

REPORT

2013

ESPORÃO



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STATEMENT BY THE CHAIRMAN OF THE BOARD,

Dr. José Roquette

01





This year we have celebrated 40 years of Esporão. We celebrated together with dozens of journalists, shareholders, employees, clients and suppliers in tastings and in a memorable dinner, between the barrels of Herdade do Esporão. We have documented the history of this project by launching a newspaper, a documentary and very special editions of Esporão Reserve and Monte Velho.

The strategic plan that began in 2012 and is ending in 2014, has already shown a particular outcome. Our organization is now more sustainable and is ready to handle the whole production process in a more structured way. We have increased our efficiency and reduced our environmental impact. Above all we know better today than ever that we need to improve, to evolve.

The focus on internationalization and promotion of our products in these markets proved right and allowed us to overcome, successfully, the severe economic period in which Portugal was still immersed in 2013. The Portuguese market, which is still the main market for our products, continued to reduce its consumption and the signs of reversing this trend are still faint. As for international markets, we have consistently shown growth in sales, contrary to the domestic market, which allowed us to exceed the 40 million euros in sales.

Market globalization and the need to compete globally present challenges that can only be overcome by innovation processes. In 1973 Esporão started to produce world-class wines and innovation became the genesis of Esporão. It is important to keep innovating and transforming our company, in order to meet the goals of all our stakeholders: innovation will always be the foundation of our sustainability.

Since 1973 Esporão went through various stages of growth, to become the reference in the sectors where it currently operates. Based on the responsibility of these results we will look into the future, for the next 40 years, with the certainty that we have to be an organization that sustains itself and endures, evolving as time goes by. In this context, we reaffirm our commitment to "Make the best products that the earth provides, in a responsible and inspiring way". This commitment is made by each person in the entire team and detailed in this report.

To end and in a thank you note, I want to emphasize the fundamental importance that all those who collaborate with Esporão have had in fulfilling the goals we set ourselves, year after year.



José Roquette
Chairman of the Board



STAKEHOLDERS - INTERESTED PARTIES



02

We carried out some adjustments in Esporão Stakeholder groups over the last year’s report, which are presented below:

SHAREHOLDER:

Committed to creating prosperity, to our employees, to the communities where we operate, to the environment and, especially, to our customers.

FINANCIAL INSTITUTIONS:

Boosters of our project they are an interested party on the results, given the financial commitments they took on.

LOCAL COMMUNITIES:

As part of the local communities in which we operate, we are intimately connect- ed and interested in establishing deep ties with our neighbours, local authori- ties and civil society, integrating ourselves in it and integrating it in our activity, working with local businesses, bringing visitors to the region and creating value in the regions where we operate.



EMPLOYEES:

They are the heart of the company. Their commitment to the mission, vision and values is essential, as well as their personal fulfillment in addition to profes- sional achievement. Their contribution is the real driving force for sustainability.

CLIENTS AND CONSUMERS:

They are those who buy or influence the purchase of our products in different markets and the basis of our entire project.

SUPPLIERS:

Supply is essential for the development of our productive activity. We seek to build a healthy, close and mutual relationship, based on ethics, integrity and trust.

AGENCIES AND ENVIRONMENTAL AND CULTURAL ASSOCIATIONS:

Strongly committed to protecting the environment and promoting our cultural identity and heritage, they are a source of knowledge and sharing that will help us to connect to our origins.

MEDIA AND SPECIALIZED CRITICS:

We acknowledged the critics through visits and contacts with journalists and 19 published press releases.



TAXPAYERS AND STATE:

We follow the laws of the countries where we operate and sell our products, including timely and correct payment of taxes. We are supported by the Por- tuguese Government and the European Community, which includes financial support to increase our activity and economic, social and ecological outcomes in different communities.

THE ESPORÃO
GROUP



“To create the best products nature provides, in a responsible and inspiring way”

OUR REASON TO EXIST

Esporão was born in Alentejo. It was born from the unconditional willingness to create the best wines. This motivation is at the core of everything we do and is now extended to other products and regions.

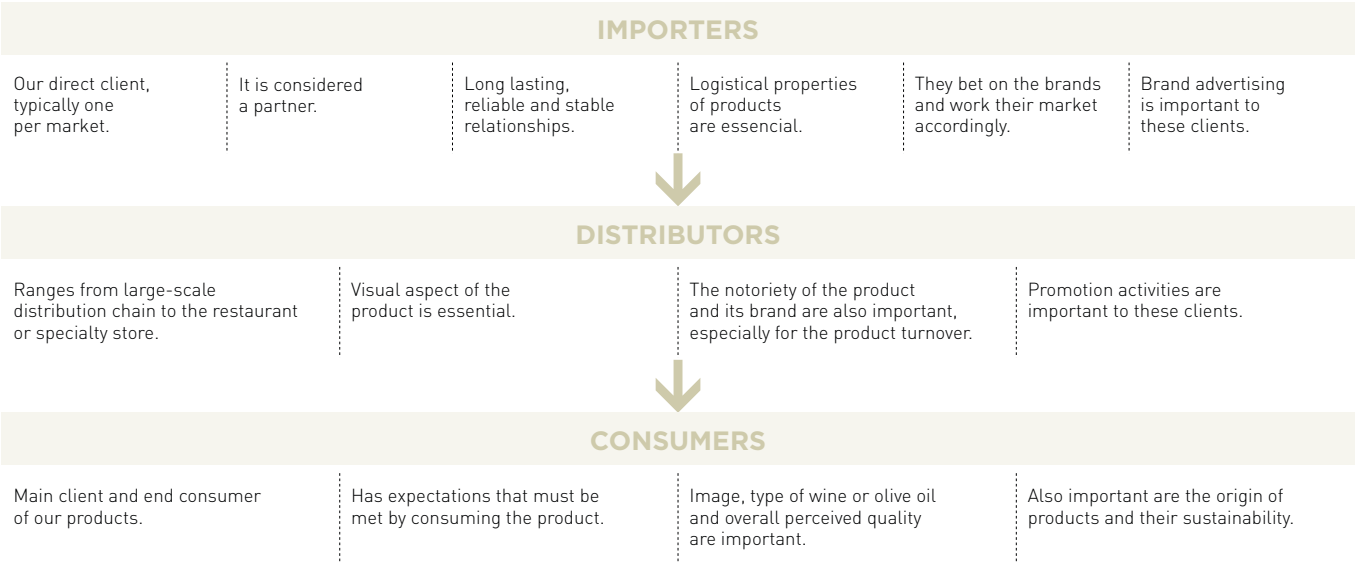
In each territory nature inspires us and helps us to do the best. Therefore we respect and protect it, ensuring continuity in an increasingly uncertain future.

We believe that Esporão should work in behalf of society and not otherwise. We therefore seek a responsible way to develop our activity. Such responsibility is not just abstract or collective: it is individual, of everyone who holds Esporão as part of his and her life.

We promote nonconformity and change, try to do better and not necessarily more. We learned that progress depends on restlessness and creativity on reaching out for the best solutions, on the knowledge that we develop and apply, on believing and putting our soul into what we do.

In this journey, which began in 1973, keeping us true to our values greatly helped us to build a company where we are proud to work and where the solid result of that work earned the trust of those who, in the end, matter most: people who buy our products.

We know that teamwork, ideas and diversity enrich us, improve the outcome and provide for the future. So we thank all those who have contributed and are contributing to this project, employees, partners, friends, families, as we look to the future aspiring to be a part of the change that the world so desperately needs, a permanent commitment to our customers and quality of our products.



In terms of geographic markets and in the reporting period, we sold our products in 53 countries. The distribution of sales in major markets is presented in the table below.

Table 1 - Sales of wine and olive oil in 9Lbox and in Euros.

MARKET	QUANTITY (9Lbox)			VALUE (Euros)		
	2011	2012	2013	2011	2012	2013
Portugal	807,072	836,422	709,292	18,545,701	17,275,702	16,151,244
Brazil	84,307	106,976	124,033	7,479,010	10,238,919	10,382,718
Angola	121,595	76,309	108,094	3,674,941	2,455,888	3,531,323
USA	56,401	60,301	72,554	1,833,431	1,999,422	1,857,821
Switzerland	17,262	21,387	21,788	657,531	823,142	817,884
Canada	17,095	16,395	18,103	517,222	497,654	536,635
Germany	13,084	12,496	13,217	379,657	409,488	380,092
Belgium	23,848	27,521	20,670	651,913	728,763	525,402
China	1,481	7,793	14,180	83,029	397,109	561,321
Travel Retail	5,153	4,780	11,661	247,141	231,625	372,221
England	10,012	10,744	10,487	342,372	309,229	236,519
Holand	9,906	7,163	6,224	224,365	210,681	202,871
Australia	4,263	796	1,372	151,358	19,699	55,978
Finland	33	2,474	1,104	2,115	187,604	64,129
France	24,427	32,678	38,096	737,205	983,672	1,155,733
Poland	31,751	38,822	27,572	586,159	760,770	487,487
Swaziland	9,149	10,387	23,427	242,307	252,881	525,302
Luxembourg	17,426	16,239	11,264	566,289	484,176	380,351
Mozambique	5,349	8,436	9,452	151,158	239,652	273,716
Dutty-Free	3,662	797	8,131	167,283	46,308	229,089
Cape Verde	12,756	11,095	6,115	344,962	315,478	157,074
Denmark	2,515	1,229	3,401	118,508	64,596	118,772
Macau	3,779	3,937	2,880	226,339	258,661	170,899
Other markets	12,395	17,733	16,400	424,590	674,727	576,868
TOTAL	1,294,723	1,332,909	1,279,515	38,354,585	39,865,845	39,751,449

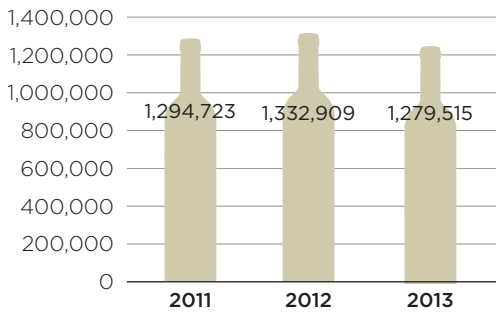


Image 1 - Evolution of sales of wine and olive oil (in 9Lbox)

ESPORÃO WORLDWIDE
<http://goo.gl/aFCgyl>



Our Clients

We are part of a value chain in which we consider our clients as the main end consumers of our products.

1 The rubric "Other markets" refers to sales in 41 different countries. Compared to the previous report, we introduced the sales of our company Qualimpor having the values of 2011 and 2012 been adjusted accordingly.

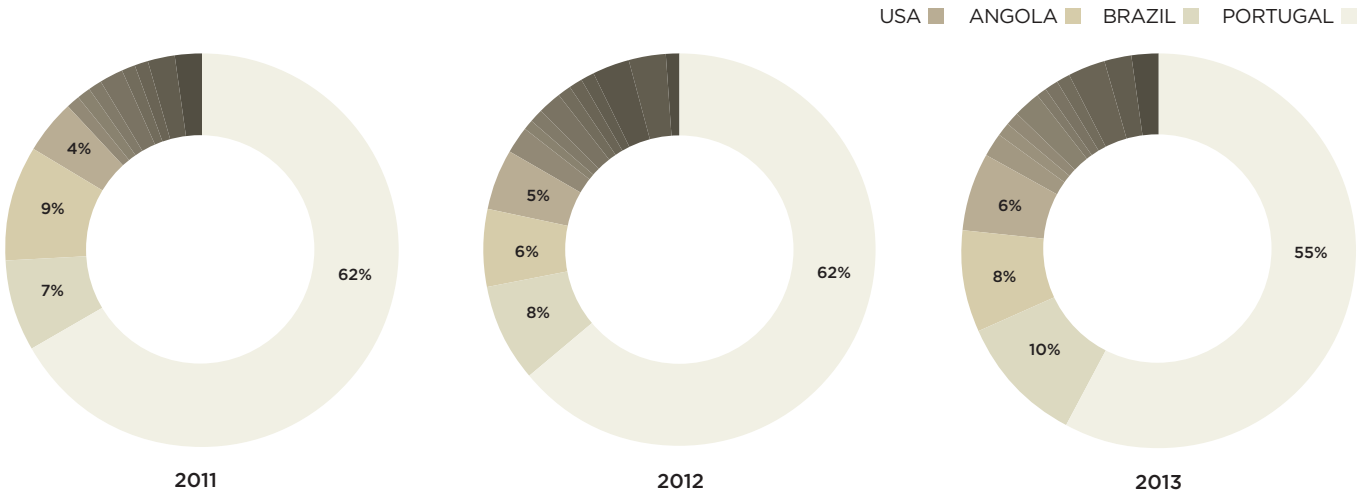


Image 2 - Sales of wine and olive oil in 9L cases, by market

D Brands, acting on the Angolan market and whose sales are not presented consolidated in the table above, started its sales activity in February 2013, reaching a total of 46.680 9L cases.

We have not received any complaints from our customers on their privacy or on their data.

We conducted a survey on import clients to evaluate their satisfaction and obtained seven responses in a universe of 19 clients contacted by phone.

ESPORÃO EVALUATION

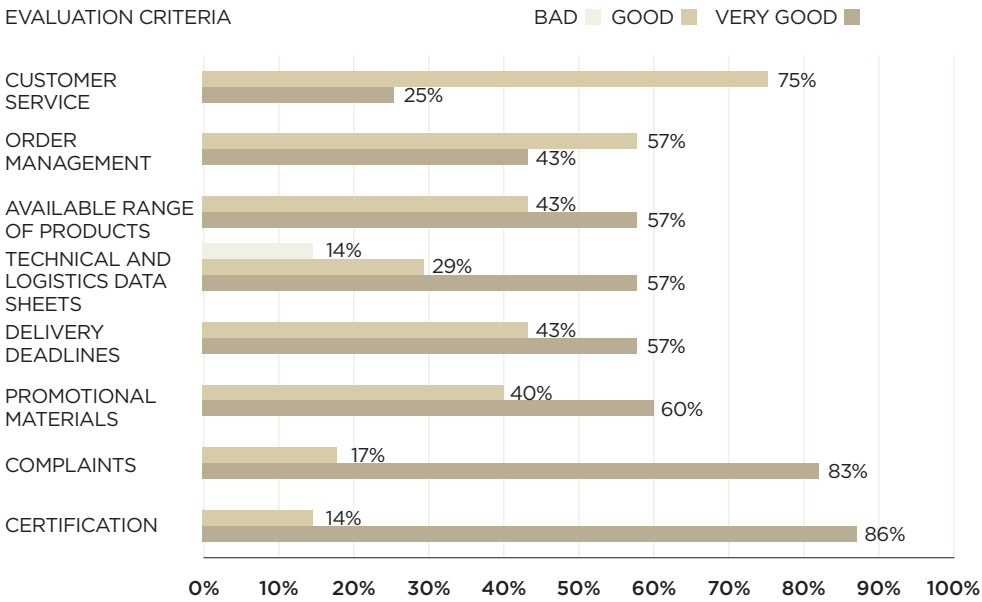


Image 3 - Evaluation of Esporão by surveyed clients

IMPORTANCE TO THE BUSINESS

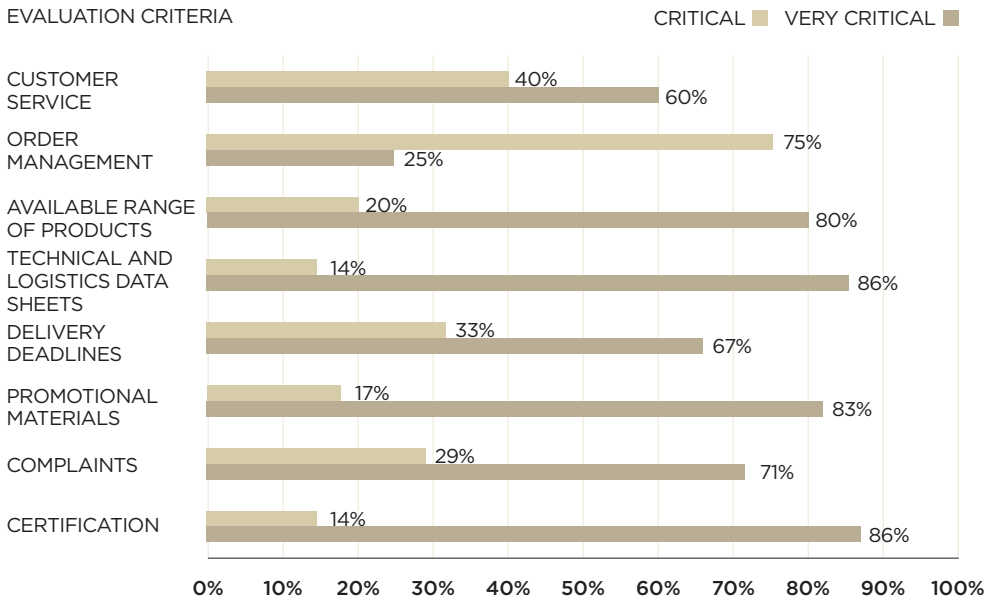


Image 4 - Evaluation of parameters according to their importance to the business



OUR PRODUCTS

Our main activity is production, marketing and export of high quality wines and olive oils, produced from grapes and olives coming from our vineyards and olive groves, as well as from third parties with whom we keep contracts for supply and monitoring of the various stages of agricultural development. This business model allows the application of modern methods and techniques and complete control over the production process, with integrated intervention at all stages of the productive, agricultural, industrial and commercial process.



	TOTAL	ALENTEJO	DOURO
AGRICULTURAL PRODUCTION (KG)	14,017,713	13,747,400	274,313
Our own grapes (Kg)	3,594,339	3,444,410	153,929
Purchased grapes (Kg)	6,358,564	6,254,340	104,224
Our own olives (Kg)	79,575	63,415	16,160
Purchased olives (Kg)	3,985,235	3,985,235	0
CELLAR / WINERY	11,674,876	11,559,905	114,971
Produced Wine (L)	6,993,121	6,880,000	113,121
Purchased Wine (L)	4,094,063	4,094,063	0
Produced Olive Oil (L)	558,085	556,235	1,850
Purchased Olive Oil (L)	29,607	29,607	0
BOTTLING	10,593,748	10,575,770	155,053
Wine (L)	9,867,237	9,851,109	153,203
OliveOil (L)	726,511	724,661	1,850

Table 3 – Production in 2013

Herdade do Esporão, in Reguengos de Monsaraz, Alentejo, reaches to our clients through the following products and services:

*Herdade do Esporão,
Alentejo*

ALANDRA:

Entry-level wine with a fresh and fruity profile, obtained from different batches of wine that guarantee a permanent and consistent quality.

MONTE VELHO:

Alentejo classic wine and a faithful mirror of the region from which it originates. Over the years, it became a major reference of Alentejo in Portugal and in the world, based on its profile and constant quality levels. This year, we reviewed its value proposition, resulting in the change of packaging in May and in the availability of supporting elements of marketing (communication, promotional concepts, activities, materials, etc.).

VINHA DA DEFESA:

It shows the character of the grapes of Vinha da Defesa and of other selected plots of the estate. The combination of grape varieties and the different vinification processes aim at a contemporary style and an elegant and intense profile, common to these three wines.

ESPORÃO RESERVE:

These wines reveal a more classic profile and are made from grapes with Alentejo Designation of Controlled Origin (DOC), selected from the vineyards of Herdade do Esporão. They show the consistency and the rich and typical character of the best wines of Alentejo.

ESPORÃO PRIVATE SELECTION:

Wines with structure, strong personality and complexity, are the result of the selection of the best grapes of our terroir and of the creativity of our winemakers. They are unique wines made in small quantities.

MONO-VARIETALS:

Produced only in specific years, when the varieties turn out exceptional. The grapes are carefully selected and hand harvested from individual plots in Herdade do Esporão.

SPECIAL WINES:

Sparkling, late harvest and fortified wines that defy nature laws established for the Alentejo region.

WINES AND OLIVE OILS FROM
HERDADE DO ESPORÃO
<http://goo.gl/F3yaz5>



Quinta dos Murças,
Douro

WINE TOURISM:

As part of the Worldwide Wine Route, we have received thousands of visitors since 1997 to whom we provide educational and recreational vineyard tours, on foot, by bicycle or van, training and wine tastings, cellar and wine-cellar tours and breathtaking dining experiences in the restaurant of Herdade do Esporão.

The wines produced at Quinta dos Murças in the Douro region, the oldest demarcated wine region in the world (est. 1756) show our clients the best of what this noble region represents:

ASSOBIO:

Douro DOC wines produced at Quinta dos Murças. They present the features of the region from where they come. Versatile and gastronomic wines.

