GRUPO VISTA ALEGRE | ATLANTIS

Annual Report and Consolidated Financial Statements for the period ended on 31st December 2017 (IFRS)

TABLE OF CONTENTS

(amounts in thousands of euros)

Consolidated Annual Report

Dear Shareholders,

Under current legislation, the Board of Directors of VAA-Vista Alegre Atlantis SGPS, SA, prepared the Annual Report and the Consolidated Accounts of the Group for the financial year of 2016, including the corresponding financial statements and its attachments.

As legally determined, the presented accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

1. Universe of consolidation

Structure of Grupo Vista Alegre Atlantis	Ref.	% Participation
Cerexport - Cerâmica de exportação SA	CXP	100.00%
Faianças da Capôa - Indústria Cerâmica, SA	CP	100.00%
Ria Stone Fábrica de Louça de Mesa em Grés, SA	RS	100.00%
Shree Sharda Vista Alegre Private Limited	SSVA	50.00%
VA - Vista Alegre España, SA	VAE	100.00%
Vista Alegre France, SAS	VAF	100.00%
VA Grupo- Vista Alegre Participações, SA	VAG	99.30%
VAA Brasil – Comércio, Importação e Exportação SA	VAB	89.93%
VAA I.I. – Sociedade Imobiliária S.A.	VAA II	100.00%
Vista Alegre Atlantis Moçambique, Lda	VAM	99.00%
Vista Alegre Atlantis UK LTD	VAUK	100.00%
Vista Alegre Atlantis, SA	VAA	100.00%
Vista Alegre USA Corporation	VAUSA	100.00%

VAA (Vista Alegre Atlantis, SA), Portuguese law society which holds the entire Group's production (porcelain, crystal, ovenware, faience and manual glass), the national chain stores and real estate are not allocated to the activity.

VAE (VA -Vista Alegre España, SA), society of Spanish law which, in that country, carries out the activities of distributor and retailer owning 37 points of sale in the shops El Corte Inglés, in addition to the two stores of the brand.

VAG (VA GRUPO-Vista Alegre Participações, SA), society of Portuguese law, with several properties.

CP (Faianças da Capôa-Indústria de Cerâmica, SA), society of Portuguese law, owner of the factory in Aradas/Aveiro.

CXP (Cerexport-Cerâmica de Exportação, SA), society of Portuguese law, owner of the building in Esgueira/Taboeira/Aveiro, where VAA has its industrial production of ovenware.

VAB (VAA Brasil – Comércio, Importação e Exportação SA), society of Brazilian law, based in the city of Vitória, state of Espírito Santo, owned in 87.59% by Cerexport-Cerâmica de Exportação, SA, 2.33% by Faianças da Capôa-Indústria de Cerâmica, SA and 10% by a local partner. This company was constituted in July 2011, with the objective to trade Vista Alegre products.

VAUK (Vista Alegre Atlantis UK LTD), society of English law based in Kent, constituted in February 2012 with the objective of strengthening the presence of the group in this market.

RS (Ria Stone, Fábrica de Louça de Mesa em Grés, SA), society of Portuguese law, based in Ílhavo, constituted in June 2012, whose object consists in the production of tableware and domestic articles in stoneware, trade of articles stoneware, faience and ceramics.

VAM (Vista Alegre Atlantis Moçambique, Lda), society based in Maputo, Mozambique, constituted in December 2012, with the objective of trade porcelain articles, faience and others, domestic crystal and glass, allowing to have a local presence in this country.

VAUSA (Vista Alegre USA Corporation) it’s an American society based in New York, where is located a showroom, being the first space of the brand in the United States of America.

VAA II (VAA I.I. – Sociedade Imobiliária S.A.) is a company based in Portugal and will exercise its activity in the real estate and tourism area.

SSVA (Shree Sharda Vista Alegre Private Limited) is a company based in India and its commercial activity is the Group’s (porcelain, crystal, ovenware, faience and handmade glass).

VAF (Vista Alegre France) is a company incorporated under French law whose main activity is the trade of porcelain, faience and related products, crystal ware, glassware and decorative pieces, import and export of pieces of the same nature as the pieces above mentioned; and all activities with related ends.

2. Macro-economic scenario

The Portuguese economy will continue to benefit from a favourable external environment. The current cycle of economic expansion is extended to all euro area countries, where are Portugal’s main trade partners. Outside the euro area, is also expected a sustained expansion of activity and trade. Monetary and financial conditions should also remain favourable. Regarding the recovery of the activity, the GFCF (Gross Fixed Capital Formation) and tourism exports will be very favourable as well.

GFCF maintained a strong but lower growth than during the first quarter. It should be noted that during the first half of 2017, GFCF showed strong year-on-year growth (around 10% after 3.9% during the second half of 2016), reflecting a strong dynamism on its main components (construction, machinery and equipment and transportation equipment). The slowdown profile during the third quarter affected the main types of investment, being evident in the indicators of imports of machinery and equipment and cement sales. Notwithstanding this slowdown, GFCF continued to show high growth rates during the third quarter of 2017. In the fourth quarter of 2017, domestic demand should have remained strong but lower than during the previous quarter.

Finally, the political crisis in Catalonia represents a significant risk to the Portuguese economy, given Spain's weight in Portugal's international economic relations and possible repercussions at a European level. Prolonged political tensions in Catalonia and the associated uncertainty can affect consumer and business confidence and have a negative impact on Spanish economic growth, with consequences regarding the demand for trading partners. A deepening of the crisis in Catalonia may also increase political uncertainty in Europe as a whole, with the possibility of discussion about the potential independence of Catalonia triggering similar tensions in other countries.

