved by the Board of Directors and authorised for issue on 29 March 2017.

Reguengos de Monsaraz, 29 March 2017.

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 respectivas notas anexas consolidadas relativas ao exercício de 2016, elementos estes submetidos à nossa apreciação pelo Conselho de Administração da "ESPORÃO, SA".
2. No exercício anterior elaborámos, igualmente, o relatório, parecer e certificação legal das contas sobre as demonstrações financeiras consolidadas.
3. 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.
4. A nossa opinião, no que se refere aos procedimentos de consolidação e aos valores das empresas englobadas na consolidação:
 - 4.1. está suportada no trabalho que desenvolvemos como revisores oficiais de contas das empresas subsidiárias emitindo, para o efeito, o relatório e parecer do fiscal único e, ainda, a certificação legal das contas;
 - 4.2. excepção feita às sociedades Qualimpor e Esporão Produção Biológica, Lda., incluídas no perímetro de consolidação pelo método integral, cujas contas não são obrigatórias estarem 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 a Administração da necessidade de proceder a auditorias futuras, baseada em procedimentos limitados.

5. As empresas subsidiárias objecto de consolidação em 31 de Dezembro de 2016, foram as seguintes:

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

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

6. Após uma análise cuidada às operações de consolidação e inerentes regularizações, constatámos que os activos líquidos consolidados ascendem a 151.955 milhares de euros, os resultados operacionais consolidados ascendem a 5.643 milhares de euros e os resultados líquidos consolidados são positivos de 3.890 milhares de euros.

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

8. 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 2016:

- 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 estabelecidos no Sistema de Normalização Contabilística (SNC);
- representam de forma adequada a situação patrimonial e financeira da empresa.

9. 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 das alterações no capital próprio, a Demonstração consolidada dos fluxos de caixa e as respectivas notas Anexas da "ESPORÃO, SA", referentes ao exercício de 2016.

Lisboa, 11 de Abril de 2017

José Maria Ribeiro da Cunha
Em representação de:
"Amável Calhau, Ribeiro da Cunha & Associados
Sociedade de Revisores Oficiais de Contas"

CERTIFICAÇÃO LEGAL DAS CONTAS

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS

Opinião

Auditámos as demonstrações financeiras consolidadas anexas do “Esporão, S.A.”, que compreendem o balanço em 31 de dezembro de 2016 (que evidencia um total de 151.954.698 euros e um total de capital próprio de 87.477.990 euros, incluindo um resultado líquido de atribuível ao accionista de 3.889.883 euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada das alterações no capital próprio, 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 do “Esporão, S.A.” em 31 de dezembro de 2016 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas de Contabilidade e 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” abaixo. Somos independentes das entidades 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 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 6)</i>	
Estes investimentos estão mensurados ao justo valor.	Avaliação e implementação dos principais controlos feitos pela Esporão, S.A. na área de activos biológicos.
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.	Avaliação da adequação das metodologias utilizadas na avaliação dos activos biológicos, das taxas de desconto e ainda a razoabilidade das projecções.
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.	Analísámos a divulgação feita dos pressupostos e das estimativas de acordo com o normativo contabilístico aplicável.

Responsabilidades do órgão de gestão pelas demonstrações financeiras

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 de Contabilidade e Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística;
- elaboração do relatório de gestão nos termos legais e regulamentares aplicáveis;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorção material devida 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

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, 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;
- concluímos 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 da Entidade 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 actividades 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 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.

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 a Entidade, não identificámos incorreções materiais.

Lisboa, 11 de abril de 2017

José Maria Ribeiro da Cunha
Em representação de:
Amável Calhau, Ribeiro da Cunha & Associados
Sociedade de Revisores Oficiais de Contas