QUINTA DOS MURÇAS RESERVE:

Douro DOC Reserve wine, born in our old vines on schist soils, respecting nature and following sustainable agriculture. Manual selection of grapes, which are stomped in granite tanks and pressed in an ancient vertical press. Aged for 12 months in oak barrels and one year in bottle.

QUINTA DOS MURÇAS PORTO 10 YEARS TAWNY:

Port wine produced with grapes of superior quality (A), harvested from vines with an average of 20 years of age. Aged in barrels for a an average period of 10 years.

QUINTA DOS MURÇAS PORTO VINTAGE SINGLE QUINTA:

Produced with grapes of superior quality (A) and fermented in tanks of grape-stomping, this Vintage Port shows the potential of Covelinhas region to produce Vintage Ports. It is only made in years of excellence, referred to as Vintage, and in small quantities.

Serpa, Moura –
Alentejo

Our olive oils produced in Serpa, in the region of Moura, Alentejo are structured as follows:

SELEÇÃO EXTRA VIRGIN OLIVE OIL:

Olive oil produced from four varieties of olives: Galega, Cobrançosa, Frantoio and Picual. The careful selection of fruit from the field to the mill resulted in a very complex and persistent olive oil, for the most demanding consumers.

DOP MOURA EXTRA VIRGIN OLIVE OIL:

Olive oil from the region of Protected Designation of Origin (DOP) of Moura, in Baixo Alentejo. It presents exuberant green leaves and grass notes, velvety texture and a mild almondy aroma.

GALEGA EXTRA VIRGIN OLIVE OIL:

Monovarietal olive oil, made from green and mature olives, that features smooth aromas, highlighting the exuberance of almond, corresponding to the characteristic profile of Galega, the most emblematic variety of olive in Portugal. Certified for the first time as Alentejo Geographical Indication.

CORDOVIL EXTRA VIRGIN OLIVE OIL:

Monovarietal olive oil, produced from green and mature olives and with notes of bitterness and spiciness, corresponding to the characteristic profile of Cordovil, a very representative variety of Alentejo. Certified for the first time as Alentejo Geographical Indication.

EXTRA VIRGIN OLIVE OIL:

Olive oil with a soft and smooth profile, a good balance of fruity aromas typical of the varieties of olives from Alentejo.

VIRGIN OLIVE OIL:

Olive oil resulting from the combination of several varieties of Alentejo traditional olives, characterized by its discrete aromas and extremely smooth profile.

QUINTA DOS MURÇAS EXTRA VIRGIN OLIVE OIL:.

Olive oil produced from the olive varieties Galega and Negrinha de Freixo in organic production, with the olive grove currently under a reconversion process.

ORGANIC EXTRA VIRGIN OLIVE OIL:

Olive oil produced from the olive varieties Cobrançosa and Arbequina in organic production. There is a careful selection of fruit from the field to the mill, thereby obtaining an authentic and genuine, full of aroma and flavor, olive oil.

VINEGAR:

Produced from selected wines, the red wine vinegar is valued by ageing at least six months in American oak barrels, which makes it soft and fragrant.

In the demarcated region of Lourinhã we produce brandy:

Lourinhã

MAGISTRA:

Resulting from a partnership with Quinta do RoI, property of Carlos Melo Ribeiro, it is a brandy XO (Extra Old), thus dignifying the Portuguese tradition of producing spirits. Lourinhã and the regions of Cognac and Armagnac in France are the only three regions in the world with their own denominations for the production of such drinks.



Image 5 – Schematic of the Architecture of brands

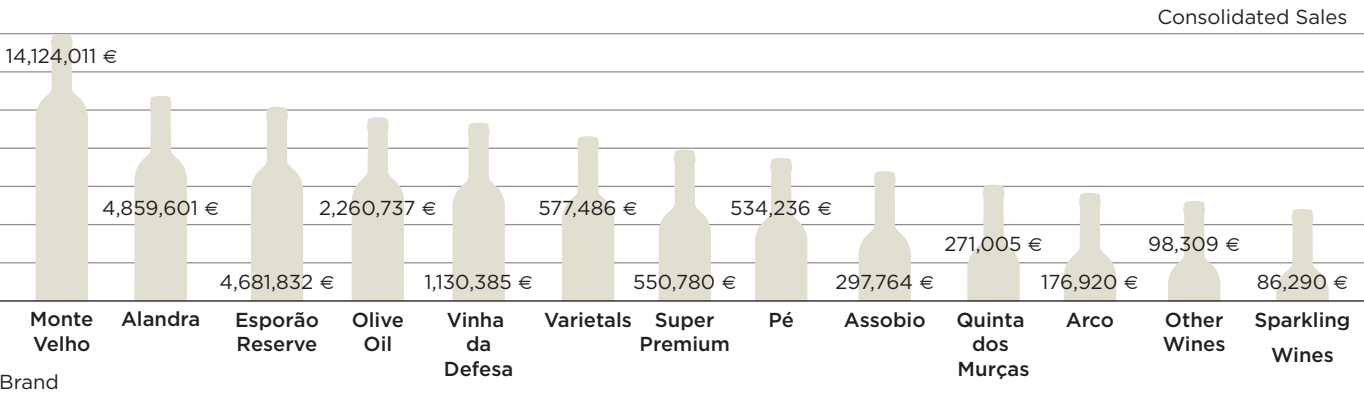


Image 6 – Consolidated Sales by brand

WINES FROM QUINTA
DOS MURÇAS
<http://goo.gl/FRXRYC>



ALANDRA
WHITE / RED / ROSE



PÉ
WHITE / RED



MONTE VELHO
WHITE / RED



ARCO
WHITE / RED



VINHA DA DEFESA
WHITE / RED / ROSE



MONOCASTAS
WHITE (VERDELHO)



2 CASTAS E 4 CASTAS
WHITE / RED



MONOCASTAS
RED (PETIT VERDOT; SYRAH;
TOURIGA NACIONAL)



ESPORÃO RESERVA
WHITE / RED



ESPORÃO PRIVATE SELECTION
WHITE / RED



TORRE
RED



SPARKLING
WHITE



LATE HARVEST



MAGISTRA
OLD BRANDY



HE OLIVE OIL
SELEÇÃO / GALEGA / CORDOVL / DOP
MOURA / VIRGEM EXTRA



HE VINEGAR
RED



QUINTA DOS MURÇAS
ASSOBIO / RESERVA / 10 YEAR PORT TAWNY /
2011 PORT VINTAGE



THE GOVERNANCE STRUCTURE

THE SHAREHOLDER

The Esporão Group is part of a group of companies whose sole shareholder is the Roquette family. There is a governance model common to all those companies.

FAMILY COUNCIL / SHAREHOLDERS

- > Governing body of the Family/Shareholders
- > Composed by a representative of each family branch
- > Mission: Follows the issues related to Family and business, ensuring decisions that, by their nature or importance should be reserved for Family.
- > It may appoint, from among its members or members of the extended family, elements to committees for specific purposes; oversees its scope.

JHR BOARD OF DIRECTORS

- > Governing body of the Holding of José Roquette Group
- > Composition: 5 Directors and at least one is not a family member. They are nominated by the Family Council for predefined mandates.
- > Mission: Board of a Holding (SGPS)
- > To represent and look after the interests of shareholders
- > Define business strategies (based on the guidelines of the Family Council)
- > Nominate/Oversee the Boards of the subsidiaries on which exercises a controlling position

BOARD OF THE SUBSIDIARIES

- > Governing bodies of the relevant subsidiaries
- > Mission: Operational and strategic management of the Companies, in accordance with the guidelines of the Board of JHR - SGPS
- > Answer and report to the Board of JHR-SGPS

Image 7 - JHR Governance Structure and held companies

JHR SGPS holds 87% stake in Gesparte, which in turn owns 96% of the capital and 99.99% of the voting rights of Esporão Group.

The board of JHR SGPS represents the sole shareholder of Esporão Group and is composed by:

CHAIRMAN OF THE BOARD – José Roquette, shareholder and leader of the group. Regarding his involvement we underline strategic orientation, institutional representation of the Group, leading the boards of directors and participation at the annual staff meeting.

NON-EXECUTIVE DIRECTOR - Segismundo Pinto Basto. Directly responsible for legal issues and governance.

EXECUTIVE DIRECTOR – João Roquette. Directly responsible for issues related to strategy and governance. Accumulates position as Managing Director of Esporão Group.

CONSULTANT - João Alves. Having worked as CEO of E&Y in Portugal, his professional experience provides him with various competencies that are now available to this Board of Directors.

All Directors are not remunerated for their duties in JHR. João Roquette is paid for exercising his duties in Esporão Group.

In the document “Roquette Family’s Relationship with business,” prepared by the shareholders, it is set that when there are recommendations on issues related to business, these must be formally passed to the Board of JHR SGPS, so that after analyzing them together are then delivered to the Board of Esporão for feedback or follow-up.

Esporão Group is the most relevant and complex subsidiary of this group of companies and as such, has its own governance structure

There were no significant changes of capital in any of the companies of Esporão Group, thus remaining unchanged the participation of Gesparte as the majority shareholder.

THE BOARD OF DIRECTORS

It is the hierarchically higher executive body of Esporão S.A. (Mother Company) who reports directly to the board of directors of JHR SGPS, through its subsidiary Gesparte.

All the boards and managements of the subsidiaries report to this Board and are constituted, on this date, by the President of the board of directors and the executive directors of Esporão S.A.. There is still a General Meeting of Shareholders (the highest body) which sets the overall company strategy, approves the action plans and elects the members of the board, and a Statutory Auditor that evaluates and certifies the accounts of the Group.



The Board of Directors acts for terms of three years, implementing a strategic plan that is presented to and ratified by JHR SGPS, consisting of:

CHAIRMAN OF THE BOARD – José Roquette. Leads the Board of Directors and reports to the Board of Directors of JHR SGPS, which he also presides

CEO – João Roquette. Responsible for general leadership and company's strategy, administrates the areas of production, processing, sales, marketing and distribution.

CFO – Diogo Corrêa Mendes. Responsible for leading the financial, administrative and human resources areas, information systems and continuous improvement.

NON-EXECUTIVE DIRECTOR – José Pedro Roquette. Accumulates the position of Purchasing Manager.

All directors are remunerated except for José Pedro Roquette that accumulates as Purchase Director, for which he is paid.

There is also a governing board that frequently reunites with executive directors and all directors, to monitor, discuss and decide on the company's executive strategic issues, composed by:

CEO – João Roquette,
CFO – Diogo Corrêa Mendes,
Agricultural Director – Amândio Rodrigues,
Commercial Director – Diogo Melo e Castro,
Purchase Director – José Pedro Roquette,
Oenology Director – David Baverstock,
Financial Director – Manuel Cabaço,
Maintenance Director – Miguel Jorge,
Marketing Director – Filipe Caetano,
Continuous Improvement and Information Systems Director – Sérgio Pereira,
Production Director – Mauro Brandão.

Our activity does not present significant risks of conflicts of interest and is therefore not implemented a formal mechanism for conflicts verification. The method of selection of these constituents is prerogative to JHR, SGPS and of the Chairman of the Board. There are no restrictions of any kind, positive or negative, on gender, ethnicity or religion.

COMMUNICATION WITH STAKEHOLDERS

We use several instruments of communication with our stakeholders:

PERFORMANCE NOTEBOOK – Monthly made. Reports the main activity of each area as well as the economic and financial performance of the company. Made available in digital format to all employees and to the board of directors and published on the company's intranet. It is presented to the Board of Directors of Esporão on a quarterly basis and every six months to the Board of JHR SGPS.

ESPORÃO NEWSPAPER - published twice a year, it provides information about the company's activities and is available to clients and partners of the main activity of the company. It includes a message from the CEO and an interview with an employee and a partner.

E-LETTER – Electronic release only. Mainly oriented to clients but also with internal distribution. During 2013, 19 *press releases* were published.

COMPANY'S WEBSITE – Internet website, renewed in 2013, where we gather institutional information on territory, property, production processes, products and wine tourism, addressed to all stakeholders.

SOCIAL MEDIA – In 2013 priority was given to social media as a way to shorten the distance between Esporão and people in general, with Facebook, Twitter and Vimeo, managing to generate more than 5,000 interactions.

INTRANET – Internal website for employees. It is a central tool of the entire company because it is in this platform that many of the processes, procedures and information can be found.



STAFF MEETING – Annual meeting with administrators, directors and managers in all areas, where you summarize the past year, present the budget and build on the objectives set for the following year.

OPEN DISCUSSION – Annual meeting between the administrator of each area and the whole team, where you promote the approach and alignment between hierarchies, speaking of the vision, strategy and business goals, gathering recommendations, suggestions and ideas to improve the business.

MINUTES OF DIRECTION MEETINGS – Published every two months, they report all the operational decisions that were made.

MANAGEMENT REVIEW – An annual meeting with all Directors and Board is held and the performance of our quality and environmental system is analyzed.

STRATEGIC SCOREBOARD – A set of indicators on a strategic scoreboard approach, that are measured and reported every six months to the board of Esporão Group, is defined. These indicators are structured in a sequence of cause and effect and grouped in employees, community and environment, clients and shareholders.

REPORT – Official document prepared annually detailing the company’s business and its financial results. It unified the former Annual Report and Accounts and the Sustainability Report.

MEETINGS AND EVENTS WITH LOCAL ENTITIES – Several annual meetings involving local entities in Reguengos de Monsaraz and in Covelinhas, Peso da Régua, are promoted, for an active and bidirectional participation in several of the activities described in this report.

COMPLAINTS AND SUGGESTIONS – Multiple channels are available for any interested party to contact our organization. There is a formal process for analyzing and responding to these requests.

These means of communication also help us to monitor our performance.



THE COMPANIES

With its main activity in Portugal, the group led by Esporão, SA is a public limited company under Portuguese law, with capital of € 5,000,000.00 (five million euros), founded in September 1973 and registered at the Commercial Registry of Reguengos de Monsaraz under the number 500116377.

Its headquarters are in Herdade do Esporão in Reguengos de Monsaraz, where it focuses its agricultural and industrial activity, and its offices are in Lisbon, at Avenida do Restelo 44, where the commercial, marketing, financial, administrative, HR, continuous improvement and information systems departments are placed, as well as the Board. In Reguengos de Monsaraz Esporão owns an estate with 1700 hectares, of which about 600 hectares have vineyard, 80 hectares have olive groves and the remaining ones have holm oaks and other trees from traditional Alentejo. It also has 11 hectares of vineyard in Portalegre.

The following subsidiaries are included in this report²:

- **MURÇAS, SA**, public limited company with capital of € 110,000.00 (one hundred and ten thousand euros), registered at the Commercial Registry of Peso da Régua under the number 500569401. It holds a farm with 150 hectares in Covelinhas, Peso da Régua in the Demarcated Douro Region.
- **ESPORÃO AZEITES, LDA.**, limited liability company with capital of € 250,000.00 (two hundred and fifty thousand euros), registered at the Commercial Registry of Serpa under the number 504021036, owns an oil mill in Serpa, in the region of olive oil with Designation of Controlled Origin (DOC), in Moura, in Beja district.
- **ESPORÃO VENDAS E MARKETING, SA.**, public limited company, with capital of € 10.000.000,00 (ten million euros), registered at the Commercial Registry of Reguengos de Monsaraz and where it is located, under the number 500254869, and manages the wine tourism facilities and two warehouses of finished product.
- **ESPORÃO PRODUÇÃO BIOLÓGICA, SA**, fiscal number 510354068, founded in 2012 and operating since 2013. Concentrates and develops all activities of the group’s agricultural production, based on methodologies and principles of organic farming.
- **QUALIMPOR** with CNPJ 00.479.756/0001-65, founded in 1995 and located in São Paulo (Brazil), imports and distributes wines and olive oils of Esporão, Crasto, Taylors and Freixenet in the Brazilian market.

The marketing and distribution in the Portuguese market is held by our subsidiary Primedrinks, SA., a non-majority partner and of independent management, therefore not considered in this report.

In Angola, DBrands, a company managed by Esporão S.A., is directly operating and commercializing our products. Although it is not included in this report, there is a commitment to do so in the near future.

In the United States of America operates our subsidiary Esporão Wines & Olive Oils, where we act based on a perspective of business development in the several states, in partnership with our importer for this market. We also carry out marketing activities in this market to support our products.



2. Whenever omitted, the figures presented in the report refer to companies within this report.

RESULTS OF
THE PERIOD

04



“The turnover grew by 8% in the four years from 2010 to 2013, reaching up a level above the € 40 million euros in the year 2013.”

ECONOMIC RESULTS

The turnover grew by 8% in the four years from 2010 to 2013, reaching up a level above the € 40 million euros in the year 2013. There is some stability in the markets, with an average growth of around 2.5% per year. This performance is achieved despite a reduction in the Portuguese market, more than compensated by other markets. We would like to point out that in 2013 the growth in local currency in value sales was 4% higher than in euros given the unfavourable evolution of the exchange rate of the Brazilian real.

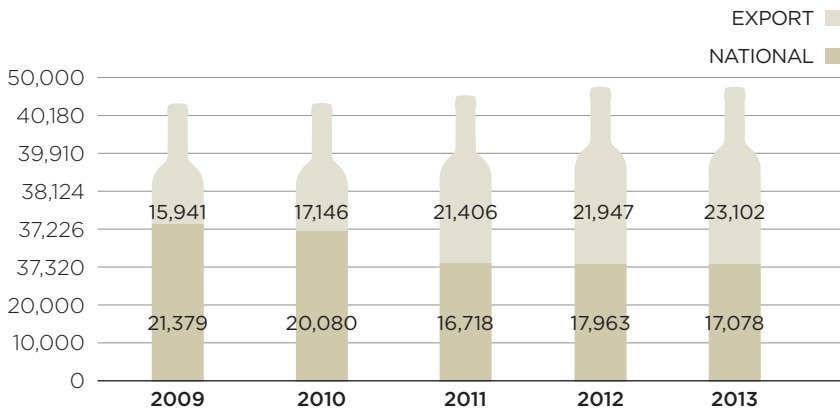


Image 8 – Sales Evolution by market (in thousands of euros)

GVA³ is stable over the years.

	2010	2011	2012	2013
GVA	13,909	14,332	14,394	14,632
%		3%	0%	2%

Table 3 – Evolution of GVA (in thousands of euros)

As a result of the activity developed and the means used in operations, Esporão found an operating profit of 8,495 million euros in 2013, an increase of 4.4% over the previous period.

INDICATOR	2010	2011	2012	2013
ECONOMIC DATA				
Value Sales	37,226	38,630	39,910	40,179
Box unit Sales	1,241,217	1,279,722	1,292,308	1,266,990
EBITDA	8,069	7,742	8,139	8,495
Net income	2,456	1,677	1,359	2,718
Cash flow	5,677	5,495	6,619	6,534
FINANCIAL DATA				
Total assets	136,849	140,046	148,691	140,235
Capital	5,000	5,000	5,000	5,000
Equity	53,275	57,885	60,731	72,765
Net Debt	32,647	37,119	40,774	39,018
Investment	3,386	4,322	2,576	920
ND/EV	0.61	0.64	0.67	0.54

Table 4 – Evolution of indicators (in thousands of euros)

Profitability indicators EBIT and EBITDA grew at a moderate pace, reflecting the increase in sales volume and sales margin, as well as the change in the mix of products and markets, despite the devaluation of the Brazilian currency. Without this impact, the growth would have been 4% in value.

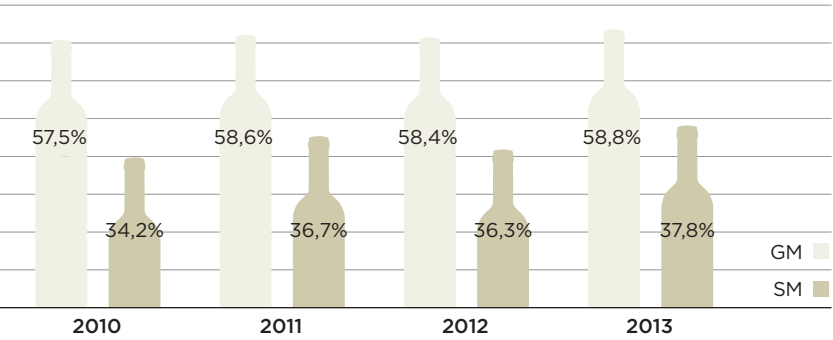


Image 9 – Gross Margin and selling

There is, in absolute terms, a reduction of about 60 thousand euros in personnel expenses as a result of stability of staff and of the impact of Brazilian real.

The item of supply and services presents a growth of approximately 1%, as a result of cost containment measures.

FINANCIAL RESULTS

ASSETS

The net assets of the Group decreased from 148 to 140 million euros, showing a structure of applications and funding relatively stable.