3. Activity evolution

The year 2017 was a great year for Vista Alegre, marked by the strengthening of the Group's results and the greater awareness of the "Vista Alegre" brand in the world. The international expansion, the development of continuous improvement procedures and the improvements implemented under operational efficiency, as well as the focus on innovation, influenced the 2017 in a very positive way.

It’s important to mention that the excellent operational performance of the Grupo Vista Alegre Atlantis resulted from the strengthening of its sustained growth, reflecting a consolidated net income of 4.2 million euros, thus maintaining the growth trend registered in recent years. The foreign market is a strong sales driving force, with emphasis on new markets, mainly in Europe and Asia, where exports represent 64% of Grupo Vista Alegre's global turnover, more specifically 54.5 million euros.

(amounts in thousands of euros)

Consolidated sales by segments and markets

T €

Segments	Jan to Dec 2017			Jan to Dec 2016			Difference (%)		
	MI	ME	Total	MI	ME	Total	MI	ME	Total
Porcelain and other products	23,849	19,529	43,378	20,827	15,778	36,606	15%	24%	19%
Ovenware	1,096	10,562	11,658	1,172	10,082	11,254	-7%	5%	4%
Tableware	447	17,969	18,415	527	16,327	16,854	-15%	10%	9%
Crystal and Glass	5,076	6,453	11,529	4,937	5,788	10,725	3%	11%	7%
Total	**30,468**	**54,513**	**84,981**	**27,465**	**47,974**	**75,439**	**11%**	**14%**	**13%**

But the Group didn't succeed only within the international market, it succeed as well within the domestic market, growing by 11% compared to the previous year, with a turnover of around 30.5 million euros. This was mainly due to the consolidation of Vista Alegre's commercial strategy in Portugal, with a greater focus on its sales channels. It's important to highlight the good performance of the national stores, better communication of the brand with the domestic market, better understanding the customer's preferences and needs, enhanced by the presence and organization of diversified events.

Likewise, HORECA has stood out as a very important trading channel for the brand, where Vista Alegre has increasingly presented itself as a reference supplier for tableware and decoration both within the domestic and foreign markets. It should be noted that during 2017, HORECA grew 11% within the foreign market, focusing on the premium segment.

Regarding brand recognition, Vista Alegre has once again been awarded several times, namely in prestigious world design contests, which reward companies for the creativity and innovative design they attribute to their pieces. Here we can highlight the collections "Calçada Portuguesa" and "Garland" which were distinguished by the prestigious "German Design Awards 2018"; the collections "Frosty", "Oz" and "Piet" received Honourable Mentions. These prizes together with dozens of others awarded to Vista Alegre during recent years, confirm the recognition of the "Vista Alegre" brand, thus reinforcing its level of competitiveness.

Along with the prizes that have been awarded over the years, Vista Alegre continues to promote and invest in strategic international partnerships with renowned entities, such as Christian Lacroix Maison. In 2017 was created the "*Rêveries*" collection, together with Casa Lacroix, a collection of 18 pieces that reinforce the connection and partnership between two renowned brands.

4. Results

Vista Alegre's consolidated sales reached 85 million euros during 2017, an increase of 13% compared with 2016.

(amounts in thousands of euros)

EBITDA increased by 42% in 2017, to 13.6 million euros, with the margin reaching 16% against 12.7% during the same period of the previous year.

Consolidated results

T €

Items	31-12-2017	31-12-2016	Variation	
			Amount	%
Turnover	84,981	75,439	9,542	13%
E B I T D A	13,586	9,548	4,039	42%
EBITDA Margin	*16.0%*	*12.7%*		
Operating result	7,701	5,531	2,170	39%
Operational Margin	*9.1%*	*7.3%*		
Result before taxes	**4,645**	**1,992**	**2,653**	**133%**
I R C	-428	-251	-176	70%
Net results	**4,218**	**1,741**	**2,477**	**142%**

Vista Alegre had an operating income of 7.7 million euros, 39% more than in 2016, and the net income for the year was 4.2 million euros, an increase of 2.5 million euros compared with the previous year.

5. Investments

During 2017, the investments made were mainly within the segment of stoneware (oven and table) and crystal.

The current undergoing projects are "CerexCor e CristalLux" and "DecorRia", whose purpose is the development of optimized and innovative production processes, which allow to extend the range of products Grupo Vista Alegre using innovative processes in the above mentioned segments. The "CerexCor e CristalLux" project is based on two projects located in two Vista Alegre plants: the first one is located in the ovenware factory in Aveiro, and the second one in the crystal and glass factory in Alcobaça. While CerexCor is focused in a new production line of stoneware tableware, CristalLux intends to obtain a more efficient luxury packaging for crystal with a different high-quality design, such as the recent contract for the supply of luxury crystal bottles of brandy.

In addition to these two projects, Vista Alegre began expanding the Ria Stone plant to increase capacity by more than 60%, for the annual production of 48 million pieces of stoneware tableware, decorated digitally and manufactured by single-fired. It is estimated that this investment will be completed in October 2018.

Other short-term projects have been developed internally throughout the year, mostly designed to improve production processes allowing to optimize the manufacturing of their pieces, but with significantly lower investment.

Grupo Vista Alegre also has professional teams dedicated to research projects that seek to find innovative solutions in terms of both products and production processes. Examples are the CASA Project in the area of stoneware tableware; the DecorGlass Project in the area of decorated crystal and the M2G2 in Ria Stone, a company dedicated to the production of stoneware products, intending to improve the performance of the product in terms of use, having special attention to the new legal constraints that will be implemented in the future for utilitarian tableware.

At the end of 2017 Vista Alegre invested in one more innovation project, at its porcelain factory in Ílhavo. The purpose of this project is to reinforce the competitiveness of the company within the porcelain segment through innovative processes, by changing the manufacturing processes of this noble product.

6. Perspectives

In the future, Vista Alegre will continue to focus on innovation, research and development, which will enable it to achieve greater levels of competitiveness, thus offering a wider variety of products, in order to reach a larger number of customers, using a variety of distribution channels. Internationalization will continue to be the focus of the Group.

Grupo Vista Alegre has ongoing productive innovation projects, with the purpose of stimulating competitiveness, either by increasing capacity, diversifying production or fundamental changes to the production process. These projects demonstrate the Group's ability to maintain its leading position, innovating in its processes and manufacturing, as well as in the products it trades, in which the Stoneware (table and oven), Porcelain and Crystal segments are concerned.

Thus Grupo Vista Alegre expects that the implementation of these projects will increase international turnover, improve productivity and operational efficiency, as well as strengthen its presence in the world, allowing it to achieve improved profitability levels and, consequently, better results.

7. Other informations

On December 2017, there was a capital increase from 92,507,861.92 euros to 121,927,317.04 euros, comprising the issuance of 367.743.189 common, book-entry and nominal shares with a nominal value of 8 cents each. As such, VAA's share capital currently stands at €121,927,317.04, represented by 1.524.091.463 common, book-entry and nominal shares with a nominal value of € 0.08 each.

8. Declaration under the terms of the article 246, n1 1, c) of the CVM

Pursuant to Article 246, no1, c) do of the Portuguese Securities Market Code, the signatories individually declare that, to the best of their knowledge, the Management Report, the Consolidated Financial Statements and other documents required by law or regulation have been prepared in accordance with applicable International Financial Reporting Standards, giving a true and fair view, in all materially relevant aspects, of the assets and liabilities, the financial situation and the consolidated income issuer. Moreover, the Management Report faithfully reflects the evolution of the business, performance and position of the issuer, as well as of the companies included in the consolidation group, and it contains a description of the main risks and uncertainties they face.

Ílhavo, 14th March 2018

The Board of Directors

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Nuno Miguel Rodrigues Terras Marques

Chairman of the Board

____

Paulo Jorge Lourenço Pires

Vice-Chairman of the Board

____

João Manuel Pisco de Castro

Member of the Board

____

Alexandra da Conceição Lopes

Member of the Board

____

Paulo José Antunes Soares

Member of the Board

____

Maria Filomena Dias Pastor

Member of the Board

____

Nuno Miguel Ferreira De Assunção Barra

Member of the Board

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Alda Alexandra Abrantes Costa

Member of the Board

(amounts in thousands of euros)

Consolidated Financial Statements

Consolidated Financial Position
31st December 2017 and 2016

	Notes	31-12-2017	T € 31-12-2016
ASSETS			
Non-current assets			
Tangible fixed assets	8	89,715	81,043
Goodwill	9	4,711	4,711
Investment properties	13	19,013	29,993
Intangible assets	10	1,403	1,748
Financial investments	14	172	224
Deferred taxes	15	4,941	6,037
Total non-current assets		**119,955**	**123,756**
Current assets			
Inventories	16	33,531	35,141
Accounts receivable and other	17	18,901	14,315
State and other public entities	23	629	1,014
Cash and bank deposits		4,800	1,593
Total current assets		**57,861**	**52,063**
TOTAL ASSETS		177,816	175,819
EQUITY			
Equity	18	121,927	92,508
Treasury shares	18	-2	-2
Issue premium	18	22,065	0
Supplementary capital	18	38,182	38,182
Reserves and retained earnings	19	-104,104	-101,440
Net profit for the period		4,258	1,797
Equity excluding non-controlling interests		**82,326**	**31,045**
Non-controlling interests		271	241
Total equity		**82,598**	**31,286**
LIABILITIES			
Non-current liabilities			
Credit institutions	20	21,799	24,214
Shareholder loans	20	370	60,216
Subsidies	24	3,779	2,763
Provisions	22	369	538
Provisions for pensions	22	1,465	2,363
Deferred taxes	15	12,216	12,304
Total non-current liabilities		**39,997**	**102,398**
Current liabilities			
Credit institutions	20	24,209	7,469
Shareholder loans	20	0	750
Accounts payable and other	21	29,325	32,192
State and other public entities	23	1,688	1,723
Total current liabilities		**55,221**	**42,134**
Total liabilities		**95,219**	**144,532**
TOTAL EQUITY AND LIABILITIES		177,816	175,819

(amounts in thousands of euros)

Consolidated demonstration of results by nature for the periods ended on the 31st December 2017 and 2016

Items	Notes	31-12-2017	31-12-2016
Sales and services provided	6 and 25	84,981	75,439
Cost of goods sold and materials used	16	-26,068	-22,728
Production variation	16	-447	690
Gross margin		**58,466**	**53,400**
Works for the company	8 and 10	1,148	0
Supplies and external services	27	-17,292	-16,896
Personnel costs	26	-28,995	-27,203
Amortizations	8 and 10	-6,414	-5,554
Impairment	11	-163	102
Provisions for the year	22	372	-25
Other income and gains	28	-1,908	-1,767
Impairment of non-repayable		-54	45
Increases/(reductions) of fair value	13	375	1,416
Other income and gains	28	2,168	2,014
Operating income		**7,701**	**5,531**
Interest and similar expenses	29	-3,078	-3,540
Interest and similar income	29	22	0
Financial result		**-3,056**	**-3,540**
Result before taxes		**4,645**	**1,992**
Income tax	15	-428	-251
Consolidated result for the period		**4,218**	**1,741**
Attributable:			
Shareholder		4,258	1,797
Non-controlling interests		-40	-56
Result by basic action (€)	30	**0.004**	**0.002**
Result per diluted action (€)	30	**0.004**	**0.002**