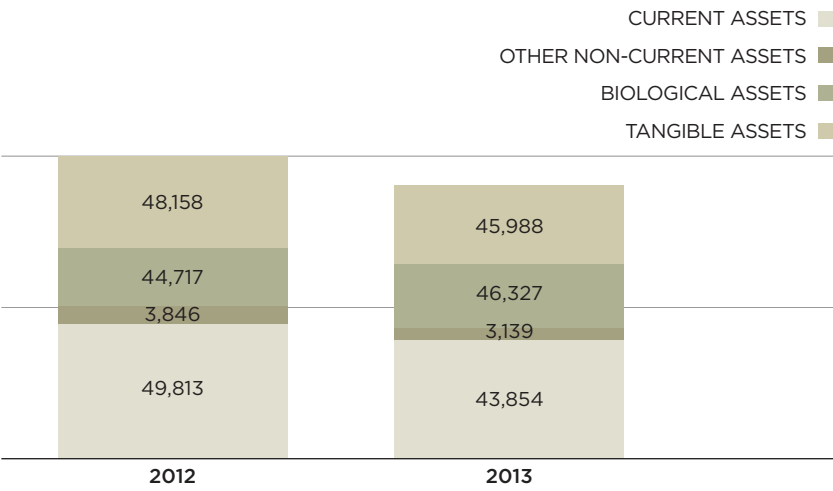


Image 10 – Assets

³ Gross Value Added is the increase in the value of products and services made available in the markets, either as a result of the production process, either as a result of commercial and administrative processes.

“The overall bank debt of the Group was reduced by EUR 5 million”.

FINANCIAL RESOURCES

Increase in the value of equity by approximately EUR 12 million as a result of reinforcing the supplementary capital subscriptions account by EUR 10 million and of the profit for the year, which remains at the company as at December 31, 2013.

Also register for the reduction of the overall bank debt of the Group by EUR 5 million, largely the result of the reinforcement of equity as well as increased efficiency in the management of current assets, especially customers and stocks.

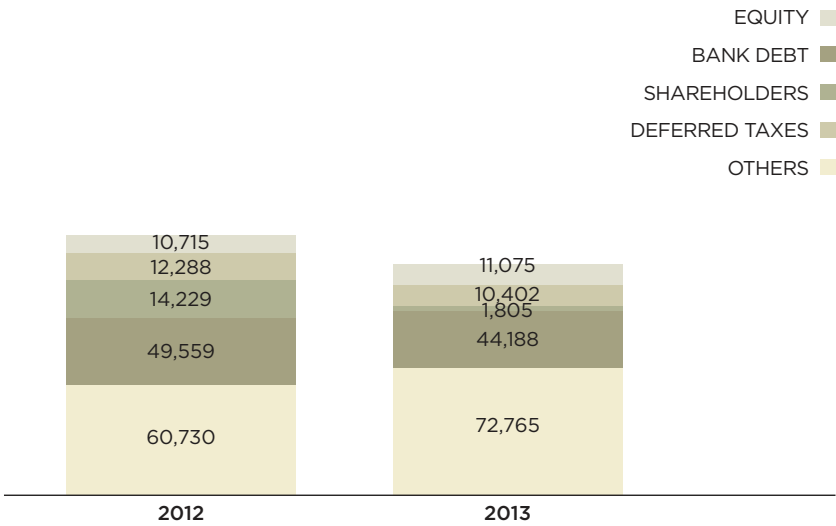


Image 11 - Financial Resources

INVESTMENTS

The total investment amounted to 920 thousand euros, by continuing several projects started in previous years, improving the cellars and mills of agricultural production, quality and service of wine tourism and biodiversity initiatives.



INVESTMENT	2011	2012	2013
Wine-cellar and mills	332,316 €	344,744 €	404,085 €
Sustainability and biodiversity	56,265 €	60,665 €	143,365 €
Agricultural Production	62,650 €	69,650 €	50,712 €
Wine Tourism	1,931,332 €	1,973,849 €	175,559 €
Filling	0 €	7,895 €	53,046 €
Other	115,766 €	101,184 €	92,878 €
TOTAL	2,498,329 €	2,557,986 €	919,644 €

Table 5 - Investments

As part of the investments made in sustainability and biodiversity, we would like to highlight the installation of the solar park of the dam in order to reduce energy costs and reduce the environmental impact, as well as significant improvements in our WWTP in Esporão.

For agricultural production, various equipments were purchased. The main investments in wine-cellar and mills were in the renewal of the barrels, in improvements to the white wine-cellar, purchasing a new vat to the red wine-cellar and a panel of automating for the reception of grapes.

DISTRIBUTION OF RESULTS

SHAREHOLDER

After two decades without distribution of profits to shareholders, we approved in the general meeting of March 31, 2014 the distribution of profits to Gesparte amounting to € 1,907,378.51.

EMPLOYEES

We have a remuneration model that connects the individual profile with the market value of the position, also ensuring internal fairness. This model predicts the growth and recognition in accordance with the development and acquisition of new skills, the reward according to the fulfillment of goals and individual challenges in line with the organization’s strategy.

Most positions are evaluated annually on their skill level, on the nature of the position and on the results based on goals’ achievement.

This process is centered on the Performance Management System (SGD) to where the goals of each area and employee are loaded and managed. We make two assessments per year in each end of the semester.



Additionally, we annually make the 360º review that allows us to analyze the performance of each employee giving a comprehensive perspective of its skills and areas for improvement. Every 3 years we do a more thorough assessment on certain cultural aspects of the company.

The process of the board of directors’ assessment follows exactly the same method of evaluation of the remaining bodies of the company. The goals of the executive directors are common amongst themselves, defined by a strategic map. Once a year, the Chairman of the Board meets with the directors to assess their performance.

SUPPLIERS

We have sustained our growth through a strong policy of internationalization, causing the export to international markets to generate over 60% of our sales. This evolution also turns out to reflect an increase in purchases made by group companies located outside Portugal, namely distributors of Brazil and Angola.

COMPANY HEADQUARTERS	2011	2012	2013
Portugal	28,642,145 €	25,974,448 €	24,318,270 €
Brazil	3,174,056 €	4,887,704 €	6,106,777 €
USA	255,878 €	474,876 €	490,092 €
Angola	1,512,472 €	1,748,510 €	4,164,388 €
TOTAL	33,584,551 €	33,085,537 €	35,079,528 €

Table 6 - Local purchases to Suppliers by location⁴

This commitment to internationalization allows Esporão Group to remain competitive and ready to respond to the current constraints of the Portuguese market, in particular the widespread reduction in domestic demand and its economy. However we are also exposed to less favorable payment terms. For this reason, we began to settle invoices from our suppliers by the end of the third month following the delivery (90 days after the invoice date).

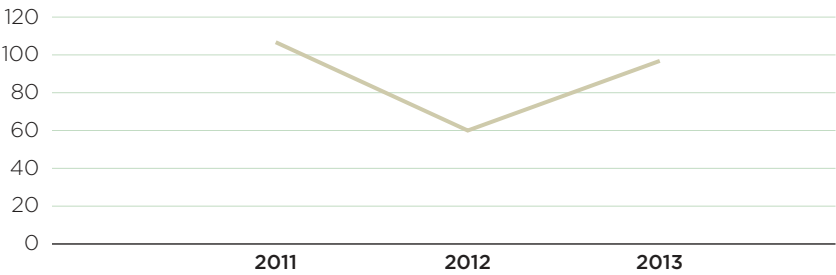


Image 12 - Average payment period to suppliers

Taking into consideration the current difficulties in accessing bank credit in Portugal and the financial difficulties that this measure may cause in our partners, we adopted a means of payment (*Confirming*) that allows our partners to manage more conveniently and flexibly their cash flow, ensuring the minimization of the impact of this measure on our suppliers.

4 These values do not include purchases between the group companies, except for purchases of Qualimpor (Brazil) to Esporão Vendas e Marketing.

COMMUNITY

Several schools from Reguengos de Monsaraz visited Herdade do Esporão for information and knowledge sessions concerning several topics: sustainability projects, renewable energy, promotion of biodiversity, water saving, organic garden.

Partnerships with vocational schools of Alentejo were created, in order to receive trainees in Oenology and Wine Tourism. The Laboratory team also made available part of its time to monitor small lab works of professional courses in oenology and viticulture.

A partnership with “Casa das Avós” (a Charity in Monsaraz), for exchange of services between wine tourism and this institution, was created. The Open Day of the Archaeological Complex of Perdigões, directed to the local community, was conducted.

We supported charitable private institutions completely free and without any material counterpart, except as foreseen in the law on support of social patronage. During the year 2013 the benefits granted amounted to € 36,000.00.⁵



STATE

COUNTRY	2011	2012	2013
PORTUGAL ⁷	1,597,649 €	1,731,354 €	2,076,870 €
Direct	1,184,761 €	1,267,386 €	1,587,966 €
Indirect	412,888 €	463,968 €	488,904 €
BRAZIL ⁸	2,188,038 €	3,153,080 €	3,306,903 €
Direct	2,188,038 €	3,153,080 €	3,306,903 €
TOTAL	3,785,687 €	4,884,434 €	5,383,773 €

Table 7 - Taxes paid in Portugal and Brazil⁶

ACHIEVED ACKNOWLEDGEMENTS

It is with great satisfaction that every year we see our project recognized by national and international organizations, through awards and honours received by our wines and olive oils, Winemakers and wine tourism, but also for our sustainable farming practices:

MAGAZINE / ORGANIZATION	AWARD	OBSERVATIONS
Drinks Bussiness - Green awards	Sustainability of the Year Award	Best practices
Green Project Awards	1º	Best practices
Green Project Awards	Honorable mention	Project to reduce water consumption and waste
Revista de Vinhos	Enólogo do Ano	David Baverstock
RevistaWine - oenologist of the year (David Baverstock)	1º	
Best winetourism of the World - Daily Meal	13º	

Table 8 - Several awards and distinctions in 2013

5 The list of supported institutions attached to this report
6 Information on tax payments made in the United States and Angola is not included.
7 Direct taxes in Portugal include IRC, IMI, stamp duty, VAT, costs of the employer with Social Security. Indirect taxes include fines, state fees (CVRA, IVV) and other indirect taxes.
8 Direct taxes in Brazil include paid values of ICMS, PIS, COFINS, import taxes, IRPJ, CSLL, taxation on salaries.



ESPORÃO WON THE PRESTIGIOUS AWARD “SUSTAINABILITY OF THE YEAR AWARD” IN “THE DRINKS BUSINESS GREEN AWARDS 2013”

PRODUCT	HARVEST	MAGAZINE / ORGANIZATION	AWARD	OBSERVATIONS
Esporão Reserve	2012	Revista de Vinhos	Best Buy	
Vinha da Defesa	2012	Revista de Vinhos	Best Buy	
Assobio	2011	Revista de Vinhos	Best Buy	
Alicante Bouschet	2009	Revista de Vinhos	Best in Portugal	
Alandra	2012	Revista de Vinhos	Best Buy	
White Esporão Reserve	2011	Revista Wine - Sommeliers Brasil	38,4 points	Higher classification in whites - in a maximum of 45 pts
White Esporão Reserve	2011	50 Best Portuguese wines - UK		
Red Esporão Reserve	2010	50 Best Portuguese wines - UK		
Assobio	2011	Revista de Vinhos	16 points	Best buy
Verdelho	2011	Wine Enthusiast	90 points	86th place at top 100 best buy wines
Esporão Reserva Branco	2012	Confraria dos Enófilos	Gold	
Verdelho	2012	Confraria dos Enófilos	Gold	
White Esporão Reserve	2011	International Wine Challenge	Gold	Best white wine from Alentejo
White Esporão Reserve	2012	Vinhos de Portugal	Bronze	
Quinta dos Murças Reserve	2009	Vinhos de Portugal	Bronze	
4 Castas	2011	Vinhos de Portugal	Bronze	
Red Esporão Reserve	2010	Vinhos de Portugal	Silver	
4 Castas	2011	Concours Mondial Bruxelles	Silver	
White Esporão Reserve	2011	Concours Mondial Bruxelles	Silver	
White Monte Velho	2011	Revista de Vinhos	14,5 points	

Table 9 – Wine awards and distinctions in 2013



OLIVE OIL	HARVEST	MAGAZINE /ORGANIZATION	AWARD
DOP MOURA	2012	LES OLIVALIES	SILVER MEDAL
EXTRA VIRGIN	2012	LES OLIVALIES	SILVER MEDAL
SELECÇÃO	2012	LES OLIVALIES	SILVER MEDAL
SELECÇÃO	2012	SUPERIOR TASTE AWARD	SILVER MEDAL
DOP MOURA	2012	MONTE SELECTION	SILVER MEDAL
DOP MOURA	2012	INTERNATIONAL TASTE & QUALITY INSTITUTE	SUPERIOR TASTE AWARD
SELECÇÃO	2012	INTERNATIONAL TASTE & QUALITY INSTITUTE	SUPERIOR TASTE AWARD
SELECÇÃO	2012	LOS ANGELES INTERNATIONAL EXTRA VIRGEM OLIVE OIL COMPETITION	BRONZE MEDAL
EXTRA VIRGIN	2012	LOS ANGELES INTERNATIONAL EXTRA VIRGEM OLIVE OIL COMPETITION	BRONZE MEDAL
SELECÇÃO	2012	OLIVE OIL AWARD ZURICH	AWARD
DOP MOURA	2012	OLIVE JAPAN	SILVER MEDAL
EXTRA VIRGIN	2012	OLIVE JAPAN	GOLD MEDAL
SELECÇÃO	2012	OLIVE JAPAN 2013	GOLD MEDAL
SELECÇÃO	2012	TERRA OLIVO 2012	SILVER MEDAL

Table 10 –Olive Oil awards and distinctions in 2013



PEOPLE



“*Esporão wants its employees to feel that they are one of the pillars of this project.*”

Esporão wants its employees to feel that they are one of the pillars of this project. The group is concerned to carry out their activities with respect and protection of people, seeking integration into the team Esporão through dialogue and fulfillment of their rights.

This section presents the work practices of Esporão, aspects related to health and safety at work, evaluation and training, benefits and compensation, among others.

These figures include Qualimpor, except when mentioned its exclusion.

WORK PRACTICES

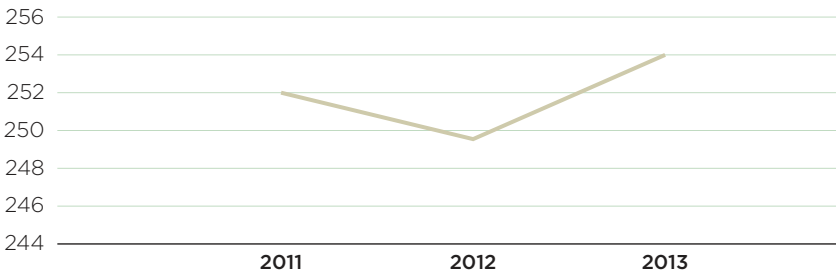


Image 13 - Evolution of the number of employees

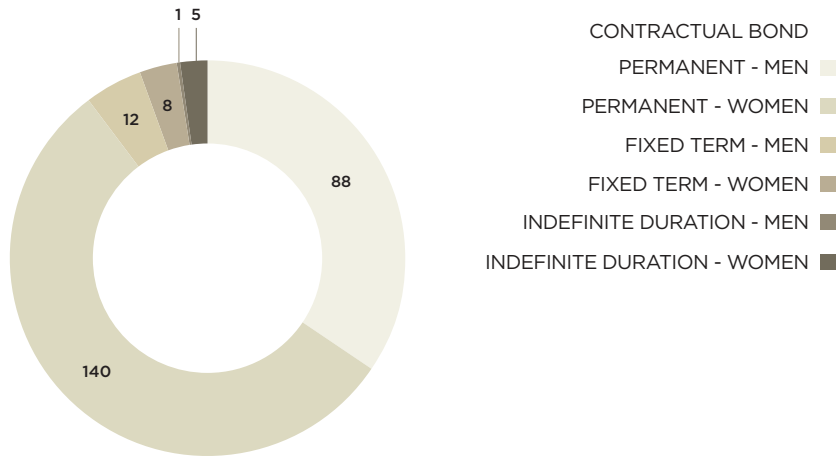


Image 14 - Distribution of the workforce by location and gender⁹

LOCATION	2013
PORTUGAL	240
Men	93
Women	147
BRAZIL	14
Men	8
Women	6
TOTAL	254

Table 11 - Distribution of the workforce by location and gender⁹

GENDER	ENTRIES		EXITS	
Men	50	54%	46	49%
Women	24	16%	21	14%
TOTAL	74	29%	67	26%

Table 12 - New entries and exits by gender in 2013⁹

AGE GROUP	ENTRIES		EXITS	
PORTUGAL	74	31%	67	28%
<30	48	240%	42	210%
30-50	25	16%	19	12%
>50	1	1%	6	9%
BRAZIL	0	0%	0	0%
<30	0	0%	0	0%
30-50	0	0%	0	0%
>50	0	0%	0	0%
TOTAL	74	29%	67	26%

Table 13 - New entries and exits by location and age group in 2013⁹

PROFESSIONAL CATEGORY	2013
SENIOR MANAGEMENT	11
Men	11
Women	
MIDDLE MANAGEMENT	24
Men	13
Women	11
SUPERVISORS AND TEAM MANAGERS	9
Men	7
Women	2
HIGHLY QUALIFIED PROFESSIONALS	
Men	
Women	
QUALIFIED PROFESSIONALS	48
Men	21
Women	27
SEMI-QUALIFIED PROFESSIONALS	131
Men	36
Women	95
UNQUALIFIED PROFESSIONALS	31
Men	13
Women	18
TOTAL	254

Table 14 - Distribution of employees by professional category and gender

⁹ There are no historical records of the number of employees in 2011 and 2012, or the number of entries and exits of employees in those years. From 2013, these figures are to be maintained.

GOVERNANCE BODY	2011	2012	2013
ADMINISTRATION	3	3	3
Men	3	3	3
Women	0	0	0
DIRECTION	9	9	9
Men	9	9	9
Women	0	0	0
MANAGEMENT	24	24	24
Men	14	14	14
Women	10	10	10
SUPERVISION	6	6	6
Men	5	5	5
Women	1	1	1
TOTAL	42	42	42

Table 15 - Distribution of employees by gender and governance body

GOVERNANCE BODY	2011	2012	2013
ADMINISTRATION	3	3	3
<30			
30-50	2	2	2
>50	1	1	1
DIRECTION	9	9	9
<30			
30-50	6	6	6
>50	3	3	3
MANAGEMENT	24	24	24
<30			
30-50	20	20	21
>50	4	4	3
SUPERVISION	6	6	6
<30	2	2	0
30-50	2	2	4
>50	2	2	2
TOTAL	42	42	42

Table 16 - Distribution of employees by the governance body and age

MINORITIES AND DIVERSITY

We do not keep any record of our employees regarding their cultural, religious, racial or other origin that may be considered discriminatory. No decision or action taken by Esporão uses or is supported by this type of information.

RIGHTS AND GUARANTEES

According to Portuguese legislation all employees are covered by collective bargaining agreements, either through membership of the company either through ordinances.

The hiring of permanent employees is carried out by using the support of local institutions, the Institute of Employment and the Office of Professional Integration of the Municipality of Reguengos. The demand for professionals always starts in coordination with these local entities. Only after this is the search extended at a national level.

Hiring temporarily or seasonally is mostly made using individuals from the local community, with the exception of national and international trainees that we receive annually at harvest time, given the universality of academic institutions involved.

The vast majority of management positions are occupied by employees who joined the organization still very young, many of them as interns. At that time local supply of qualified professionals was very scarce. Currently 16% of the managers are from the local community in the operating units of Esporão and Quinta dos Murças. However, many of these managers have integrated into local communities and are now part of these.

All deadlines for legal notification to employees of any change in their condition of employment are respected, as defined in the collective bargaining agreement. There is no known case of discrimination across Esporão group. All maternity leaves are fulfilled in accordance with the law and there is no negative correlation between enjoying these licenses and the rate of employee retention.

There is no obstacle of any kind to freedom of association of our employees to their employer or others.

There is not and it is not authorized or legal any kind of child labour, slave or forced labour in any of the locations in which we operate.

Given the activity of Esporão, there is no need for training our employees on issues related to human rights.

There is no training on policies or practices of corruption. Esporão is not aware of any cases of active or passive corruption involving their employees. In Portugal there are no indigenous people. Therefore no such incidents are registered.

HEALTH AND SAFETY AT WORK

WORK ACCIDENTS

The table below quantifies the accidents observed during the reported period, per company. Lost days are working days. There were no occupational diseases or deaths resulting from our activity.

		NR. OF DAYS WORKED			NR. OF ACCIDENTS			NR. OF LOST DAYS			ABSENCE DAYS		
LOCATION	GENDER	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Portugal	Women	32,555	32,248	35,547	5	4	3	155	46	73	3,649	2,768	2,849
Portugal	Men	20,780	21,104	22,489	5	9	5	93	208	263	818	646	848
Brazil	Women	1,380	1,380	1,380	0	0	0	0	0	0	12	12	12
Brazil	Men	1,840	1,610	1,840	0	0	0	0	0	0	16	14	16

Table 17 – Work accidents, lost days and absence days by gender and location

		RATE OF ACCIDENTS			FREQUENCY OF LOST DAYS			ABSENTEEISM RATE		
LOCATION	GENDER	2011	2012	2013	2011	2012	2013	2011	2012	2013
Portugal	Women	3.8	3.1	2.1	119.0	35.7	51.3	2,801.8	2,146.1	2,003.5
Portugal	Men	6.0	10.7	5.6	111.9	246.4	292.4	984.0	765.6	942.3
Brazil	Women	0.0	0.0	0.0	0.0	0.0	0.0	217.4	217.4	217.4
Brazil	Men	0.0	0.0	0.0	0.0	0.0	0.0	217.4	217.4	217.4

Table 18 – Rate of accidents at work, frequency of lost days and absenteeism rate by location and gender, per 100 employees.

These rates are calculated in the following way and according to GRI3.1:

- Work accidents rate = Total number of work accidents / Number of total hours worked x 200.000
- Lost days rate = Total number of lost days / Number of total hours worked x 200.000
- Absenteeism rate = Total number of absence days / Number of total working hours scheduled for the period x 200.000

Esporão Group has developed a program for prevention of accidents at work and occupational diseases, specifically designed for each of the professional groups and includes a manual and a training program. This program is reviewed annually.

We have no knowledge of the existence of chronic professional diseases among our employees.

Our processes and procedures for health and safety at work are annually audited by an external entity.

There is not a formal committee of employees regarding safety and health. The organic structure of Esporão has internal entities responsible for compliance with applicable legislation and monitoring the safety of all employees.

EVALUATION AND TRAINING

INTERNSHIPS

In 2013 the following Internship programs were developed in collaboration with various governmental and / or academic entities:

- Internships integrated in University degrees
- Internships integrated into professional training
- Professional internships in the areas of Oenology, Quality Control and Restaurant.

Internships integrated within university degrees covered the areas of training in Food Industry and Tourism. The interns have been received in the departments of Production, Laboratory, Oenology and Wine Tourism.

We received students from local educational institutions, integrated into professional training programs in tourism and have developed internships in their area of training.

Regarding the five internships of the Professional Institute of Employment and Vocational Training, developed in the areas of Oenology, Food Engineering, Quality Control, Restaurant and Kitchen, two have resulted in permanent employment contracts, generating new jobs.

A total of 12,025 hours were held in internships.

TRAINING

In general terms 41 training initiatives were conducted, involving 544 students in a total of 583 hours of training.

GENDER	2011	2012	2013
Men	23.5	524.0	362.0
Women	159.0	711.5	221.0
TOTAL	182.5	1,235.5	583.0

Table 19 – Training hours by gender

PROFESSIONAL CATEGORY	2011	2012	2013
Senior management	2.0	191.0	100.0
Middle management	142.0	75.5	85.0
Supervisors and team leaders	4.0	30.0	33.0
Highly qualified professionals	0.0	0.0	0.0
Qualified professionals	8.0	94.0	91.0
Semi-qualified professionals	26.5	754.0	259.0
Unqualified professionals	0.0	91.0	15.0
TOTAL	182.5	1,235.5	583.0

Table 20 – Training hours by professional category

The Esporão Group is developing a program of training and certification, with the seal of the Wine & Spirit Education Trust, covering the areas of Trading, Marketing and Wine Tourism, to ensure internal recognition and national and international appreciation of our professionals

In 2013 we began an annual training program on HACCP covering the areas of Oenology, Production and Logistics, Maintenance, Food and Wine Tourism.

Annually programs are developed according to individual needs guidelines of the organization.

Training programs for employees in transition to retirement are not developed. We also do not develop training programs or policies related to human rights as it is not an issue in Portugal.

“Internal and external equity is the goal of our policy of human resource management, combined with a constant concern for the working conditions of our employees.”

PERFORMANCE EVALUATION

Performance reviews are conducted every six months for management positions and annually for the remaining ones. The system is implemented since 2007, and has since been expanded and improved in contents and format. All employees are covered by this process, and there is no distinction by gender.

All reviews are permanently available for consultation by the covered employees, digitally and online. The reviews include all employees except those involved in the activities of the vineyard.

Employees of the vine are subject to weekly performance analysis based on a set of productivity indicators related to the activities in the vineyard. This analysis is shared and discussed with the whole team and plans for improvement are outlined whenever necessary and applicable.

BENEFITS AND WAGES

WAGE RATIOS

Internal and external equity is the goal of our policy of human resource management, combined with a constant concern for the working conditions of our employees.

The following facts are observed in Esporão:

- There is no employee with wages below the Portuguese minimum wage, according to the legislation in force.
- The lowest salary earned in the administrative position is 30% higher than the minimum wage.
- The food allowance is 41% higher than the minimum required by law for the sector.

PROFESSIONAL CATEGORY	2011	2012	2013
Senior management	-	-	-
Middle management	1,15	1,03	0,92
Supervisors and team leaders	1,14	1,14	1,11
Highly qualified professionals	-	-	-
Qualified professionals	0,92	1,03	0,96
Semi-qualified professionals	0,82	0,87	0,79
Unqualified professionals	1,01	1,09	0,90

Table 21 – Wage ratio of women vs. men by professional category (in Portugal)

BENEFITS ATTRIBUTED TO EMPLOYEES AND TEMPORARY WORKERS

Temporary and seasonal workers enjoy most of the benefits and working conditions granted to full-time employees, that include transportation, food allowance, medical services at work and safety training in the workplace. The major distinction is made in terms of job promotion, which is not accessible when the duration of the contracts is short.

The Esporão Group grants tolerance for missing work in some days that are not national holidays, such as Carnival Day and December 24th.

To each of the permanent employees, on their birthday, the board offers a box of wine and congratulations.

Public transport is available to the employees of the vineyard, the winery, production and logistics in Herdade do Esporão.

There are several cafeterias available for employees, located next to the various workplaces.

The canteen of wine tourism started to produce, every day, about 100 takeaway meals for employees of the agricultural area.

An event celebrating Children’s Day is usually held and employees and their respective families participate. This event is also used to promote a culture of sustainability among employees.



OUR SUPPLIERS

06



Esporão Group defines the term “local” at two levels. The first is the country in which each company operates. The second level applies to companies based in Portugal and reports to the municipality in which has its headquarters and all adjacent municipalities.

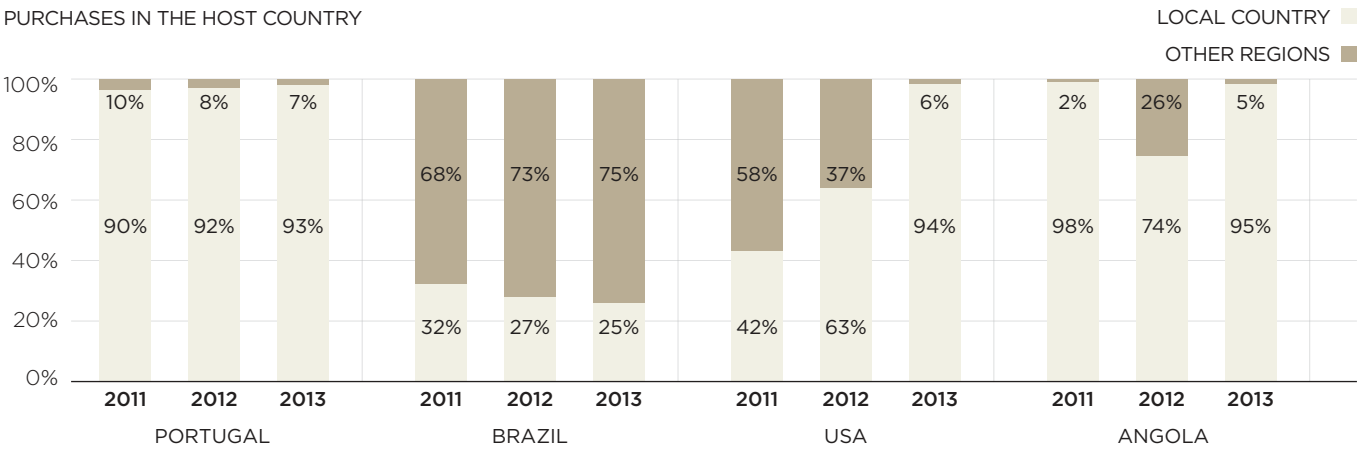


Image 15 - Distribution of purchasing by the supplier's country of origin¹⁰

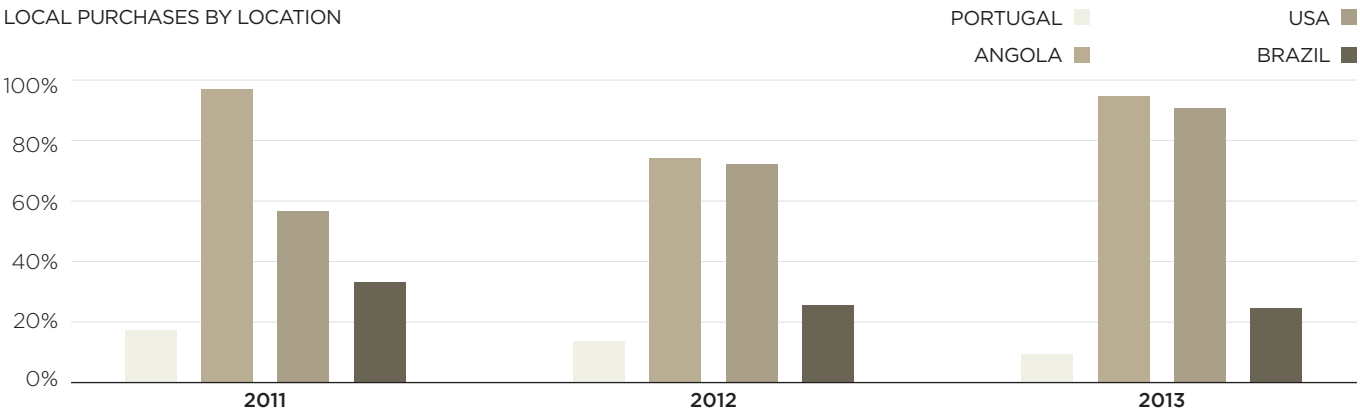


Image 16 - Distribution of purchases from local suppliers¹⁰

COMPANY	PORTUGAL			EUROPE			NORTH AMERICA			SOUTH AMERICA			ASIA			AFRICA		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Esporão, SA	94%	96%	97%	6%	4%	3%	0%	0%	0%	0%			0%					
Esporão Vendas e Marketing, SA	81%	82%	73%	1%	2%	6%	6%	8%	12%	3%	4%	6%	0%	0%	0%	8%	4%	3%
Esporão Azeites, SA	80%	95%	99%	20%	5%	1%												
Murças, SA	99%	96%	96%	1%	3%	2%												
Esporão Produção Biológica	100%	100%																
DBrands	2%	26%	5%													98%	74%	95%
ESPWINE	57%	34%	4%	1%	2%	3%	42%	63%	94%									
Qualimpor	68%	63%	60%	0%	10%	15%	0%	0%	0%	32%	27%	25%			0%			0%
TOTAL	84%	83%	78%	5%	4%	4%	2%	3%	3%	4%	5%	5%	0%	0%	0%	6%	5%	10%

Table 22 - Distribution of purchases by the supplier's region¹⁰

In addition to proximity criteria, the Esporão Group implements a policy of requirements to suppliers that depends on the type of services or raw materials that they provide:

- Olive and grape suppliers should provide only raw materials from the region in which the buying company operates. Additionally, there are food safety requirements and environmental conditions that are required to these suppliers, in order to provide Esporão. There is a manual available to these suppliers that details all selection requirements and the method of evaluation.
- Wine suppliers are also specifically evaluated by Esporão, based on very specific controls for each delivery such as contaminants, pesticides, origin, among others.
- There is also a specific manual for our components suppliers that, in addition to identifying and detailing the form of evaluation and selection of these providers, indicates a preference or need for food and environmental certifications. In 2013 the Department of Purchasing and the Department of Continuous Improvement and Information Systems started audits to monitor components' suppliers. This allowed closer and more cooperative relationships with the suppliers and also to monitor their production processes.
- Suppliers of food products to the wine tourism are also subject to specific selection and evaluation.
- All remaining suppliers are evaluated globally as to its quality by those responsible for buying their products.

We highlight and give preference to all suppliers that demonstrate sustainability concerns, whether through environmental certification and others or as demonstrated by concrete practices. We also act proactively with our suppliers to adopt practices in line with our policies, such as organic farming.

We do not conduct any analysis or evaluation of our suppliers in terms of human rights, since given the countries in which our suppliers operate, the risk of infringement of those rights is practically null. For the same reason, we do not formalize with our suppliers contracts containing specific clauses on human rights safeguard. Our manuals of suppliers of grapes, olives and related components refer as required conduct, and in a generic way, a set of rights that should be granted to employees of those organizations.

¹⁰ These values do not include purchases between the group companies, except for purchases of Qualimpor (Brazil) to Esporão Vendas e Marketing. The values of 2011 and 2012 were revised based on this assumption.

RESOURCE USE



07

FINANCIAL SUPPORT FROM THE STATE

During 2013 a set of incentives to its activity were assigned to Esporão Group:

- VITIS – Support system for the conversion, replant or vineyards relocation and other improvements to the vineyard;
- IEFP – incentive to job creation;
- RPU – support scheme for farmers;
- PRODER – rural development program;
- OCM - Promotion on third-country markets;
- QREN – National Strategic Reference Framework;
- Others – agricultural subsidies in the use of some products.

VITIS, PRODER and QREN are oriented to the creation of long term assets and require an investment effort, using our own resources.

PROGRAM	2011	2012	2013
OCM	91,350 €	612,406 €	817,083 €
VITIS	183,017 €	199,663 €	236,802 €
OTHERS			20,002 €
RPU			19,156 €
PRODER	216,923 €	257,871 €	17,305 €
IEFP			16,086 €
TOTAL	491,290 €	1,069,940 €	1,126,434 €

Table 23 - Financial support by program

ENERGY

DIRECT ENERGY CONSUMPTION

FUEL	LOCATION	2011	2012	2013
Road diesel	Herdade do Esporão	2,532	3,093	3,540
Agricultural diesel	Herdade do Esporão	3,681	4,018	2,984
Gas	Herdade do Esporão	226	172	388
Road diesel	Quinta dos Murças	258	165	258
Agricultural diesel	Quinta dos Murças	142	132	130
Gas	Quinta dos Murças	57	54	54
Road diesel	Serpa	716	0	233
Gas	Serpa	1	1	1
Olive pit	Serpa	247	227	442
Gas	Lisboa	1,236	618	2

Table 24 – Direct energy consumption by type,in GJ¹¹

INDIRECT ENERGY CONSUMPTION

LOCATION	2011	2012	2013
Herdade do Esporão	8,502	8,746	11,056
Lisboa	230	192	190
Murças	390	420	777
Serpa	547	392	524
TOTAL	9,669	9,751	12,546

Table 25 – Indirect energy consumption (GJ)

An energy audit was taken in Esporão, which resulted in a Plan of Energy Ratio-nalization for the effective reduction of energy consumption within eight years, focusing mainly on the following points:

- Installation of a consumption monitoring system
- Improving the efficiency of some lighting systems
- Installation of a compressor management system for production of compres-sed air
- Repair of compressed air leaks in the distribution network

Implementing these actions, as well as becoming ISO 50001 certified, scheduled for 2016, will enable, after eight years, an overall reduction in energy consump-tion of about 20%.

WATER

LOCATION	ORIGIN	USE	2011	2012	2013
Herdade do Esporão	Groundwater	Wine-cellar, Filling, Wine Tourism, Offices	20,320	19,318	16,772
Herdade do Esporão	Alqueva dam	Agricultural irrigation	367,500 ¹²	367,500	457,052
Serpa	Groundwater	Mill, Filling, Offices	1,046	4,471	2,343
Murças	Douro river	Agricultural irrigation	3,151	1,426	1,150
Restelo	EPAL Municipal Distribution	Offices	848 ¹³	298	442
Brazil	SABESP Distribution	Offices	192	99	142
TOTAL			393,057	393,112	477,901
LITROS POR LITRO VENDIDO ¹⁴			34.13	33.80	41.86

Table 26 - Water consumption in cubic meters

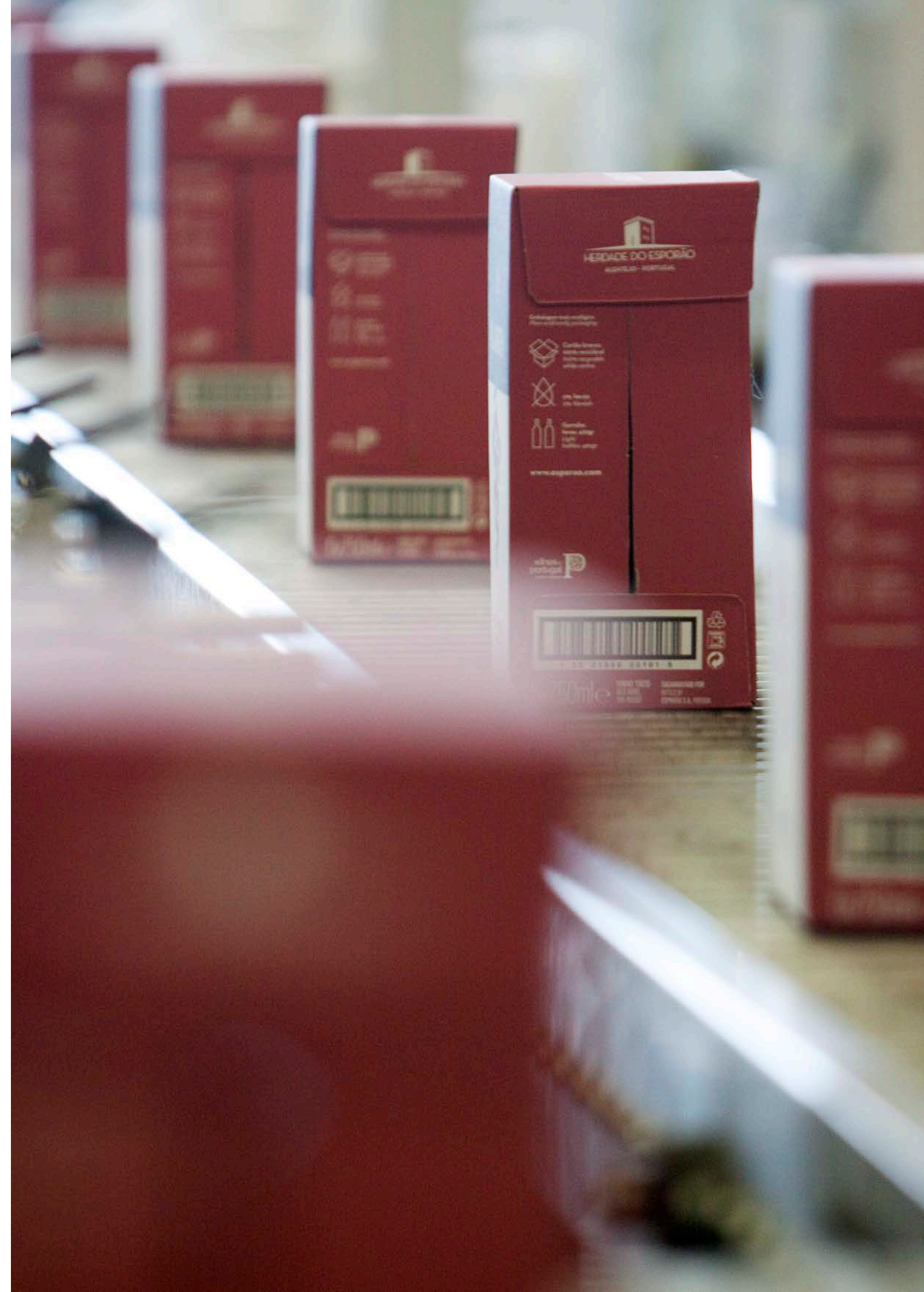
11 The direct energy consumption and the emission of greenhouse gases exclude the values of Qualimpor, whose carbon footprint is not yet being measured.
12 In 2011 an error was detected in the measurement equipment which invalidated the data. For the calculation we assumed the value of 2012 and according to the technical team of Esporão this value is close to reality.
13 The water distribution company EPAL presented wrong measurement numbers, once it used a method of estimating con-sumption. Upon request by Esporão it began performing direct measurements and corrected this effect, resulting in lower consumption in 2012.
14 By sold liter we consider the total volume of net sales of wine and olive oil in the reported period.