(amounts in thousands of euros)

Consolidated Statement of Comprehensive Income for the periods ended on the 31st December 2017 and 2016

	Notes	31-12-2017	31-12-2016
Consolidated net result of the period (a)		**4,218**	**1,741**
Other integral income:			
Amounts that will not subsequently be reclassified in the results			
Retirement Benefits	19 and 22		
Actuarial gains and losses		43	-163
Fiscal impact of the aforementioned effect		-12	37
Revaluation of fixed assets	8 and 19		
Change in fair value of tangible fixed assets		-2,660	1,321
Fiscal impact of the aforementioned effect		599	-297
Revaluation of fixed assets regarding registers of previous years	8 and 19		
Change in fair value of tangible fixed assets		363	0
Fiscal impact of the aforementioned effect		-82	0
		-1,749	**898**
Amounts that will subsequently be reclassified in the results			
Financial Instruments coverage accounting			
Market value variation		0	80
Fiscal impact of the aforementioned effect		0	-18
Exchange conversion adjustments	19	-424	759
Other adjustments	19		
Gross value		-2,322	0
Fiscal impact of the aforementioned effect		34	0
		-2,712	**821**
Other comprehensive income of the period (b):		**-4,461**	**1,719**
Total comprehensive income of the period (a) + (b)		**-243**	**3,459**
Total Comprehensive income attributable to:			
Shareholders		-203	3,515
Non-controlling interests		-40	-56
		-243	**3,459**

(amounts in thousands of euros)

Consolidated Statement of Changes in Equity for the periods ended on the 31st December 2017 and 2016

Items	Notes	Capital	Treasury shares	Share Premium	Supplementary benefits	Reserves and accumulated results (note 19)	Total	Non controlling interests	Total equity
Balance on 01st January 2016		**92,508**	**-2**		**38,182**	**-103,159**	**27,529**	**228**	**27,758**
Acquisitions of subsidiaries								68	68
Total comprehensive income									
Net result of the period						1,797	1,797	-56	1,741
Other comprehensive income of the period						1,719	1,719	0	1,719
Total						**3,516**	**3,516**	**12**	**3,527**
Balance on 31st December 2016		**92,508**	**-2**	**0**	**38,182**	**-99,643**	**31,045**	**241**	**31,286**

Equity attributable to the shareholders of the parent company

Items	Notes	Capital	Treasury shares	Share Premium	Supplementary benefits	Reserves and accumulated results (note 18)	Total	Non controlling interests	Total equity
Balance on 01st January 2017		**92,508**	**-2**	**0**	**38,182**	**-99,643**	**31,045**	**241**	**31,286**
Increase of capital	**18**	**29,419**		**22,065**			51,484	70	51,554
Total comprehensive income									
Net result of the period						4,258	4,258	-40	4,218
Other comprehensive income of the period						-4,461	-4,461		-4,461
Total		**29,419**	**0**	**22,065**	**0**	**-203**	**51,281**	**30**	**51,311**
Balance on 31st December 2017		**121,927**	**-2**	**22,065**	**38,182**	**-99,846**	**82,326**	**271**	**82,597**

(amounts in thousands of euros)

Consolidated Statement of Cash Flow for the periods ended on the 31st December 2017 and 2016

Items	31-12-2017		31-12-2016	
1. OPERATIONAL ACTIVITIES:				
Receivables from customers		93,273		84,532
Payments to suppliers		-53,976		-48,739
Payments to employee		-28,658		-26,551
Flows generated by operations		10,638		9,243
Other payments / receivables		374		-256
Cash flow from operating activities		**11,012**		**8,986**
2. INVESTMENT ACTIVITIES:				
Receivables from:				
Financial investments	0		1,620	
Investment subsidies	1,740		1,301	
Dividends	0	**1,740**	2	**2,924**
Payments regarding:				
Intangible assets	-297			
Tangible fixed Assets	-4,863		-4,899	
Others		-5,160		-4,899
Flows generated by investment activities		**-3,420**		**-1,975**
3. FINANCING ACTIVITIES:				
Receivables from:				
Loans granted	12,662		16,992	
Capital increases, supplementary benefits (note 18)	1,484			
		14,146		16,992
Payments regarding:				
Loans granted	-17,241		-20,971	
Amortization of financial leasing contracts	-42		-156	
Interests and similar expenses	-1,211	-18,493	-3,503	-24,630
Cash flow from investment activities		-4,347		-7,637
4. VARIATION OF CASH AND CASH EQUIVALENTS		3,245		-627
5. EFFECT OF EXCHANGE DIFFERENCES		-39		
6. INITIAL CASH AND CASH EQUIVALENTS		1,593		2,220
8. FINAL CASH AND CASH EQUIVALENTS		**4,800**		**1,593**

	31-12-2017	31-12-2016
Demand deposits	4,793	1,520
Other deposits	0	66
Cash	7	7
	4,800	**1,593**

Other bank deposits refer to applications (term deposits) with several maturities, according to the defined investment plan, but deployable in the immediate case there will be no anticipated needs.

Notes to the Consolidated Financial Statements

The amounts are in thousands of euros, except when mentioned otherwise

1. General Information

The *Grupo Vista Alegre Atlantis (Group)* comprehends *VAA – Vista Alegre Atlantis, S.G.P.S., S.A. (VAA - SGPS, SA)* and subsidiary companies. *VAA - SGPS, SA* was established in 1980, as a private company limited by shares, under the name *Fábrica de Porcelana da Vista Alegre, Lda.* The company's general object is the industry of porcelain as well as other ceramic products. This activity had already been carried out by another company belonging to the *Group*, which at that time, and due to restructuring reasons, decided to empower certain business areas. Since the late 1987, the Company has been listed in the Lisbon and Oporto Stock Exchange.

Currently called VAA - SGPS, SA, the company has the corporate purpose of managing shareholding in other companies, as an indirect form of economic activities, which consist of the production, distribution and sale of porcelain, faience, ovenware, handmade crystal and glass, through its own retail network, with independent retailers and distributors. *VAA - SGPS, SA* is based at Lugar da Vista Alegre, 3830-292, Ílhavo. The company has its shares listed on the Stock Exchange of the official Euronext Lisbon market.

In January 2009, *Vista Alegre Atlantis, SGPS, SA* was informed, pursuant to and under the terms of article 175 of the *CMV*, by the *Caixa-Banco de Investimento, SA* and the *Banco Millennium BCP Investimento, SA,* in the name and representing *Cerútil-Cerâmicas Utilitárias, SA,* that it had decided to carry out a Public Offering for General Acquisition of the shares representing the share capital of VAA – SGPS. S.A.

At the end of all negotiations and credit assignments, *Cerútil-Ceramicas Utilitárias, SA (Grupo Visabeira*), held 92.042.696 shares, representing 63.46% of the share capital of *Vista Alegre Atlantis, SGPS, SA.*

Subsequently, in July 2010, Vista Alegre Atlantis, SGPS, SA's share capital was increased from 11,603,199.20 euros to 92,507,861.92 euros, comprising the issuance of 1.011.308.284 common shares, book-entry and bearer shares, with a nominal value of 0.08 Euros each, of which:

- 125.000.000 shares were subscribed through a private offering by the Fundo de Capital de Risco AICEP Capital Global Grandes Projetos de Investimento; 562.500.000 shares were subscribed by Cerutil – Cerâmicas Utilitárias, S.A.;

- and the remaining 323.808.284 shares were subscribed through a public subscription offering reserved to shareholders, exercising their pre-emptive rights. At the end of the process, Cerutil strengthened its position to 76.47%.

Regarding the *Grupo Vista Alegre Atlantis*, VAA's Board of Directors believes that the capital increase was a key factor for the success of the business restructuring that followed. The inflow of funds aimed at restoring the financial balance of the company, providing its structure with the capacity of meeting its commitments and allowing the necessary expansion and replacement investment.

On the 16th of October 2013, through a share purchase agreement signed with the *Banco Comercial Português, S.A.*, GRUPO VISABEIRA, SGPS, S.A. purchased, on that date, from the above mentioned bank, a total of 51.761.957 shares representing 4.48% of the share social and voting rights of VAA – VISTA ALEGRE ATLANTIS, SGPS, S.A. ("VAA"). As a result of such acquisition, GRUPO VISABEIRA, SGPS, S.A. become directly entitled to this number of shares representing 4.48% of VAA's share capital and voting rights. In 2017 the percentage of representative shares increased to 3.64% (2016: 4.798%).

On the 22nd December 2017, Vista Alegre Atlantis, SGPS, SA increased its capital from 92,507,861.92 euros to 121,927,317.04 euros, comprising the issuance of 367.743.189 common, book-entry and bearer shares, being represented by 1.524.091.463 shares with a nominal value of 0.08 euros each, of which:

- 10.600.331 shares were subscribed by means of a public subscription offering with a subscription reserved to VAA shareholders, in the exercise of their pre-emptive rights (excluding the legal pre-emptive right of the shareholders Visabeira Indústria SGPS, S.A., Grupo Visabeira SGPS, S.A., FCR Portugal Ventures Grandes Projetos de Investimento, Caixa Geral de Depósitos, S.A. and Fundo de Capital de Risco Grupo CGD – Caixa Capital and limited the pre-emptive right of the shareholder CERUTIL – Cerâmicas Utilitárias, S.A. ("CERUTIL") for the subscription of the shares regarding the cash increase);

- 357.142.858 shares were subscribed by CERUTIL in cash contributions through the conversion of CERUTIL credits to VAA, SGPS, S.A. to the amount of 50,000,000.12 euros.

Under the terms and pursuant to the article 248-B of the Securities Code, and article 14 of CMVM Regulation no. 5/2008, VAA – Vista Alegre Atlantis, SGPS, S.A. received a communication that, under two share purchase and sale agreements signed on the 27th December 2017, VISABEIRA INDÚSTRIA SGPS, S.A. acquired from CERUTIL – Cerâmicas Utilitárias, S.A., 1.252.453.447 shares representing the share capital of VAA – Vista Alegre Atlantis, SGPS, S.A.. After such transactions, VISABEIRA INDÚSTRIA SGPS, S.A. became the holder of 82.27% of the share capital and voting rights of a VAA – Vista Alegre Atlantis, SGPS, S.A..

Through a share purchase and sale agreement signed on the 28th December 2017, VISABEIRA INDÚSTRIA SGPS, S.A. acquired, outside the stock exchange, from the company Portugal Capital Ventures – Sociedade de Capital de Risco, S.A., 125.000.000 shares representing 8.20% of the share capital of VAA – Vista Alegre Atlantis, SGPS, S.A., after such transactions, became the direct owner of

1.378.923.847 shares, representing 90.48% of the share capital and voting rights of VAA – Vista Alegre Atlantis, SGPS, S.A..