We conducted the following actions to reduce water consumption:

- Optimizing the time it takes to introduce the water to lubricate the carpets of bottling lines;
- Development and construction of a device to account for the consumption of water in rinsing the vats in wine cellars;
- Optimizing the washing processes of the wine cellar equipments;
- Acquisition of soil water and plants monitoring equipment that enables us to have greater control over crop needs, allowing a more careful application of irrigation water according to production goals.
- Use of a recirculator/refrigerator for cooling the columns of condensation on the laboratory of Herdade do Esporão, thus reusing of water without consuming it.
- Training and awareness activities of the harvest temporary teams for reduction of water consumption.
- Placement of water meters for measuring, parameterization and adjustment of water consumption in the Wine Tourism building.
- Transformation of the equipment to wash harvest boxes in Murças;
- Creating a recirculation system in Murças, with programmed discharge of waste water.

Indirectly the water that is used in the production process and then sent to the WWTP's installed in various locations of the Group, with effluent to be treated, is reused, representing approximately 10% of reusing.

No studies have been conducted to measure the impact of these consumptions since in Quinta dos Murças the water used is taken from the Douro River, being its volume insignificant compared to the flow of the River and therefore we do not expect any impacts. The large volume of water consumption comes from the Alqueva dam, representing 95,6% of the total consumption in 2013 by Esporão. This consumption is regulated by EDIA¹⁵ and its sustainability is globally managed, in the region of Herdade do Esporão, by the Portuguese State through this entitie.



¹⁵ EDIA - Companhia de Desenvolvimento e Infraestruturas do Alqueva, S.A, publicly owned and whose mission is to manage water resources in the region where Herdade do Esporão is located. It published a sustainability report for 2009-2011, which can be consulted at www.edia.pt.

WASTE, EMISSIONS AND OTHER IMPACTS



WASTEWATER

All wastewater generated by our activity is subject to recovery.

LOCATION	DESTINATION	2011	2012	2013
Herdade do Esporão	Discharge in Barranco (Lagoon)	9,003	8,351	15,933 ¹⁶
Murças	Discharge in Douro River	0 ¹⁷	124	788

Table 27 - Discharges of treated wastewater in WWTPs in cubic meters

Composyte analyses of the quality of the water in all its WWTP are performed monthly, ensuring that it is within the legal and elegible parameters, so that these discharges have no impact on the environment.

In the case of Herdade do Esporão and after treatment, the effluent is sent to the existing dam on the property for storage. Later it will allow the irrigation of the vines on the estate and will maintain a minimum flow rate for that habitat.

Additionally, discharges are performed in the urban system of sewage from the office areas in Lisbon and São Paulo, treated by the municipalities of Lisbon and São Paulo, and for which we have no measurements. The water that exists in pits in various locations and in the evaporation lagoon from the mill of Serpa is managed as waste and subject to proper treatment.

GREENHOUSE GASES

We are measuring our emissions of greenhouse gases since 2011, and this work is carried out internally by a team of Esporão Group, without external certification. No methodological change of this measurement was made, thus keeping the methodology described in the Esporão 2011/2012 sustainability report.

EMISSIONS	TONS CO ₂ EQ				G/ 9L CASES				CO ₂ EQ PER SALES G/BOTTLE(0,75L)		
	2011	2012	2013	VAR.	2011	2012	2013	VAR.	2011	2012	2013
Packaging	17,080	16,754	14,451	-10.1%	13,427	13,226	11,764	-11.1%	1,119	1,102	980
Purchased raw materials	2,997	4,062	3,746	-1.4%	2,356	3,207	3,049	-4.9%	196	267	254
Eletricity	951	959	1,234	1.2%	747	757	1,004	32.7%	62	63	84
Fossil fuels	366	403	358	-0.2%	288	318	292	-8.4%	24	27	24
Waste	161	385	395	0.0%	127	304	322	6.0%	11	25	27
Stationary Combustion	84	72	114	0.2%	66	57	93	63.9%	5	5	8
Secondary Materials	52	54	54	0.0%	41	42	44	3.0%	3	4	4
Hired Equipment	11	11	9	0.0%	9	9	8	-15.5%	1	1	1
Emissions from leakage	-	-	-	0.0%	-	-	-	0.0%	-	-	-
TOTAL	21,702	22,700	20,361	-10.3%	17,061	17,919	16,575	-7.5%	1,422	1,493	1,381

Table 28 - CO2 equivalent emissions by type in tons⁸

EMISSIONS	TONS CO ₂ EQ		
	2011	2012	2013
Scope 1 – Direct	450	475	473
Fossil fuels	366	403	358
Stationary Combustion	84	72	114
Emissions from leakage	0	0	0
Scope 2 - Electricity	951	959	1234
Electricity	951	959	1234
Scope 3 - Indirect	20,302	21,266	18,655
Packaging	17,080	16,754	14,451
Purchased raw materials	2,997	4,062	3,746
Waste	161	385	395
Secondary materials	52	54	54
Hired equipment	11	11	9
GRAND TOTAL	21,702	22,700	20,361

Table 29 - CO₂ equivalent emissions in tons by scope

The stationary combustion increased due to the use of a boiler for heating the pavilion where the filling of olive oil takes place and due to the increased use of gas appliances in the building of Wine Tourism, originated by the largest number of visitors and meals served.

Electricity consumption in Herdade do Esporão increased, due to higher consumption in the wine cellars, cooling pumps, WWTP, filling line and wine tourism. In Quinta dos Murças electricity consumption also increased due to the working of a chiller for heating and cooling the wine cellar. To better understand this phenomenon we will install additional electricity meters in these buildings. The reduction in Scope 3 is the result of the actions of environmental optimization performed in packaging, with a greater impact on glass by reducing the weights of the bottles. This reduction had other effects such as lowering CO2 emissions in which, for example, the use of lighter bottles to Monte Velho and Alandra has allowed to reduce the size of cardboard boxes and to add a pallet by truck.

The reduction of emissions related to our purchase of grapes, olives and wine come from a better agricultural year in 2013 compared to 2012 by an improvement in agricultural practices and climatic factors.

The growth seen in emissions from waste derives from an increase of glass breaks, resulting of the implemented quality control processes, particularly the opening of bottles coming from complaints or products of old crops.

The emissions from leakage are measured by recording the quantities of refills during maintenance of all equipments with gas. We maintain an inventory of all equipment with a risk of leakage of greenhouse gases and/or destroyers of the ozone layer. In the measured periods no equipment showed values of refills.

Emissions of NOx and SOx originate from biological processes of the vineyard and/or of fermentation, which are considered naturally balanced in accordance with “International Wine Carbon Calculator Protocol 1.2”.

By the very nature of the activity performed, we do not produce significant harmful emissions. All sources of gaseous emissions are inventoried, comply with legal requirements and analyses are carried out in accordance with European legislation, not having up to date failed to fulfill any controlled parameter.

16 To calculate the value in 2013, we considered 5% loss and that the remaining volume of water is treated at the WWTP and discharged in the dam of Herdade do Esporão.
17 No discharges were performed in Murças in 2011.

LOCATION	2011	2012	2013	
Herdade do Esporão	19,814	20,598	18,234	90%
Serpa	1,725	1,920	1,955	10%
Murças	130	163	153	1%
Lisboa	23	19	19	0%
TOTAL	21,691	22,700	20,361	100%

Table 30 - CO2 equivalent emissions tons per location for all scopes

WASTE GENERATED

We follow a policy of waste management, based on the national waste management system in Portugal, that implements all the guidelines of the European Union. Waste is thus delivered to third parties licensed to treat, transport and further process each type of waste. Internally, we proceed to a rigorous separation and classification of the various types of waste, recording all quantity produced, to which entities were delivered for treatment and their respective operating licenses.

LOCATION	2011	2012	2013
Herdade	138,348	210,470	216,749
Serpa	2,640	4,616	115,962
Murças	1,950	2,032	27
TOTAL	142,938	217,118	332,738

Table 31 - Destination of waste generated by location in Kg



WASTE IN KG	DESTINATON	2011	2012	2013
Mud	Landfill	56,180	43,994	162,342 ¹⁸
Glass	Recycling	18,400	48,940	73,030
Cardboard	Recycling	47,422	75,142	59,573
Plastic	Recycling	19,172	13,194	11,224
Sewage cleaning	Recycling	0	2,500	8,680
Olive oil vegetal waste	Landfill	0	0	4,980
Metal	Recycling	800	6,580	3,996
Oils	Refinement	534	1,869	2,520
Contaminated sands	Landfill	0	509	2,336
Wood waste	Recycling	0	0	1,840
Plastic waste	Landfill	0	17,560	1,760
Cooking oils	Valorization	172	93	291
Solvent waste	Recycling	65	65	125
Oil waste	Recycling	0	0	27
Contaminated Packaging Waste	Landfill	0	790	14
Contaminated Packaging Waste	Recycling	0	82	0
Used tyres waste	Landfill	0	2,200	0
Laboratory Chemicals	Elimination	193	0	0
Wood	Recycling	0	2,770	0
Oil filter	Recycling	0	110	0
Construction and Demolition waste	Landfill	0	720	0
TOTAL		142,938	217,118	332,738

Table 32 - Destination of waste generated by type in Kg

In 2013 we completed a survey of all waste produced. The waste was grouped by category associated with their respective weightings.

As a result of this work, training and awareness activities of employees were implemented, for the careful separation of all packaging waste, optimization of the volume of packaging and separation of acids and bases, based on the analyses performed in laboratory. Actions of awareness were also carried out to suppliers to reduce packaging components, and in particular to the wine tourism suppliers to reuse cartons and plastic.

We do not produce, transport, import or export any waste deemed hazardous under the Basel Convention.

COMPONENTS	2011	2012	2013	% RECYCLED MAT.
Antique ¹⁹ glass bottles	6,403,838	6,552,994	5,406,278	70% a 80%
White glass bottles	279,329	61,643	67,716	15%
Natural corks	28,130	8,557	5,289	0%
Micro Particles corks ²⁰	24,372	51,882	53,907	100%
Cardboard boxes	654,926	538,583	586,550	88%

Table 33 - Weight of the components received by Production (kg) and corresponding % of recycled material.

¹⁸ The increase presented in 2013 refers to muds of Serpa, produced over several years and that were delivered for treatment in 2013.

¹⁹ Color glass bottles, the color being called "Antique".

²⁰ Corks obtained from by-products of the cork industry.

Regarding bottling we continue to study the weights that accompany the various line products in order to meet a pattern that allows their reduction.

There was not any kind of significant spill, planned or accidental. No transport activity of our raw materials, components, products and employees managed by us, had any impact beyond the associated emissions or waste already reported. We maintain an updated analysis of environmental impacts and risks of all activity, with reference to ISO14001 requirement 4.3.1..

The recycling of products sold in Portugal is managed through the Green Dot ²¹ system, where we assume the role of Packaging Company. As such, we do not directly recover packaging waste or other potential waste derived from their products and pay this company a value proportional to these potentials, according to the table below:

YEAR	GREEN DOT COST IN THE PORTUGUESE MARKET
2011	117,258.52 €
2012	82,840.67 €
2013	83,888.00 €

Table 34 - Cost of recycling packaging of our product in Portugal

HABITATS AND BIODIVERSITY

In 2007 we joined the initiative “Business & Biodiversity” and “Countdown 2010”, committing to a strategy of preservation and promotion of biodiversity in Herdade do Esporão.

Our agricultural lands are not situated in nature reserves or areas of special protection. There were no identified species at risk of extinction that might be affected by our activities in the areas where we operate.

AGRICULTURAL PRACTICES

The agricultural year was characterized by a wet spring followed by a dry summer with high daytime temperatures, enabling consistent and optimum grape maturation. It was a year of high production without the impact of fungal diseases.

The year 2013 was the culmination of a process of conversion of integrated production to organic production. The first grapes certified in organic production mode were produced in Herdade do Esporão and used in the production of Vinha da Defesa.

LOCATION	VINEYARD		OLIVE GROVE	
	INTEGRATED PRODUCTION	ORGANIC PRODUCTION	INTEGRATED PRODUCTION	ORGANIC PRODUCTION
Alentejo	533	77	0	80
Douro	43	5 ²²	0	15
TOTAL	576	82	0	95

Table 35- Production modes by location

We are evaluating the possibility of adding 70 ha of Herdade do Esporão to organic production.

All our grape suppliers were certified this year in integrated production.

We avoided mobilization to the detriment of spontaneous cover crops, seeded to protect the soil from erosion, improve fertility and water holding capacity and encourage spontaneous vegetation, which is a fundamental host for auxiliary fauna, predatory of the vineyard’s plagues.

An oat seed was made between the rows of a vineyard plot as a way of testing the possibility of *mulching*²³ using the oat straw that would come from its cut.

We eliminated the use of herbicides in Herdade do Esporão and resort now to mechanical control of spontaneous vegetation on the rows of our cultures. We increased consumption of organic products over synthetic products even in plots that are not officially in organic mode of production.

Using our products (olive pomace, olive leaves, stems, wine grapes and products resulting from pruning), we composted about 200 tons of compost that was used to fertilize the olive grove.

A new area of preparing pesticides for phytosanitary treatments and rinsing sprayers and other application materials was built, with treatment of the resulting wastewater.

We kept the trial for wines produced in integrated production and in organic production, aiming to test biologically and organoleptically the quality of wines.

We replaced the use of synthetic fungicides and insecticides for products allowed in organic farming.



CLOSER TO NATURE
<http://goo.gl/tMtfxZ>



²¹ Sociedade Ponto Verde, at http://www.pontoverde.pt/1_2_como_funciona.php
²² These 5 ha were in process of Organic Production certification.
²³ Coverage of the vine rows avoiding herbicide use and introducing organic matter in soil.

HERBICIDES	2008		2009		2010		2011		2012		2013		VAR.
	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	
Residual	200	1001	82	408	0	0	0	0	0	0	0	0	-
Systemic	100	500	245	1,222	352	1,759	290	1,452	105	168	104.7	167.5	0%
Contact	0	0	0	0	0	0	50	248	16	26	48	78	200%

FUNGICIDES	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	
	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	AREA (HA)	QUANT. (KG E L)	
Systemic	3,262	5582	2,463	4,644	2,815	5,383	2,237	2,620	2,978	3,281	3,069	2,921	-11%
Organic far- ming	362	127	352	1,759	0	0	397	1,242	1,003	3,965	1,457	7,368	86%

Table 36 - Annual evolution of weed control by type

The beginning of the olive campaign was characterized by warm temperatures and high relative humidity prone to diseases, making the selection of fruits and a quick harvest an operation of utmost importance to obtain high quality olive oil. It was a year of great production but low income, with very aggressive olive oils in the mouth and very little intense on the nose. For the first time we separated the olives coming from Herdade do Esporão, organically produced, obtaining high quality olive oil that has been certified for European and Brazilian market, the latter with its own specifications and very demanding.

PROTECTION AND HABITAT CREATION

In 2008 the fauna and flora species of Herdade do Esporão were identified. Some of these numbers are far from reality, given the difficult observation:

BIODIVERSITY		NR. OF SPECIES
FLORA		107
FAUNA	Butterflies, moths	146 (some rare)
	Damselflies, dragonflies	10
	Amphibians	9
	Reptiles	10
	Birds	101
	Mammals	19

Table 37 - Biodiversity of Herdade do Esporão (2008)

The high diversity of species found shows the importance of the estate in promoting and sustaining the biodiversity of the region.

In the 20 shelter boxes installed in 2012 with the aim of promoting the fixation of bats (excellent vine auxiliaries), we now have about 92 bats, almost all of the type *Pipistrellus spp.*



CLIMATE CHANGE

We are continuously evaluating all environmental aspects and its implications for the future of our business. The Esporão group includes in its strategy several sustainability axes of which result concrete actions of analysis, monitoring and intervention at the level of climate change.

One of the main risks identified is the desertification of Alentejo region and the increased thermal amplitude variation that our vineyards and olive groves are subject to. If something happens without a proper management of the Esporão Group, it can even lead to the end of our activity.

As a strategy to mitigate potential risks associated with climate change, we proceeded to create an ampelographic field²⁴ of various grape varieties, performing tests and analyses of their behavior in the face of climate change. (an ampelographic field is a sample of several grape varieties in the same space, with the specific objective of studying and draw scientific conclusions that serve our business and viticulture in general) This information will enable us to choose the varieties more in line with the climatic changes that may occur, and, for us, one of the main applications of defense of biodiversity.

Climate change in the production region of Alentejo also presents high risks of variation in the availability of water resources, essential for irrigation of our crops. Due to that risk we proceeded to building a dam inside Esporão with water retention capacity capable of meeting irrigation needs for two years of extreme drought.

24 An ampelographic field is a sample of several grape varieties in the same vineyard area, with the specific objective of studying and draw scientific conclusions that are relevant to our business and viticulture in general.

“ We created an ampelographic field of various grape varieties, performing tests and analyses to their behavior under climate changes.”

The diversification of our viticulture in areas of different climatic parameters is in progress and compares the evolution of these productions with the production in Reguengos. The recent acquisition of a vineyard in Portalegre, located further north and at a higher altitude than our current vineyards in Alentejo, is already a measure resulting from this policy.

As energy generation is one of the main originators of climate change, it is natural that its use and rationalization will be targeted in a near future to extensive regulation. Our energy needs are particularly striking in pumping water for irrigation, in the various agricultural activities and activities of filling. Therefore we have planned and it is in execution a vast program of energy efficiency and phased replacement of non-renewable energy by renewable.

There are still risks associated with our carbon emissions and to possible future costs that may be created, such as fees and charges for emissions. The current policy also aims to reduce the potential risk of margin reduction, or even unviable business, faced with these potential future costs.

For Esporão Group, mitigation and response to various environmental and climatic risks is a key component of differentiation and competition, in which not only our customers can distinguish our products by our responsible practice, but also we ensure future ability to maintain our business and react quickly and meet regulatory changes that force organizations to act responsibly.

MITIGATING THE IMPACTS OF OUR PRODUCTS AND SERVICES

We carried out the following initiatives aimed at reducing the impact directly associated to our products and services:

- We reduced the amount of glass used in Alandra and Monte Velho bottles and the size of cardboard boxes of these products.
- We converted 22% of the area of agricultural production to organic production and maintained the remaining area in integrated production mode. For the first time we produced organic wine.
- We changed the spools of labels of non-recyclable waxed paper to recyclable plastic.
- We reduced the ink used in printing the shipping boxes of products and eliminated the use of varnish.
- We reduced in 50% the use of stretch film for wrapping pallets of finished product by using pre-stretched film.
- We changed the capsules of our wines, reducing the amount of tin to 1%.
- We started returning to our capsule, labels, back labels' suppliers the "waste" of these items for subsequent re-use.
- We reuse old cardboard and wood boxes for sales of the wine tourism service and also for internal transportation
- We use rechargeable batteries in all equipment for wine tourism.
- We recycle used cooking oil, transforming it into blue and white soap for internal use.
- We sensitize our team of collaborators to sharing transportation to work or to using bicycles.



- We planted an organic garden to supply the restaurant and the staff cafeteria.
- We use water provided by the bore hole of the estate in reusable packaging for the wine tourism customer consumption.

ENVIRONMENTAL MITIGATION INVESTMENTS



ENVIRONMENTAL EXPENSES	2011	2012	2013	TOTAL
Waste treatment	3,300 €	2,700 €	2,565 €	8,565 €
Analytical Water Control	4,500 €	4,100 €	5,425 €	14,025 €
Optimization of Water Resources		25,900 €	3,150 €	29,050 €
Ampelographic Field (200 endemic varieties)	15,000 €	7,500 €		22,500 €
WWTP in Murças	52,600 €		3,144 €	55,744 €
WWTP in Herdade do Esporão		21,500 €	95,430 €	116,930 €
Landscaping in Murças	35,100 €	21,120 €	44,620 €	100,840 €
Landscaping in Herdade do Esporão	51,640 €	25,400 €	61,168 €	138,208 €
Improvement in water line in Murças	38,396 €			38,396 €
Energy Efficiency		2,630 €	28,990 €	31,620 €
Sustainable equipment for the Vineyard		3,700 €	5,440 €	9,140 €
Equipment to monitor soil water			22,560 €	22,560 €
TOTAL	202,547 €	114,550 €	272,492 €	589,589 €

Table 38 - Investments to mitigate or eliminate environmental impacts

COMMITMENTS AND OBLIGATIONS

09



GENERAL STATEMENTS

Esporão states:

- Not having conducted direct contacts or pressures to any governmental entity. All actions related to our economic sector, either by sharing information or by stimulating institutional dialogue with the government and other institutions operating in the economic, financial and social policy areas, are carried out by the various organizations representing our industry, namely:
 - Viniportugal - Interprofessional Association of Wine Sector.
 - ACIBEV - Association of Traders and industrials of Spirits and Wines
 - ALABE - Association of Oenology Laboratory.
 - BCSD - Business Council for Sustainable Development.
 - House of Olive Oil Portugal.
 - CEPAAL - Center of Study and Promotion of Alentejo Olive Oil
 - CVRA - Comissão Vitivinícola Regional Alentejana.
- Not having performed risk assessments of corruption in the locations where Esporão operates.
- Not having developed, promoted or sponsored any activity or political entity, internal or external.
- Not being subjected to any kind of legal action due to unfair competition, monopolistic practice or other related.
- Not having been subject to sanctions and / or fines for non-compliance with environmental laws and regulations.
- Not having been subject to sanctions and / or fines for non-compliance with laws and regulations relating to our products.
- Not considering necessary to conduct a formal review in our locations on human rights. In Portugal there are guarantees, both legislative, judicial and social, to ensure the observance of human rights in our locations.
- Not having received any complaint from any part on the violation of human rights in the course of our business.
- Not having done any relocation of our activity, or created new locations, so there was no need for studies of the impact of these actions on local communities, and thus no such damage exists.



CONTROL OF THE LIFE CYCLE OF OUR PRODUCTS

The life cycle of the products of Esporão Group takes into account all legal considerations in the various markets in which it operates and strictly complies all safety provisions. Special attention is given to all labels, back labels and different shipping boxes, so that they contain all the indications and inscriptions relating to the various markets in which it operates. It is reviewed annually for each crop.

During production, both in the vineyard as in the winery and in filling, several control procedures are established that ensure compliance with the criteria of food and environmental security. Analyses are performed for contaminants and pesticides, evidence of dangerous or prohibited substances, elimination of risks resulting from glass breakage or other bodies, following the methodology of HAC-CP. Records with full traceability are kept, including the components supplied by external entities and their respective food certificates whenever applicable.

Corks are tested for their mechanical properties to ensure a correct and easy extraction at the time of use.

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

The logistical requirements are also analysed, with special attention to the correct packing and preparation of cargo for transport. The pallets are reused throughout the transport chain, the strapping tapes that we use on pallets are of the lowest possible weight and the number of turns of each pallet is studied and controlled to achieve a balance between the necessary security packing, using the minimum amount of materials. The ratio between the gross weight of the various logistical transport units and the net weight of the final product is also controlled, in order to reduce the environmental impact of the distribution of our products throughout the supply chain.

During the reporting period no incidents related to our products and referring to legal requirements, that have resulted in significant environmental impacts or any incident of food-nature in every market that we operate, were recorded.

COMMUNICATION AND ETHICAL PROMOTION

Our communications obey the laws and principles of responsible communication in the different countries where we operate, either directly (affiliated distributors) or indirectly in partnership with local partners for distribution of our products. We did not perform any activity in markets where products with alcohol are prohibited.

Our marketing activities are decided together with distributors that measure and decide, together with us, what can and must be done in accordance with the laws of each market.

All our internal and external communications are based on our ethical principles of objectivity and respect for the integrity of our communication, without leading to deception those who may be impacted by it, contributing to responsible consumption.

As an active member of the program "Wine in moderation", we defend and promote that being the wine an alcoholic beverage should be enjoyed in moderation, and that its excessive consumption can be detrimental to health and a balanced life.

We have been actively involved in initiatives that contribute to ethical and responsible communication, being a member of APAN (Portuguese Association of Advertisers) and having been part of the advisory group for self-regulation and responsible communication promoted by ACIBEV²⁵.

Esporão Group had no reported incidents related to marketing communications for the period in question, either in Portugal or in other countries, and there is no record of any incident in the past. Similarly, there was no claim related to breach of privacy or personal information of our clients' data records.



STATEMENTS TO THE REPORT

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STRUCTURE AND SCOPE OF THE REPORT

The report of Esporão Group becomes only one, comprising Sustainability and financial reporting.

In the perspective of sustainability Esporão prepared this report according to strict criteria and standards, and to this end adopted the Sustainability Reporting Guidelines 3.1 as a guide to developing the perspective of sustainability and stating level A.

The table of contents for the various requirements of the GRI Reporting Guidelines 3.1 is presented in the attachments to this report.

After analyzing the period 2013, every year we will publish a new report for each subsequent period. Any questions about this report may be addressed by email to esporao@esporao.com or by mail to the following address:

Esporão
Av. do Restelo 44
1400-315 Lisboa Portugal

The content was defined using the principles outlined by the GRI Reporting Framework 3.1 and targeting all stakeholders in our business. Its structure is therefore well oriented for each of these parts and the information was grouped according to their particular interests. To prepare this report, we did not formally consult our stakeholders.

We decided not to include the full information concerning our businesses Qualimpor, DBrands and Esporão Wines & Olive Oils. However, whenever possible, information regarding these companies is given, although these cases have to be explicitly identified. We assume the future commitment to include these companies comprehensively in the report.

The reported data were collected directly from official and commercial documents, from the records generated directly from our quality and environment management system, by other documents generated internally or by third parties for related activities. Whenever it was necessary to convert data or calculations on existing data, coefficients, formulas and/or methodologies, generally accepted and recognized entities were used.

APPLICATION OF THE PRECAUTIONARY PRINCIPLE

According to the formulation of the precautionary principle written in the 15th paragraph of the Conference on Environment and Development in Rio de Janeiro in 1992, our activities and our products do not ignore or embody significant environmental risks and refuse to use the impossibility of demonstration of impact as justification.

We ensure the scrupulous and verified compliance of all European and Portuguese legislation applicable to our activities, with special focus on the environment and public health, with legislation in line with the precautionary principle. For this purpose we have implemented and documented management tools with this explicit resolution.

We also keep a risk assessment of environmental impacts of all our activities, including a mitigation plan based on actual measurements of relevant environmental parameters. Any action or new product that Esporão Group decides to launch is evaluated in accordance with this methodology.



ANNEXES

11



RESULTS OF THE CUSTOMER SATISFACTION SURVEY

EVALUATION CRITERIA	ESPORÃO EVALUATION							IMPORTANCE TO THE BUSINESS				
	Not Applicable	Bad		Good		Very Good		Not Applicable	Critical		Very critical	
		Nr. of answers	% Bad	Nr. of answers	% Good	Nr. of answers	% Very Good		Nr. of answers	% Critical	Nr. of answers	% Very critical
Customer Service				4	57%	3	43%		1	14%	6	86%
Order management				3	43%	4	57%		2	29%	5	71%
Available range of products				1	17%	5	83%		1	17%	5	83%
Technical and logistics data sheets		1	14%	2	29%	4	57%		2	33%	4	67%
Delivery Deadlines				3	43%	4	57%		1	14%	6	86%
Promotional Materials	2			2	40%	3	60%	2	1	20%	4	80%
Complaints	3			3	75%	1	25%	2	3	75%	1	25%
Certification				1	14%	6	86%	1	2	40%	3	60%

Table 39 – Client satisfaction

CHARITIES

A.P.A.D. [ASSOC.PORT.DE APOIO AOS DESPROTEGIDOS]
ACREDITAR - ASSOC.DE PAIS E AMIGOS DE CRIANÇAS COM CANCRO
AGBV - ASSOCIAÇÃO GESTOS DE BOA VONTADE
AJUDA DE BERÇO
AJUDA E COLO
ALDEIAS DE CRIANÇAS SOS PORTUGAL
AMI
APADP-ASS. DE PAIS E AMIGOS DE DEFICIENTES PROFUNDOS
APATI - ASSOC.PROMOTORA DE APOIO À TERCEIRA IDADE
APCE - ASSOC.DE PARALISIA CEREBRAL DE ÉVORA
APEDV - ASSOC.PROM.DE EMPREGO DE DEFICIENTES VISUAIS
APPDH - ASSOC. PORT. DE PAIS E DOENTES COM HEMOGLOBINOPATIAS
ASSOCIAÇÃO C.A.O.S.
ASSOCIAÇÃO DIAS RENOVADOS
ASSOCIAÇÃO ESTRELA GUIA IPSS
ASSOCIAÇÃO NACIONAL DE COMBATE À POBREZA
ASSOCIAÇÃO PÃO E PAZ
ASSOCIAÇÃO VIAGEM DE VOLTA
ATT-ASSOC.PARA O TRATAMENTO DAS TOXICODEPENDÊNCIAS
BANCO ALIMENTAR CONTRA A FOME/LISBOA
BIPP - BANCO DE INFORMAÇÃO DE PAIS PARA PAIS
BOMBEIROS VOLUNTÁRIOS DE REGUENGOS DE MONSARAZ
BUS - BENS DE UTILIDADE SOCIAL
CASA DE SANTO ANTÓNIO - PROTECÇÃO E AMPARO
CENTRO COMUNITÁRIO DE CAMPINHO
CENTRO PAROQUIAL DE ASSIST. DA FREGUESIA DE SANTA MARIA DE BELÉM
CENTRO SOCIAL DA MUSGUEIRA
CENTRO SOCIAL PAROQUIAL DE LAMAS
COMUNIDADE VIDA E PAZ (OS SEM ABRIGO)
CORPO NACIONAL DE ESCUTAS (REGUENGOS DE MONSARAZ)
ESCOLA SECUNDÁRIA ANDRÉ DE GOUVEIA (ESAG)
FÁBRICA DA IGREJA PAROQUIAL DOS SANTOS REIS MAGOS
FUNDAÇÃO D.BOSCO - PROJECTO VIDA
FUNDAÇÃO ERNESTO ROMA (ASSOC.DIABÉTICOS)
IRMÃS SERVIDORAS DE JESUS DO COTTOLENGO DO PADRE ALEGRE
LAR DE S.MARTINHO (ÀS CRIANÇAS DO PADRE SERRA)
LAR DE SANTA HELENA
LIGA NACIONAL CONTRA A FOME
LIGA PORTUGUESA CONTRA O CANCRO/NÚCLEO REGIONAL DO SUL
MÃO AMIGA - ASSOC. NACIONAL DE SOLIDARIEDADE SOCIAL - A.M.A.
MISSIONÁRIOS COMBONIANOS
REMAR
RENASCER - LIGA NACIONAL CRIANÇA ESPERANÇA
RESIDÊNCIA DE VELHINHOS DAS IRMÃZINHAS DOS POBRES
SOCIALKIDS - ASSOCIAÇÃO DE APOIO SOCIAL, APSS
UM OMBRO AMIGO
PASTORAL DE REGUENGOS



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EN8	Total water withdrawal by source	55	
EN9	Water sources significantly affected by withdrawal of water.	55	
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EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	67	
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EN16	Total direct and indirect greenhouse gas emissions by weight.	60	
EN17	Other relevant indirect greenhouse gas emissions by weight.	60	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	60	
EN19	Emissions of ozone-depleting substances by weight	60	
EN20	NO, SO, and other significant air emissions by type and weight.	60	
EN21	Total water discharge by quality and destination	55	
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EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	67	
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EN30	Total environmental protection expenditures and investments by type	69	

CONSOLIDATED BALANCE SHEET

Unit.: €

ASSETS	NOTES	2013	2012
NON-CURRENT			
Tangible fixed assets	5	45,988,493	48,158,480
Investment properties		-	-
Goodwill			
Intangible assets		158,535	128,719
Biological assets	6	46,327,788	44,817,033
Shareholdings - Equity method	7	830,305	777,255
Shareholdings - Other methods	7	96,890	209,389
Other receivables		24,659	49,659
Other financial assets			
Assets for deferred taxes	8	2,954,694	3,566,789
		96,381,362	97,707,325
CURRENT			
Inventories	9	27,857,410	27,551,304
Biological assets			
Clients	10	7,570,795	9,607,405
Advance payments to suppliers		-	22,985
State and other public entities	11	1,154,970	1,114,565
Shareholders/ Partners	12	1,131	216,077
Other receivables	17	1,896,482	1,859,607
Deferrals		202,624	656,223
Financial assets held for trading			
Other financial assets			
Non-current assets held for sale			
Cash and bank deposits	4	5,170,501	8,785,640
		43,853,912	49,813,805
		140,235,274	147,521,130
EQUITY			
CAPITAL PAID-IN		5,000,000	5,000,000
Own shares		(399,531)	(399,531)
Supplementary contributions		17,632,756	7,632,756
Share premium		1,097,355	1,097,355
Legal reserves		953,187	901,559
Other reserves		9,397,095	9,365,809
Results carried forward		(3,782,311)	(7,055,282)
Adjustments in financial assets		(4,204,872)	(3,842,674)
Revaluation surplus		42,917,340	44,937,238
Other changes in equity		1,285,311	1,620,490
		69,896,331	59,257,721
Net profit or Loss for the Period		2,696,270	1,294,884
Minority interests		172,447	177,902
		72,765,048	60,730,506
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions		38,070	57,955
Obtained financing	12	26,651,280	32,369,200
Other obtained loans		1,059,027	-
Shareholders/ Partners		1,805,426	14,228,710
Liabilities by deferred taxes	13	10,402,058	12,288,796
Other payables		-	-
		39,955,862	58,944,661
CURRENT LIABILITIES			
Suppliers	14	6,989,461	5,965,014
Client advances		883	-
State and other public entities	11	265,870	644,874
Shareholders/ Partners	15	2,311	14,993
Obtained financing	16	17,537,074	17,189,569
Other payables	17	2,677,436	3,959,046
Deferrals		41,328	72,467
Financial liabilities held for trading			
Other financial liabilities		-	-
Non-current liabilities held for sale			
		27,514,364	27,845,962
		67,470,226	86,790,624
		140,235,274	147,521,130

INCOME STATEMENT BY NATURE CONSOLIDATED

Unit.: €

			PERIODS
INCOME AND EXPENSES	NOTES	2013	2012
Sales and services	20	40,179,244	39,910,519
Operating subsidies		1,037,837	513,131
Gains/ losses charged to associate subs. and joint ventures	19	97,897	53,753
Variation in production inventories	22	385,458	98,667
Work for the entity itself		104,149	22,626
Cost of products sold and materials consumed	21	(16,589,165)	(16,649,014)
External supplies and services	23	(10,673,513)	(10,522,326)
Personnel expenses	24	(6,245,451)	(6,308,137)
Inventory impairment (losses/reversions)		(20,954)	(34,188)
Provisions (increase/decrease)		31,028	-
Impairment of non-depreciable/depreciable investments (losses)		-	-
Increase/decrease in the fair value		1,033,370	1,421,067
Other income and gains	25	952,654	876,233
Other costs and losses	26	(1,797,547)	(1,242,935)
INCOME BEFORE DEPRECIATION, FINANCING COSTS AND TAXES		8,495,009	8,139,396
Expense/reversals of depreciation and amortization		(3,229,939)	(3,431,116)
Impairment of depreciable and amortizable investments (losses/			
OPERATING INCOME (BEFORE FINANCING COSTS AND TAXES)		5,265,070	4,708,280
Interest and similar income received		40,575	34,936
Interest and similar expenses paid	27	(3,157,548)	(2,947,663)
INCOME BEFORE TAX		2,148,097	1,795,553
Income tax for the period		569,723	(436,282)
NET INCOME FOR THE PERIOD		2,717,819	1,359,271
Shareholders of the mother company		2,696,270	1,294,885
Minority interests		21,549	64,386
BASIC EARNINGS PER SHARE		2.72	1.36

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS														
NAME	CAPITAL PAID-IN	OWN SHARES	OTHER INSTRUMENTS OF EQUITY	SHARE PREMIUM	LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	ADJUSTMENTS IN FINANCIAL ASSETS	CONSOLIDATION DIFFERENCES	REVALUATION SURPLUS	OTHER VARIATIONS IN EQUITY	NET INCOME PER PERIOD	MINORITY INTERESTS	TOTAL
Position at the beginning of period	5,000,000	(399,531)	7,632,756	1,097,355	901,559	9,365,809	(7,608,860)	(3,842,674)	-	44,937,238	1,535,855	1,294,885	177,902	60,092,294
CHANGES IN THE PERIOD														-
Movement of investment subsidies											(250,543)		-	(250,543)
Surplus realization assets revaluation										(2,019,898)				(2,019,898)
Movements in equity							2,531,664	(362,198)					(27,004)	2,142,462
Application of results					51,628	31,286	1,294,885					(1,294,885)		82,914
	5,000,000	(399,531)	7,632,756	1,097,355	953,187	9,397,095	(3,782,311)	(4,204,872)	-	42,917,340	1,285,311	(0)	150,898	60,047,229
Net income for the period												2,696,270	21,549	2,717,819
SubTotal	5,000,000	(399,531)	7,632,756	1,097,355	953,187	9,397,095	(3,782,311)	(4,204,872)	-	42,917,340	1,285,311	2,696,270	172,447	62,765,048
OPERATIONS WITH SHAREHOLDERS														-
Capital increase	-		10,000,000											10,000,000
Other distributions of income														
			10,000,000				-					-		-
Position at the end of period	5,000,000	(399,531)	17,632,756	1,097,355	953,187	9,397,095	(3,782,311)	(4,204,872)	-	42,917,340	1,285,311	2,696,270	172,447	72,765,048

CONSOLIDATED CASH-FLOW STATEMENT

Unit.: €

DESIGNATION	2013	2012
CASH-FLOWS OF OPERATING ACTIVITIES - DIRECT METHOD		
Payments from clients	42,705,291	38,261,555
Payments to suppliers	(27,485,724)	(25,300,047)
Payments to personnel	(6,148,412)	(6,336,851)
Cash generated by operations	9,071,156	6,624,657
Payment or receipt of income activities	(448,178)	(460,783)
Other receivables/payments	(97,672)	93,104
CASH-FLOWS OF OPERATING ACTIVITIES (1)	8,525,306	6,256,978
CAH.FLOWS OF INVESTMENT ACTIVITIES		
PAYMENTS FOR:		
Tangible fixed assets	(1,174,599)	(3,285,060)
Intangible assets	(278,564)	(22,404)
Financial investments	(0)	(9,541)
Other assets	(612,011)	(135,410)
RECEIVABLES FROM:		
Tangible fixed assets	14,814	18,151
Intangible assets	-	-
Financial investments	112,500	-
Other assets	-	-
Investment subsidies	104,964	360,073
Interest and similar income	40,575	34,936
Dividends	-	-
FLOW OF INVESTMENT ACTIVITIES	-1,792,321	-3,039,255
CASH-FLOWS OF FINANCING ACTIVITIES		
RECEIVABLES FROM:		
Obtained financing	7,887,668	12,822,562
Realizations of capital and other equity instruments	10,000,000	1,632,756
Coverage losssses	-	-
Donations	-	-
Other financing operations	-	-
PAYMENTS FOR:		
Obtained financing	(12,662,240)	(5,675,164)
Interest and similar costs	(3,150,268)	(3,229,145)
Dividends	-	-
Capital reductions	-	-
Other financing operations	(12,423,284)	(2,063,112)
FLOW OF FINANCING ACTIVITIES	-10,348,124	3,487,897
VARIATION IN CASH AND CASH EQUIVALENTS (4)=(1)+(2)+(3)	-3,615,139	6,705,620
CASH AND CASH EQUIVALENTS AT THE BEGGINING OF THE PERIOD	8,785,640	2,080,022
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,170,501	8,785,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

ESPORÃO, S.A. is a public limited company, headquartered in Reguengos de Monsaraz, in the Évora district, whose corporate object is industrialization and commercialization of agricultural products and livestock produced on its own agricultural land or simply leased or managed by the company, and the exercise of all additional activities directly related to those, including exploration of food and beverage establishments.

Under the terms of the deed of incorporation and subsequent changes to Esporão, S.A. society contract, the share capital of 5.000.000 Euros (five million euros) was paid in full, in cash.

The current name was registered in December 2008 as part of an activity restructuring between this company and its subsidiaries.

Brief description of the entities integrating Esporão group to 31.12.2013

Esporão Azeites, Lda.:

The company ESPORÃO AZEITES, LDA. is a limited liability company headquartered in the industrial zone of the municipality of Serpa. The company was incorporated by public deed on November 25, 1997 under the name SPAZA -. Sociedade Produtora de Azeites do Alentejo, Lda., starting its activity immediately.

The current name was registered in January 2009 as part of the restructuring of Esporão Group activities. ESPORÃO AZEITES, LDA corporate purpose is the production of quality olive oil.

The company is 98% owned by ESPORÃO, S.A. and headquartered in Herdade do Esporão, Reguengos de Monsaraz.