The share capital of Visabeira Indústria SGPS, S.A. is wholly owned (100%) by Grupo Visabeira, SGPS, S.A. (based at Rua do Palácio do Gelo, n.º 1, Palácio do Gelo Shopping, Piso 3, Viseu, with the share capital of 115,125,630.00 Euros, registered at the *Conservatória do Registo Comercial de Viseu* [Commercial Registry Office of Viseu] under the single registration and VAT number 502.263.628), so that the voting rights of Visabeira Indústria SGPS, S.A. are also attributable to Grupo Visabeira, SGPS, S.A., which, in turn, holds, directly, 55.484.166 shares representing 3.64% of the share capital and voting rights of VAA – Vista Alegre Atlantis, SGPS, S.A..

It should also be noted that 99.45% of the share capital and voting rights of GRUPO VISABEIRA, SGPS, S.A. is directly hold by the company NCFGEST, SGPS, S.A., based at Repeses, Viseu, with a share capital of 138,015,658.80 Euros, registered at the *Conservatória do Registo Comercial de Viseu* [Commercial Registry of Viseu] under the single registration and VAT number 508.959.756, and therefore the voting rights representing VAA's share capital, mentioned above, are also attributable to NCFGEST, SGPS, S.A..

The Group has production plants in Portugal and it sells mainly in the Euro zone countries, especially in Portugal, Spain, Germany, France and Italy.

These consolidated financial statements were approved and authorized for issue at the Board of Directors meeting held on the 14th March 2018.

2. Summary of the main accounting policies

The most significant accounting policies used to determine the results of the financial year and the presentation of the financial position are as follows:

2.1 Elaboration

Under Regulation (EC) no 1606/2002 of the European Parliament and of the Council of the 19th July 2002, as transposed into Portuguese law by Decree-Law no. 35/2005, of 17th February, subsequently amended by Decree-Law no. 98/2015 of the 2nd of June, these consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). IFRS includes the standards issued by the International Accounting Standards Board ("IASB"), as well as Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the respective predecessor bodies, effective on the 1st January 2017.

The consolidated financial statements were prepared based on the continuity of operations, according to the accounting books and records of the companies included in the consolidation, kept in accordance with the accounting policies of each jurisdiction, adjusted under the IFRS' consolidation process. The historical cost principle was respected, except in the case of investment properties, land and buildings, which were measured at fair value. When elaborating the consolidated financial statements, the Board of Directors of the Group VAA – VISTA ALEGRE ATLANTIS uses estimates and assumptions which affect the application of policies and the amounts of assets and liabilities. The associated estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances and are the basis for judgments on the values of the assets and liabilities whose valuation is not evident from other sources. Actual results may differ from estimates. Issues that require a higher judgment or complexity, or for which assumptions and estimates are considered significant, are presented in Note 3.

Change in lines presented in the Consolidated Financial Statement and in the Consolidated Income Statement

Regarding the 31st December 2017, the Group identified the lines of the Financial Statements "Intangible assets" and "Goodwill", the latter previously considered under "Intangible assets". Moreover, the Consolidated Income Statement of "Provisions", "Amortizations" and "Impairments", which previously were considered in the same line under "Depreciation/Impairment/Provisions for the year", were identified separately. For the purposes of comparability, the corresponding change was made for the same period presented.

2.2 Basis for consolidation

2.2.1 Subsidiaries

The consolidated financial statements include, regarding the 31st of December 2017, the assets, liabilities and results of the Group' companies, considered as the all of the Group VAA and its subsidiaries, which are presented in Note 5.

An entity is classified as a subsidiary when it is controlled by the Group. Control is achieved only if the Group has: (a) power over the Investee Company; (b) exposure or rights to variable results through its relationship with the investee company; and (c) the ability to use its power over the attempt to affect the value of the results to investors.

Generally, control is presumed to exist when the Group holds the majority of the voting rights. In cases where the Group does not hold the majority of the investee company's voting rights, all relevant facts and circumstances are taken into account in the assessments of power and control, such as: (a) Contracts with other voting rights' holders; (b) Rights deriving from other contracts; and (c) Existing and potential voting.

The existence of control by the Group is reassessed whenever there is a change of facts and circumstances leading to change of the control elements mentioned above.

The subsidiary companies are included in the consolidation by the full consolidation method. The results of the subsidiaries acquired or sold during the year are included in the consolidation by the full consolidation method, from the date the control is acquired until the date on which the control effectively ends.

Balances, transactions, dividends and unrealized gains on transactions between the Group's companies are eliminated from the consolidation process. Unrealized losses are also eliminated, unless the transaction reveals evidence of impairment of a transferred asset.

The accounting policies of the subsidiary companies are amended whenever necessary in order to ensure consistency with the policies adopted by the Group.

An amendment in equity interest in a subsidiary company which does not involve loss of control is accounted as a transaction between shareholders. If the Group loses control over the subsidiary company, the related assets, (including goodwill), liabilities, non-controlling interests and other equity components are not recognized, and any gains and losses are recognized in the income statement. The investment held is recognized at fair value at the time of the control loss.

Regarding the situations where the Group holds, in substance, control of entities created for a specific purpose (including structured entities or SPV), even though it does not hold capital shares directly in these entities, they are consolidated by the full consolidation method.