Esporão Vendas e Marketing, SA:

The company ESPORÃO-Vendas e Marketing, S.A., is a public limited company headquartered in Herdade do Esporão, in Reguengos de Monsaraz. The company was founded in 1890 under the name Francisco Mantero. Lda. and registered in the Commercial Registry of Lisboa in August 5th, 1916.

The current name was registered in December 2008, as part of the restructuring of Esporão Group activities.

Esporão Vendas e Marketing S.A. corporate object is the wholesale trade of wine and olive oil, is 100% owned by ESPORÃO, S.A. and headquartered in Herdade do Esporão in Reguengos de Monsaraz.

Murças, SA:

The company MURÇAS, S.A., is a public company headquartered in Quinta dos Murças, SA, Covelinhas, in Peso da Régua. The company was incorporated by public deed in 1932, under the juridical form of private limited liability, starting its activity immediately.

The current name and change of the juridical form to a public limited company took place in 2009 as part of the restructuring of Esporão Group activities.

MURÇAS, S.A. corporate object is the production of quality wines comprising the viticultural and winery activities. It also produces a small batch of olive oil. The company is 100% owned by ESPORÃO, SA, headquartered in Herdade do Esporão, Reguengos de Monsaraz.

Qualimpor:

Qualimpor, headquartered in Rua Antônio Chagas, 529 – Chácara Santo Antônio, in São Paulo, Brazil, was created in 1995 with the purpose of importing and distributing wines and olive oils from Herdade do Esporão. The origin of the name came from joining the portuguese words “qualidade de alimentos portugueses”, which stand for “quality of portuguese food”.

Since its birth Qualimpor shows a different profile, as it works exclusively for brands owned by one same family.

The company’s objective is to expand its operations to other brands, complementing products and better positioning them in the Brazilian market, thus benefiting from economies of scale.

This company is 95% owned by Esporão, S.A. and 5% by local management.

Esporão Produção Biológica, Lda.:

The company Esporão-Produção Biológica, Lda., is a private limited liability company headquartered in Herdade do Esporão, in Reguengos de Monsaraz, incorporated by private document on July 30, 2012, under the juridical form of limited liability and starting its activity immediately. Its corporate object is the production of grapes by using organic farming methods and techniques. The company is 90% owned by ESPORÃO, S.A., headquartered in Herdade do Esporão, Reguengos de Monsaraz, and 10% owned by MURÇAS, SA, headquartered in Covelinhas, Peso da Régua.

Zamagri:

Zamagri is not currently operating and keeps managing its assets.

ACCOUNTING STANDARDS FOR PREPARING FINANCIAL STATEMENTS

BASIS OF PREPARATION

These consolidated financial statements were prepared in accordance with the standards that comprise the Accounting Standards System (SNC) in force at the close of the financial year.

As part of those standards, it must be included the Basis for the Presentation of Financial Statements, Models of Financial Statements, the Code of Accounts and Accounting Standards and Financial Reporting (NCRF) and the Performing Standards.

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

The financial statements are prepared based on the continuity of business operations in the current economic and social situation in Portugal and the values presented are set in euros, except those who are expressly indicated in other currencies.

In the transition from the previous accounting standards to SNC, the Board has modified some of the accounting and valuation criteria applied in the financial statements of 2010, so that the same are presented in accordance with "NCRF"

The preparation of financial statements in accordance with SNC requires the use of estimates, assumptions and critical judgment in the process of determining the accounting policies to adopt by Esporão Group, with significant impact in the book value of assets and liabilities as well as in the income and expenses of the reporting period.

Although these estimates are based on the best experience of the Board and on their best expectations for the current and future events and actions, current and future results may differ from these estimates.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.2.4.

DEROGATION FROM SNC PROVISIONS

During the financial year to which these Financial Statements refer, there were no exceptional cases that directly implied derogation from any of SNC provision.

COMPARABILITY OF FINANCIAL STATEMENTS

The present financial statements of Esporão, S.A., were prepared based on the accounting records maintained in accordance with the legislation in force.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparing the financial statements are those which are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

CONSOLIDATION

Shareholdings – Subsidiaries

Subsidiaries are all entities over which Esporão Group has the power to govern the financial and operating policies and normally has control, directly or indirectly, of more than half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are taken into consideration during the evaluation of the control that Esporão holds over an entity.

Investments in subsidiary companies in which the Group exercises control are consolidated using the full consolidation method from the date on which it assumed control over its financial and operating activities until the moment such control ceases.

The acquisition of subsidiaries is registered by the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition plus costs directly attributable to the acquisition.

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

The excess of cost of acquisition over the fair value of the Group's share on the acquired identifiable assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary net assets, the difference is recognized directly in the consolidated income statement by nature.

Transactions, balances and unrealized gains on transactions with Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries are changed whenever necessary to ensure that they are applied consistently by all Group companies.

The entities included in consolidation by the global integration method, by December 31, 2012 and December 31, 2013, and qualifying as subsidiaries are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES, DECEMBER 2013				
Esporão Vendas e Marketing, SA	Reg Monsaraz	100.00%	15,717,917	828,743
Esporão Azeites, Lda	Serpa	98.00%	567,483	56,880
Murças, SA	Peso Régua	100.00%	3,970,825	119,078
Esporão Produção Biológica, SA	Reg Monsaraz	100.00%	4,926	75,597
Qualimpor <i>(currency: contrvalor €)</i>	S. Paulo/Brasil	95.00%	3,033,253	408,222
Zamagri Agr Comércio Intern. Lda	Lisboa	100.00%	300,000	-
DIRECT SUBSIDIARIES, DECEMBER 31, 2012				
Esporão Vendas e Marketing, SA	Reg Monsaraz	100.00%	14,631,117	1,037,694
Esporão Azeites, Lda	Serpa	98.00%	580,498	(77,557)
Murças, SA	Peso Régua	100.00%	4,212,379	(209,856)
Esporão Produção Biológica, SA	Reg Monsaraz	100.00%	5,000	(74)
Qualimpor <i>(moeda: contrvalor €)</i>	S. Paulo/Brasil	95.00%	3,591,869	1,317,346
Zamagri Agr Comércio Intern. Lda	Lisboa	100.00%	300,000	-

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES, DECEMBER 2013				
Prime Drinks, SA	Lisboa	50.00%	2,838,561	195,793
DIRECT SUBSIDIARIES, DECEMBER 2012				
Prime Drinks, SA	Lisboa	50.00%	2,830,372	19,499

SHAREHOLDINGS – ASSOCIATES

Investments in associates are stated at the amount resulting from the application of the criterion of equity. Under this method, the consolidated financial statements include the Group’s share of the total recognized gains and losses from the date that significant influence commences until the date that effectively ends.

Associates are entities over which the Group has between 20% and 50% of the voting rights, or over which the Group has significant influence, but cannot exercise its power. Unrealized gains or losses on transactions between the Group and its associates are eliminated.

Dividends paid by the associate are considered reduction in the held investment.

The excess of cost of acquisition over the fair value of the Group’s share on the acquired identifiable assets is recorded as *goodwill*, which net of accumulated impairment losses is considered in the value registered as Esporão Group investment in associates.

If the cost of acquisition is less than the fair value of the acquired subsidiary net assets, the difference is recognized directly in the consolidated income statement by nature.

When the share of losses of an associate exceeds the investment in the associate, the Group recognizes additional losses in the future if the Group has incurred obligations or made payments on behalf of the associate.

The accounting policies of “associates” are changed whenever necessary to ensure that they are applied consistently by all Group companies.

The entities included in consolidation by the equity method by December 31, 2012 and December 31, 2013 and who qualify as associates are as follows:

	HEADQUARTERS	% OF OWNERSHIP	EQUITY	NET INCOME
DIRECT SUBSIDIARIES, DECEMBER 2013				
Prime Drinks, SA	Lisboa	50.00%	2,838,561	195,793
DIRECT SUBSIDIARIES, DECEMBER 2012				
Prime Drinks, SA	Lisboa	50.00%	2,830,372	19,499

TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at cost net of accumulated impairment losses and depreciation.

This cost includes: (a) the “deemed cost” determined at the date of transition to SNC, which in the case of land and buildings were measured at their net value, carried over from the previous normative, including legal revaluations; and (b) the acquisition cost of the assets acquired or constructed after that date.

The acquisition cost includes the purchase price of the asset, the costs directly attributable to the acquisition and costs incurred in preparing the asset for proper use condition.

The costs incurred for renovations and major repairs that extend the useful life are recognized in asset cost. The cost of repairs and maintenance of current nature are recognized as an expense in the period in which they incur.

The estimated useful lives for the most significant tangible fixed assets are as follows:

	YEARS
BUILDINGS AND OTHER CONSTRUCTIONS	50
BASIC EQUIPMENT	8
TRANSPORTATION EQUIPMENT	4 a 6
REMAINING TANGIBLE FIXED ASSETS	3 a 12

The useful lives of assets are reviewed at each financial reporting, so that depreciation is in accordance with the standards of consumption of assets. Changes in useful lives are treated as changes in accounting estimates and are applied prospectively.

Gains or losses on disposal of assets are determined by the difference between the carrying value and the book value of the asset and are recognized in the consolidated income statement by nature.

LAND

The amount related to land, recorded in the Group financial statements, breaks down as follows:

- Land in Herdade do Esporão occupied by vineyards;
- Land in Herdade do Esporão occupied by traditional Alentejo forest;
- Land in Herdade dos Perdigões occupied by vineyards for grape production;
- Land of Lavradores and Machuguinho in Portalegre, occupied by vineyards;
- Land of cheese dairy of S. Braz do Regedouro in Évora;
- Quinta dos Murças including the areas of vineyard and forest implantation;
- Land of implantation of the mill and of the adjacent WWTP in Serpa.

Except for the land of Portalegre and Évora, lands are registered at fair value based on evaluation made referring to December 31 2010 and which was assumed equal book value for the following year, given that there were no facts that could significantly change its value. The technical evaluation performed is based on real estate value of land whether they are connected or not to the operation and to the company's social business.

The land of Portalegre and Évora were acquired by Esporão, S.A. at the end of this financial year and are valued at cost, taking into account the time elapsed since its acquisition and also for not having occurred exceptional facts that could change the acquisition value.

Quinta dos Murças is valued at fair value based on a study of land valuation conducted in 2009 and maintained in the following years for not having occurred facts that could significantly change its value.

The land of implantation of the mill and WWTP is valued at cost, taking into account the time elapsed since its acquisition and also for not having occurred exceptional facts that could change its acquisition value.

BUILDINGS

The buildings comprise all buildings of the winery, wine tourism, warehouses and filling pavilion and tower and were initially registered at their cost of construction and subsequently adjusted in the accounts of the company at their fair value. This value was determined at the date of December 31, 2010 based on the study of property valuation performed by an independent firm and maintained in the following years because no facts have occurred that could significantly change its value.

The cheese dairy building located in S. Braz do Regedouro joined the company's assets at year end and is registered at cost value.

The set of buildings of the mill in Serpa integrates the assets of the company Esporão Azeites since its foundation and is registered at its cost value, because no significant events occurred that could change its value.

PRODUCTION EQUIPMENT

Machines and production equipment are stated at acquisition cost added to all charges resulting from their preparation in view of its use. The value of major repairs that extend the useful life or productive capacity of the asset is registered at asset value.

BIOLOGICAL ASSETS

Biological production assets consist of the following plantations:

- Vineyards intended for the production of grape used for wine manufacturing and marketed by the company.
- Olive grove that is intended to produce olives for sale to Esporão Azeites, Lda., olive oil producer and with which there is a participation in capital. This crop has the technical characteristics of crop in semi-intensive system.
- Forest constituted by plantation of holm oaks and stone pines.

The vineyard is registered at its fair value based on an estimate on the updated value of cash flows in accordance with the following premises:

- Useful life: 25 years.

- Reference price of the grape: average cost of buying in the last two years and adding a cost equivalent to the correlation of the average price of wines.
- Production costs: average of the last two years.

- Average productivity: productivity determined by average for a regular campaign.

- Update rate: 6.53% applied on the value of cash flows at constant prices over the period.

The update rate used is the average rate of the cost of debt capital supported by the company over the past four years, excluding contracted rates a few years ago and that are below market and adding about 1.5% of risk premium.

The price value of the grape was calculated based on the average purchase price for the year, added a bonus determined by a weighted correlation of the average sales prices for the wines that are intended, in the last three years.

The fair value of the olive grove was determined by cash flows method at the updated rate of 6.53% per annum applied to the income value net of expected costs and for a 25 years plantation.

DEPRECIATIONS AND AMORTIZATIONS

Depreciation is calculated, after the date on which the asset is available for use by the straight line method in accordance with the estimated useful life for each group of assets, in accordance with DR-25/2009.

The depreciation rates correspond to the periods of expected life (in years) described in this document.

TANGIBLE ASSETS IN PROGRESS

Tangible assets in progress refer to the reconstruction phase of the cellar and adjacent buildings, as well as costs incurred to date with the works of reformulation and expansion of the building of wine tourism, and are registered at acquisition cost less any impairment losses. It also includes the cost of rebuilding and reshaping the winery and storehouses of Quinta dos Murças in Douro.

These assets are depreciated from the time they are available for use in the necessary conditions to operate.

WARRANTIES

The land and buildings of Quinta dos Murças are mortgaged to CCAM to guarantee a loan to Esporão, S.A. that at the date of 12.31.2013 stood at four million, eight hundred thousand euros.

INTANGIBLE ASSETS

Intangible assets are recognized and measured when: i) are identifiable; ii) it is probable that they will result in future economic benefits; and iii) its cost can be measured reliably.

When purchased individually intangible assets are recognized at cost, which comprises: i) the purchase price, including costs related to intellectual property rights and fees after deducting any discounts; and ii) any costs directly attributable to preparing the asset for its intended use.

When acquired under a business settlement, separable from *goodwill*, intangible assets are valued at fair value, determined under the application of the purchase method as required by NCRF 14 - Concentrations of Business Activities.

Internally generated assets, including expenditure on internal development, are registered as expense when incurred, if it is not possible to distinguish the research phase from the development phase, or when is not possible to determine reliably the costs incurred at each stage or the likelihood of economic benefits to the group.

Expenditure on research and evaluations made in the course of operating activities are recognized in the income statement as incurred.

The useful life and amortization method of intangible assets is determined based on the estimated consumption of the economic benefits associated with the asset.

Intangible assets with finite useful lives are amortized on a systematic basis from the date they are available for use, during their estimated useful life

Assets that by their nature do not have an indefinite useful life are not amortized and are subject to annual impairment tests or whenever they show signs of impairment.

The balances carried from the associated Qualimpor are recorded as intangible assets at 31.12.2013 and refer to: i) Software - amounts spent on the acquisition of rights in computer applications and incurred costs of parameterization, to support the activity developed and also the value of construction cost software for shared use, through the provision of services; ii) Telephone Lines - Telephone lines and network.

FINANCIAL ASSETS

The Board of Directors determines the classification of financial assets at the date of initial recognition in accordance with NCRF 27 - Financial Instruments. Financial assets can be classified / measured as:

at cost or amortized cost less any impairment loss; or
at fair value with changes in fair value being recognized in the income statement. The Group classifies and measures at cost or amortized cost financial assets: i) that in terms of time are paid at sight or have defined maturity; ii) whose return is fixed amount, fixed interest rate or variable corresponding to a market index; and iii) do not have any contractual clause which may result in the loss of face value and accrued interest.

For assets registered at amortized cost, the interest earned to recognize in each period is determined according to the method of the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Financial assets that are loans, accounts receivable (customers, other debtors, etc.) and equity instruments as well as any associated derivative contracts that are not traded in an active market or whose fair value cost cannot be reliably determined, are recorded at cost or amortized cost.

The Group classifies and measures at fair value financial assets that do not meet the conditions to be measured at cost or amortized cost, as described above.

Financial assets that are equity instruments quoted in an active market, derivative contracts and financial assets held for trading are recorded at fair value. Changes in fair value are recorded in the results of exercise, except in relation to derivative financial instruments that qualify as hedge of cash flows.

The Group assesses at each financial reporting date for any indication of impairment for financial assets that are not measured at fair value through profit or loss. If there is objective evidence of impairment, the Group recognizes an impairment loss in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the investments expire or are transferred, as well as all risks and rewards of ownership.

FAIR VALUE OF ASSETS AND LIABILITIES

In determining the fair value of a financial asset or liability if there is an active market, the quoted market price is applied. In case there is no active market, which is the case for some financial assets and liabilities, valuation techniques generally accepted in the market and based on market assumptions are used.

The Group applies valuation techniques for financial instruments not quoted, such as derivatives, financial instruments at fair value through profit or loss and financial assets available for sale. The valuation models that are used most often are models of discounted cash flows and option valuation models that incorporate, for example, the interest rate curves and market volatility.

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

INVENTORIES

Entry of raw materials and packaging materials and consumption are expressed in our accounting records at cost of acquisition. The value of the finished product expressed in the Balance and its variations reflected in the income statement are measured at their production value and there was no value adjustment.

The value of the raw material - UVA incorporated in the finished product was subject to adjustment for the effect of fair value, as explained in paragraph 3.2.4 above.

The existing records of amounts at the year end were confirmed by physical counts.

CLIENTS AND OTHER RECEIVABLES

The value of items of customers and other receivables refer to receivables from customers and other entities, and are expressed at its fair value, which corresponds to the price established for operations and subsequently adjusted for any impairment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents correspond to the amounts included in cash and bank deposits with immediate liquidity without risk or low risk. Bank overdrafts are presented as current liabilities in the balance sheet under the item of financing.

CURRENCY CONVERSION

1.1.1 Functional currency and presentation currency:

The consolidated financial statements of Esporão Group and respective notes are presented in euros, unless stated otherwise.

1.1.2.Transactions and balances:

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

Gains or losses resulting from the payment/receipt of transactions and from conversion at the exchange rate at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement by nature, in the item financing costs, if related to loans or other operating gains or losses for all other balances / transactions.

1.1.3. Foreign operations:

The results and the balance of the foreign operations of Esporão Group, which have a functional currency other than euro, are converted into the presentation currency at the exchange rate of the balance sheet date.

1.1.4. Exchange rates used:

The price of foreign currency used for conversion of balances expressed in foreign currency, was as follows:

1 EURO (EUR) = X FOREIGN CURRENCY	CURRENCY	31.12.2013	31.12.2012
BRAZILIAN REAL	BRL	3,2090	2,7036
US DOLLAR	USD	1,3000	1,3500

INCOME TAX

The income tax for the period comprises current tax and deferred tax. Taxes on income are registered in the consolidated income statement, except when they relate to items recognized directly in equity. The amount of income tax payable is determined based on profit before tax, adjusted in accordance with tax rules.

The Group is subject, from 2011, to the Special Taxation of Corporate Groups (RETGS) being the dominant entity Gesparte, SA. The positive or negative outcomes that result from the adjustment of fiscal consolidation are the responsibility of the dominant company.

The companies comprising the Group of Companies together with the Esporão, SA are: a) Esporão Vendas e Marketing, S.A.; b) Murças, S.A.; c) Esporão Azeites, Lda.; d) Zamagri, Lda. and Esporão Produção Biológica, Lda.

Tax returns of Esporão and subsidiaries in the years 2010 to 2013 may still be subject to review. However, the Company believes that any corrections by the tax authorities to the tax returns, still subject to revision/ inspection will not have a significant effect on the financial statements at December 31, 2013.

According to RETGS the tax losses in 2010 are deducted from taxable profits of the companies included in RETGS.

Deferred taxes are recognized using the liability method based on the balance sheet, considering temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are calculated at the tax rate in force or officially communicated to the balance sheet date and expected to be applied on the date of realization of deferred tax assets or the date of payment of deferred tax liabilities.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits are available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities that do not result in a concentration of activities and that the date of the transaction do not affect accounting profit nor taxable profit.

However, in relation to taxable temporary differences associated with investments in subsidiaries, these shall not be recognized to the extent that: i) the mother company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not reverse in the foreseeable future.

PROVISIONS

Provisions are recognized when the Group has: i) a present legal or constructive obligation resulting from past events; ii) for which it is most probable that an outflow of resources to settle the obligation is required; and iii) the amount can be reasonably estimated. Whenever one of these criteria is not met or the existence of the obligation is subject to the occurrence (or nonoccurrence) of a future event, Esporão Group discloses it as a contingent liability, unless an assessment of the outflow of funds for payment the same is considered remote.

Provisions for restructuring and litigation are recognized when: the Group has a present legal or constructive obligation as a result of past events; is probable that an outflow of resources will be required to settle the obligation; and the amount can be measured reliably.

Restructuring provisions include compensation for termination of contract employees. Provisions are not recognized to cover future operating losses.

When there is a set of similar obligations, the likelihood of being required to incur an outflow to settle the obligation is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow that concerns an item included in the same class of obligations is reduced.

Provisions are measured at the present value of the estimated expenditure to settle the obligation using a pre-tax rate that reflects the market assessment of the time value of money and the risk of the provision in question. Provisions are reviewed at each balance sheet date and respective origins and adjusted to reflect the best estimate at that date.

The Group recognizes provisions for financial investments to consolidated associates through the equity method, whenever it has future liability. When the share of losses of an associate exceeds the investment in the associate, the Group recognizes additional losses in the future if the Group has incurred obligations or made payments on behalf of the associate.

EXPENSES AND INCOME

Income and expenses are recorded in the period to which they relate, regardless of payment or receipt, in accordance with the accounting principle of accrual. The differences between the amounts received and paid and the corresponding revenues and expenses are recognized as assets or liabilities if they qualify as such.

REVENUE

The Revenue is the fair value of the amount received or receivable for the provision of services in the normal course of the Group’s activity. Revenue is recorded net of any taxes, trade discounts and financial discounts.

SPECIALIZATION OF INCOME AND EXPENSES

Income and expenses are recorded in the period to which they relate, regardless of payment or receipt, in accordance with the accounting principle of accrual. The differences between the amounts received and paid and the corresponding revenues and expenses are recognized as assets or liabilities if they qualify as such.

BALANCE SHEET CLASSIFICATION

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

SUBSEQUENT EVENTS

Events occurring after the balance sheet date that affect the value of existing assets and liabilities are considered when preparing the financial statements for the period. If significant such events are disclosed in the notes to the financial statements.

MAIN ESTIMATES AND JUDGEMENTS

All estimates and assumptions used in preparing the financial statements were made by the management based on its best knowledge of events and transactions in progress at the date of approval of the financial statements.

Changes to these estimates, occurring after the date of the financial statements, will be recognized in the income statement prospectively.

TANGIBLE FIXED ASSETS

During the year ending in December 31, 2013 the movements recorded in the Fixed Assets Tangible item were as follows:

	LAND	BUILDINGS	BASIC	EQUIPMENT TRANSPORT	ADMINISTR.	OTHER ASSETS	ONGOING	TOTAL
INITIAL NET CARRYING AMOUNT	19,949,566	21,253,345	4,704,508	103,180	156,544	848,503	1,142,833	48,158,479
ADDITIONS								
Transfers	672,604	41,718	26,586			81,906	(822,814)	-
Alienations			(177,368)					(177,368)
Reversion of depreciations								-
Other additions	(660,139)	411,824	409,493	(12,288)	19,063	(24,183)	860,609	1,004,381
TOTAL AMOUNT OF ADDITIONS	12,465	453,542	258,711	(12,288)	19,063	57,723	37,795	827,013
REDUCTIONS								
Depreciations	(68,477)	(1,816,111)	(976,925)	(18,728)	(56,600)	(147,874)	-	(3,084,715)
Alienations			85,613					85,613
Regularizations								-
Disposals		(4,474)		1,584	4,978	15		2,103
Transfers								-
TOTAL REDUCTIONS	(68,477)	(1,820,585)	(891,312)	(17,144)	(51,622)	(147,859)	-	(2,996,999)
FINAL NET CARRYING AMOUNT	19,893,554	19,886,303	4,071,907	73,748	123,985	758,367	1,180,628	45,988,493

a) Warranties

The registered assets above are not burdened or affected to any guarantees for the fulfillment of bank or other obligations, except for the land and buildings of Quinta dos Murças, given in guarantee for a CCAM loan to Esporão, S.A., which to date stands at four million, eight hundred thousand euros.

b) Revaluations

Tangible assets of Esporão, S.A. were reassessed 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 of 11.02

Economic revaluations based on studies of expert evaluators, concerning the properties owned by the company.

c) Capitalization of financial charges

The Group has not added any financial charges to projects ended during this year, according to the NCRF 10 (borrowing costs) in combination with NCRF 7 (tangible fixed assets).

INTANGIBLE ASSETS

The item Intangible Assets includes programs and information systems shared by multiple user companies.

During the year ended on December 31, 2013 the movements registered in the Tangible Fixed Assets items were as follows:

2013 - MOVEMENTS IN TANGIBLE FIXED ASSETS			
	DEVELOPED PROJECTS	BRANDS	TOTAL
INITIAL NET CARRYING AMOUNT	126,956	1,763	128,719
ADDITIONS			
Transfers			
Alienations			
Reversion of depreciations			
Other additions	144,127	(372)	143,755
TOTAL AMOUNT OF ADDITIONS	144,127	(372)	143,755
REDUCTIONS			
Depreciations	(113,940)	-	(113,940)
Alienations			-
Regularizations			-
Disposals			-
Transfers		-	-
TOTAL AMOUNT OF REDUCTIONS	(113,940)	-	(113,940)
INITIAL NET CARRYING AMOUNT	157,143	1,391	158,534

BIOLOGICAL ASSETS

The item of biological assets includes the vineyards, the olive groves and forests of holm oak and stone pine.

The vineyards and olive groves are valued at fair value method, with the criteria set forth in this document.

The value of forests was calculated according to the method of the replacement cost, existing areas of native plants not recorded in the accounts of the company.

The movements recorded in the years 2012 and 2013 were as follows:

	2013	2012
VINEYARD		
Initial value	41,730,763	40,305,632
Adjustments		4,064
Improvement / Reversal of fair value period	1,510,754	1,421,067
VALUE AT END OF PERIOD	43,241,517	41,730,763
OLIVE GROVE		
Initial value	2,711,629	2,851,103
Adjustments		(139,474)
Improvement / Reversal of fair value period		
VALUE AT THE END OF THE PERIOD	2,711,629	2,711,629
FOREST		
Initial value	374,641	374,641
Adjustments		-
Improvement / Reversal of fair value period		-
VALUE AT END OF PERIOD	374,641	374,641
	46,327,787	44,817,033

The Group registers the vines as biological assets at fair value in accordance with NCRF 17 (agriculture). In the year 2013 assumptions regarding the fair value valuation have not been revised what happens every two years. Taking into account the assumptions previously planned and based on the development of the expected model there was an increase in the value of these assets at 1.033 million euros, recorded on gains by increases in fair value.

SHAREHOLDINGS

The item of shareholdings includes the value of shares in each of the subsidiaries and also the additional or supplementary capital contributions.

Quotas and shares in the capital of subsidiaries are recorded at their acquisition cost and subsequently adjusted by the equity method all entries with more than 20% stake in subsidiary representation.

	HEADQUARTERS	BOOK VALUE		% OF OWNERSHIP	DATA FROM THE LAST AVAILABLE ACCOUNTS		
		2013	2012		EQUITY	NET INCOME	YEAR
SUBSIDIARIES							
Esporão – Wine & Olive Oils	-	16,825	16,825	100%			
Primedrinks	LISBOA			50%	2,848,310	195,793	2013
Value of participation		272,052	218,939				
Financing loans		541,491	541,491				
		830,369	777,255				
SUBSIDIARIES - OTHER METHODS							
C.A.R.M.	-	170	170				
Lisgarante Totta	-	38,000	38,000				
Garval	-	14,500	14,500				
Reguengos Sustentável	-		112,563				
Coop Agrícola de Mourão	-	15	15				
ZAMAGRI	-		-				
Ind. Council Devel. Serv.	-	41,576	41,576				
Caixa Cred. Agricol. Mutua	-	499	499				
CEPAAL	-	2,000	2,000				
Other companys	-	65	65				
		96,825	209,388				

DEFERRED TAX ASSETS AND LIABILITIES

As mentioned in point 3.10. the Group is subject, from 2011, to the Special Taxation of Corporate Groups (RETGS) being the dominant entity Gesparte, S.A. and initially using the deferred tax rate of 26.5%, was updated during this exercise to 24.5%, reflecting the updating of the general income tax rate of 23%.

The movements in the item Deferred tax assets and liabilities for the years presented are as follows:

	BRANDS	LAND REVALUATIONS	BIOLOGICAL ASSETS	INTAGIBLE ASSETS	NO RESULTS NON TAXABLE	TOTAL
INITIAL BALANCE	26,305	2,319,520	658,476	63,092	499,396	3,566,789
Increases	-	-	-	-	-	-
Reversions	(12,626)	(175,058)	(351,480)	(35,242)	(37,690)	(612,096)
FINAL BALANCE	13,679	2,144,462	306,996	27,850	461,706	2,954,693

DEFERRED TAX LIABILITIES - 2013

	NON-FISCAL REVALUATIONS	BIOLOGICAL ASSETS	INVESTMENT SUBSIDIES	NO RESULTS NON TAXABLE	TOTAL
INITIAL BALANCE	1,811,616	9,774,756	697,796	4,628	12,288,796
Increases			-		-
Reversions	(881,646)	(717,783)	(286,960)	(349)	(1 886 738)
FINAL BALANCE	929,970	9,056,973	410,836	4 279	10 402 058

INVENTORIES

The accounting policies and measurement criteria adopted in preparing the financial statements are described in section 3.6. of this report.

Breakdown of the balance of inventories to 31.12.2012 and 31.12.2013:

INVENTORIES	2013	2012
Goods	5,476,450	5,657,326
Raw materials	1,213,103	1,060,089
Products and work in progress	2,716,455	3,100,140
Finished products and intermediate products	18,451,402	17,733,749
By-products,waste, residue and rejects	-	-
	27,857,410	27,551,304

CLIENTS

In the year ending December 31, 2013, the breakdown of the item Clients is as follows:

	2013	2012
i)Clients - current account		
<90 days	5,243,199	8,614,013
>90 e <150 days	1,377,259	112,814
>150 days	950,254	900,611
ii) Clients - receivables	-	-
iii) Clients - Doubtful debt	78,451	64,413
	7,649,163	9,691,851
Clients impairment	(78,367)	(84,446)
TOTAL CLIENTS	7,570,795	9,607,405

- 1) Clients - Current Account: This account refers to amounts receivable by the Group on behalf of services rendered, whose deadline for receiving is substantially reduced
- 2) Clients - receivables: this item shows credits of client entities securitized in the form of letters, which had not yet been discounted to the balance sheet date
- 3) Doubtful debtors: Client credits for which was evaluated and identified maximum risk of collectability by the Group, and these balances are fully adjusted.

STATE AND OTHER PUBLIC ENTITIES

There are no debts to the State in arrears.

Decomposition of the balance at end of year:

	2013	2012
RECEIVABLES FROM THE STATE		
VAT	534,681	625,018
Corporation income tax (deducted from advance payments to the State)	619,828	489,547
Other receivables from the State	461	-
	1,154,970	1,114,565
PAYABLES TO THE STATE		
Corporate income tax (deducted from advance payments to the State)		-
Income tax	152,282	519,007
VAT	(0)	136
Social Security Payments	113,589	125,731
Other payables to the State	-	-
	265,870	644,874
STATE AND OTHER PUBLIC ENTITIES	889,099	469,691

OTHER RECEIVABLES AND PAYABLES

Breakdown of the items to December 31:

	2013	2012
OTHER ACCOUNTS RECEIVABLE		
Non-current	24,659	49,659
Other accounts receivables		
Current		
Receivable amounts IFAP/INGA	-	807,192
Personnel	57,337	13,210
Debtors for accruals	741,952	293,133
Other receivables	1,114,780	763,660
Impairments	(17,588)	(17,588)
	1,921,141	1,909,266
OTHER ACCOUNTS PAYABLE		
Non current		
Payable amounts IFADAP	-	
Current		
Investment suppliers	542,365	2,552,486
Remunerations payable	759,189	706,325
Interest payable	76,720	67,365
Creditors for accruals	714,865	5,660
Personnel	20,560	71,663
Other payables	563,737	555,547
	2,677,436	3,959,046
TOTAL	(756,295)	(2,049,780)

CASH AND BANK DEPOSITS

Cash and cash equivalents that are not available for use

Esporão Group does not hold any cash fund or equivalent with restrictions on its use in the years presented.

Breakdown of values registered in the item of cash and bank deposits

On December 31, 2013, the breakdown of cash and cash equivalents are as follows:

	2013	2012
CASH		
Bank deposits	37,033	30,780
Other bank deposits	3,711,476	1,161,521
Other financial assets	926,373	6,974,834
	495,619	618,505
CASH AND BANK DEPOSITS	5,170,501	8,785,640

SHAREHOLDERS / PARTNERS

It refers to the positive / negative balances of non-consolidated subsidiaries and of the shareholder. The breakdown is as follows at December 31:

	2013	2012
SHAREHOLDERS/ PARTNERS RECEIVABLE		
Current		
Esporão Wines & Olive Oils	1,131	-
		216,077
	1,131	216,077
SHAREHOLDERS/ PARTNERS PAYABLE		
Non current		
Gesparte, SA	1,589,681	13,896,595
Dr. José Roquette	215,745	332,116
Current		
ZAMAGRI	-	-
Others	2,311	14,992
	1,807,737	14,243,703
TOTAL	(1,806,606)	(14,027,626)

DEFERRALS

In the year ending December 31, 2013, the breakdown of the items of Assets and Liabilities Deferrals is as follows:

	2013	2012
DEFERRED ASSETS		
i) Compensations	-	-
ii) Other recognizable expenses	119,881	343,496
iii) OCM subsidies	82,743	312,727
	202,624	656,223
DEFERRED LIABILITIES		
iv) Investment subsidies	41,507	-
v) Other recognizable income	(179)	72,467
	41,328	72,467

- I) Values in transition from E.V.M. that correspond to cost allocation and change of the distributor in Angola;
II) Amounts paid in 2012 and recognized as an expense in 2013
III) Amount of subsidies granted by OCM relative to the costs of internationalization
IV) Income recognition in 2013 but received in 2012

SUPPLIERS

In the year ending December 31, 2013, the breakdown of the item Suppliers is as follows:

DESCRIPTION	2013	2012
i) Suppliers - current-account (group)	-	-
ii) Suppliers - current-account (Third party)	5,897,131	5,828,969
iii) Suppliers - invoice reception and conference	1,092,331	136,045
TOTAL SUPPLIERS BALANCE	6,989,462	5,965,014

- i) Suppliers - current account (group): balances relating to transactions for open services between Group companies, which do not consolidate by the global integration method;
- ii) Suppliers - current account (third party): the item reflects commercial activities established between the Group and service providers;
- iii) Suppliers - invoices reception and conference: documentation relating to transactions carried out by Group companies, which remains in a state of conference at the balance sheet date. The costs of these operations were considered in this exercise, moving to the next financial year the registration of the invoice and respective payment.

FINANCING OBTAINED

Loan details as for the term (current and non-current) and by type of loan at the end of the year is as follows:

	LIABILITIES NON CURRENT	LIABILITIES CURRENT	TOTAL
ESPORÃO CONSOLIDATED (COMPLETE PLAN)			
Bank loans	26,651,280	10,041 291	36,692,572
Overdrafts	-	5,829,235	5,829,235
Confirming	-	1,666,547	1,666,547
Others		2,013	
Total on December 2013	26,651,280	17,537,073	44,188,354
Total on December 2012	32,369,200	17,189,569	49,558,769

COMPOSITION OF CAPITAL

On December 31, 2013, the capital of the Esporão Group was fully subscribed and paid, represented by 1,000,000 shares with a nominal value of 5 euro each.

The movements related to adjustments and changes in equity for the year ended December 31, 2013 and 2012, are decomposed and systematized in the statement of changes in equity.

MINORITY INTERESTS

Minority interests at the date of December 31, 2013 were calculated as follows:

	ESPORÃO	EVM	E.AZEITES	MURÇAS	E. BIOLÓGICA	QUALIMPOR	ACUMULATED
Group Net Income	1,954,191	1,073,308	56,880	67,008	75,596	408,222	3,635,205
Total Equity	55,297,633	6,372,074	26,046	3,027,243	4,926	3,438,516	68,166,438
% 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	1,138	0	0	20,411	21,549
I.M. on Equity	0	0	521	0	0	171,926	172,447

SALES AND SERVICES

The amount of Sales and Services recognized in the consolidated income statement by nature is detailed as follows:

	2013	2012
SALES AND SERVICES		
Domestic market	16,424,132	15,382,079
Intra-Community market	3,691,384	4,220,347
External markets	18,963,334	19,567,325
Provision of services	1,100,395	740,767
	40,179,244	39,910,519

COST OF MATERIALS CONSUMED

	2013		2012	
	GOODS	RAW MATERIALS	GOODS	RAW MATERIALS
COST OF USED MATERIALS				
Initial inventories	5,657,326	1,060,089	7,584,974	1,027,687
Purchases	2,711,542	13,849,761	845,296	13,861,960
Reclassification and regularization of inventories	-	-	46,512	-
Final inventories	5,476,450	1,213,103	5,657,326	1,060,089
C.M.V.M.C.	2,892,418	13,696,747	2,819,456	13,829,558

VARIATION IN PRODUCTION

	2013		2012	
	FINISHED PRODUCT	WORK IN PROGRESS	FINISHED PRODUCT	WORK IN PROGRESS
STATEMENT OF PRODUCT VARIATION				
Initial Inventories	17,733,749	3,100,140	15,892,961	2,830,254
Reclassification and regularization of inventories	71,834		(2,012,007)	-
Final inventories	18,431,058	2,716,455	17,733,749	3,100,140
PRODUCTION VARIATION	769,144	(383,685)	(171,219)	269,886

SUPPLIES AND EXTERNAL SERVICES

The breakdown of costs for supplies and services is as follows:

	2013	2012
SUPPLIES AND EXTERNAL SERVICES		
Subcontracts	98	70,339
Specialized work	1,770,962	2,457,038
Surveillance and security	48,656	45,118
Fees	1,590	14,609
Comissions	474,753	395,255
Marketing and publicity	3,234,445	2,482,135
MAINTENANCE AND REPAIRS	365,535	555,601
Buildings and others constructions	25,075	25,645
Basic equipment	299,379	501,266
Transport equipment	38,851	28,196
Others	2,231	494
Office material	19,571	17,932
Fuel	228,336	265,156
Electricity	350,594	327,513
Travel and accommodation	1,653,702	1,517,509
RENTS AND LEASES	1,308,529	1,249,938
Real estate	724,152	627,578
Vehicles	256,755	302,128
Equipment	118,627	153,808
Other rents and leases	208,995	166,425
Communication	189,099	184,872
Insurances	153,178	144,510
Expenses of representation	100,618	47,168
Other services	773,848	747,632
	10,673,513	10,522,326

PERSONNEL EXPENSES

	2013	2012
COSTS WITH PERSONNEL		
Remuneration of corporate bodies	338,309	362,961
Remuneration of personnel	4,683,046	4,607,807
Post-employment benefits	1,200	1,000
Compensations	3,218	14,609
Charges on Remuneration	966,750	1,021,891
Insurance for work accidents and professional diseases	83,210	134,894
Expenses with social action	9,982	10,530
Other costs with personnel	159,737	154,444
	6,245,451	6,308,137

OTHER INCOME AND GAINS

	2013	2012
OTHER INCOME AND EARNING		
Supplementary income	281,764	375,511
Prompt payment discounts	98,269	223
Investment subsidy	373,909	309,087
Income and earnings in financial investments	79,911	25,470
Income and earnings in non financial investments	1,237	8,432
Other income and earnings	117,564	157,510
	952,654	876,233

OTHER EXPENSES AND LOSSES

	2013	2012
OTHER COSTS AND LOSSES		
Taxes	480,695	511,299
Donations	42,522	46,050
Offers and samples from stock	587,247	431,084
Disposal of tangible assets	124,190	78,387
Unfavorable foreign exchange differences	195,329	176,116
Other costs and losses	367,563	-
	1,797,547	1,242,935

FINANCIAL INCOME AND EXPENSES

	2013	2012
OBTAINED INTEREST AND SIMILAR INCOME		
Obtained interest	31,618	34,914
Other income and financial earnings	8,957	22
	40,575	34,936
INTEREST AND SIMILAR COSTS PAID		
Interest paid	2,579,403	2,514,172
Other costs and financing losses	578,145	433,491
	3,157,548	2,947,663

Expenses and financial costs include costs associated with financing agreements, including management fees, immobilization, opening and organizing the process, stamp duty, and others.

REMUNERATION OF CORPORATE BODIES

The remuneration paid to the members of the board of directors of Esporão, SA amounts to 310.711 Eur.

Total fees related to compliance with supervisory duties paid to the Auditor for the financial year 2013, amount to 37 600 Eur.

AUTHORIZATION TO ISSUE

The Consolidated Financial Statements for the year ended December 31, 2013 were approved by the Board of Directors and authorized for issue on March 18, 2013.

It is the opinion of the Board that the financial statements reflect truly and fairly the Group's operations and its financial position, performance and cash flows.

Lisboa, March 18, 2014

The Board