The net result and other elements of the other comprehensive income and the equity of the subsidiaries corresponding to the participation of third parties in them (non-controlling interest) are presented in the consolidated financial statement and in the consolidated income statement, and other comprehensive income in specific headings of non-controlling interests. The comprehensive income of the subsidiaries is attributed to the Group's owners and to the non-controlling interests, even if the situation results in a deficit balance of the latter.

2.2.2 Concentrations of business activities and goodwill

Concentrations of business activities are recorded according to the purchase method.

Acquisitions after 2010:

Under the acquisition method the difference between: (i) the cost of concentration and (ii) the net amount of the acquired identifiable assets and assumed liabilities, is recognized, on the acquisition date, as goodwill if positive, or as gain, if it is negative.

The cost of the concentration is calculated at fair value, consisting of the sum, on the acquisition date of the control, of: (i) the fair value of the assets transferred by the Group; (ii) the fair value of the liabilities assumed by the Group upon the acquisition of control; and (iii) the fair value of the equity instruments issued by the Group in exchange for the acquisition of control. Expenses related to concentrations of business activities are recorded in results when incurred.

At the cost of the concentration, any expenses regarding other transactions (e.g. remuneration for future services or for settlement of pre-existing relationships) are recognized, the margin of which is recognized separately in profit or loss.

The amount of future contingent payments, if any, are recognized as liabilities or equity at fair value at the time of acquisition. Subsequent changes in this amount are recognized: (i) as equity if the contingent payment is classified as equity, (ii) as expenses or income in the income statement or as other comprehensive income if the contingent payment is classified as a financial asset or liability within the scope of IAS 39 and (iii) as expenses under IAS 37 or other applicable standards, in all other cases.

At the acquisition date, the classification and designation of all assets acquired and liabilities transferred in accordance with IFRS are revalued, except for leases and insurance contracts that are classified and designated based on the contractual terms and conditions at the date of commencement of the contract.

Assets resulting from contractual indemnities on the part of the seller relating to the outcome of contingencies related, in whole or in part, to a specific liability of the combined entity, must be recognized and measured using the same principles and assumptions of related liabilities.

The fair value of the acquired assets and liabilities takes into account the fair value of the contingent liabilities arising from a present obligation arising from a past event (if the fair value can be measured reliably), regardless of whether a probable outflow is expected.

For each acquisition, the Group may choose to measure "non-controlling interests" at their fair value or at their respective share of the assets and liabilities transferred from the acquiree. The option by either method influences the determination of the goodwill amount to be recognized. When the business combination is carried out phases, the fair value on the date of the acquisition prior to the interests held is re-measured to the fair value at the date in which the control is gained, against the results during the period in which the control is reached, affecting the calculation of the goodwill.

Whenever a combination is not completed at the reporting date, the provisional amounts recognized at the acquisition date and/or recognized assets and additional liabilities will be retrospectively adjusted for a period of 12 months from the date of acquisition, if obtained from facts and circumstances that existed at the date of the acquisition, and if they had been known these assets and liabilities would be recognized at that date.

<u>Acquisitions prior to 2010:</u>

Compared to the treatment described above applicable from the 1st of January 2010, the following are main differences:

»» The cost of an acquisition included the costs directly attributable to the acquisition which affected the calculation of goodwill;

»» The "non-controlling interests" of the acquiree (previously referred to as "minority interests") were measured only in their share of the identifiable net assets of the acquiree, but did not affect the calculation of the combination's goodwill/gain;

»» When the business combination was carried out in several phases, the fair value at the previous acquisition date of the interests held was not re-measured at the time control was obtained and the previously recognized goodwill remained unchanged;

»» Any contingent acquisition value was recognized only if the Group had an active obligation, the former flow was probable and the estimate was reliably determinable; subsequent changes to this amount were recognized against goodwill.

2.2.3 Jointly-owned and jointly entities

Associated companies are the companies over which the Group exercises significant influence, understood as the power to participate in the operational and financial policies, without however exercising control or joint control. It is generally assumed that there is significant influence when the percentage of participation is greater than 20%.

The classification of financial holdings in jointly controlled entities is determined on the basis of contracts which demonstrate and regulate joint control, which is understood when decisions on the relevant activities of the enterprise require unanimous agreement between the parties. The Group has no interest in jointly controlled operations as defined in IFRS 11.20.

Investments in associates and joint ventures are recorded under the equity method. Under the equity method, financial investments are initially recorded at acquisition cost, which is subsequently adjusted: (a) at the value corresponding to the Group's participation on the comprehensive income (including net income for the year) of associates - in consideration of other comprehensive income of the Group or of gains or losses for the year, as applicable; (b) for the dividends received - in exchange for an account receivable or cash; and (c) for possible gains or losses on operations with other companies of the Group.

When the proportion of the Group in accumulated losses of the associate companies exceeds the value by which the investment is registered, the investment is reported at a null value as long as the equity of the associate is not positive, unless the Group has undertaken commitments with the associate, reporting in such cases, a responsibility to meet those obligations.

Any excess regarding the cost of acquisition of a financial investment over the Group's interest in the fair value of the assets, liabilities and contingent liabilities identified at the date of acquisition of the associated company or jointly controlled entity is recognized as goodwill, which is included in the value of the shareholding, and its recovery is assessed annually as a comprehensive part of the financial investment. If the acquisition cost is lower than the fair value of the assets of the associate company or jointly controlled entity acquired, the difference is recorded directly in the income statement.

Unrealized gains on transactions between the Group and its associated companies and jointly controlled entity are eliminated according to the Group's participation in the associated companies and jointly controlled entities. Unrealized losses are also eliminated, unless the transaction reveals evidence of impairment of a transferred good.

Whenever necessary, adjustments are made to the financial statements of associate companies and joint ventures to ensure consistency with the accounting policies adopted by the Group.

An impairment analysis is made for financial investments in associate companies and joint ventures when there is evidence that the asset may be impaired, and a loss is recorded in the income statement whenever this is confirmed. The recoverable amount of financial investments in associated companies is, for this purpose, determined in accordance with IAS 36. When impairment losses recognized in prior periods cease to exist, they are reversed (with the corresponding gain on the income statement). Impairment losses are recorded as a deduction from the carrying amount of the investments.

2.2.4 Conversion of financial statements of foreign entities

The elements included in the financial statements of each of the Group's companies are measured using the economic environment currency in which the company operates (the functional currency). The consolidated financial statements are presented in Euros, the functional and reporting currency of the Group.

Assets and liabilities expressed in the financial statements of foreign entities (entities that do not use the euro as their functional currency) are translated into Euro using the exchange rates prevailing at the reference date of the financial statement. Income and expenses, as well as cash flows, are translated into Euro using the average exchange rate recorded during the year. The resulting exchange difference, generated after the 1st January 2004, is recorded on equity under "Exchange reserve". Exchange differences generated until the 1st January (date of transition to IFRS) were written off against "Other reserves and retained earnings".

Goodwill and fair value adjustments resulting from the acquisition of foreign entities are treated as assets and liabilities of these entities and converted to Euro at the exchange rate effective at the end of the year.

Whenever a foreign entity is sold (wholly or partially), the corresponding share of the accumulated exchange difference is recognized in the consolidated income statement as a gain or loss, in the event of loss of control, or transferred to interests which they do not control in case there is no loss of control.

The exchange rates (closing and average) used on the 31st December 2017 and 2016 in the conversion to Euro of the financial statements of the main subsidiaries, jointly controlled companies and foreign associate companies (entities that do not use the Euro as functional currency) were the following:

(amounts in thousands of euros)

	Closing exchange		Medium exchange	
Currency	**31-12-2017**	**31-12-2016**	**31-12-2017**	**31-12-2016**
American Dollar	0.8338 €	0.9487 €	0.8795 €	0.9065 €
British Pound	1.1261 €	1.1713 €	1.1418 €	1.2161 €
Mozambican Metical	0.0142 €	0.0134 €	0.0140 €	0.0143 €
Brazilian Real	0.2532 €	0.2926 €	0.2752 €	0.2616 €
Indian rupee	0.0131 €	0.0141 €	0.0136 €	0.0135 €

2.3 Main valuation criteria

2.3.1 Intangible assets

Intangible assets are reported at acquisition cost, less amortizations and eventual impairment losses, and are only recognized if they are likely to generate future economic benefits for the Group if it is reasonably possible to measure their cost and if the Group has control over them.

The Group's intangible assets mainly relate to Ownership Transfer, Development projects and other related to new products and processes, developed in-house.

The depreciations are calculated over the acquisition amounts, according to the constant quota method, on a duodecimal basis, according to the useful life period, for a period of 3 years (except in the case of ownership transfer that are to be depreciated in 6 years, and in the rights of stores in shopping centers that are amortized for the term of the respective contracts).

Costs from its own brands and internally generated intangible assets are reported in the results account as they are incurred.

The investigation expenses, carried out for the research of new technical and scientific knowledge, or for the search of alternative solutions, are recognized as results when they are incurred. The development expenses are capitalized whenever the product or the process' technical feasibility is demonstrated, and the Group intends to and has the ability to complete its development and to start selling or using it.

2.3.2 Goodwill

Goodwill cannot be amortized, and it is annually subject to imparity testing, regardless of whether there are imparity indicators.

For the imparity testing, goodwill is associated, on the date of the acquisition, to each cash generating unit, which is expected to benefit from the business combination, regardless of the remaining assets and liabilities, also related to the cash generating unit. When the operation, or part of it, related to the cash generating unit, the goodwill allocated is also derecognized and included in the clearance of sale gain/loss, being calculated based on its relative value.

Any value loss, imparity, is reported in the final result of the period, and cannot be subsequently reverted.

2.3.3 Tangible fixed assets

Tangible fixed assets corresponding to land and buildings, which essentially comprise factories, warehouses, retail stores and offices, are recorded according to the revaluation model, corresponding to their carrying amount on the reporting date at their fair value, on the date of the last revaluation less accumulated depreciation and impairment losses. Revaluations are made annually based on independent external real estate assessments.

According to the revaluation model, the increases on the assets carrying amount as a result of the land and buildings reassessment are credited under a specific item in equity. The decreases which compensate for prior increases regarding the same asset are reported under the same item as the increases; the remaining decreases are recognized as expenses regarding the period. Annually, the difference between depreciation based on the carrying amount reassessed, regarding the period expenses and the depreciation based on the assets' original cost, is transferred from the fair value reserve to the retained earnings.

The tangible fixed assets corresponding to the Group's Artistic Collection ("Espólio Vista Alegre") are initially recorded at fair value based on external expert valuations dating from 2014 and 2015 and subsequently deducted from amortizations and losses due to accumulated impairment. It should be noted that, since the residual value of collection items which are part of the "Espólio Vista Alegre" is equal to or greater than its book value, no depreciation is taken, but periodic evaluations of a sample of items are carried out to calculate the respective value of realization. The Group's Artistic Collection is related to the collection pieces, associated, among others, with the production of the Fábrica de Porcelana da Vista Alegre, as well as donations, which have been collected and classified since the establishment of Vista Alegre. This collection, unique in the country, reflects not only the almost two centuries of the Group, but mainly the history of porcelain in Portugal and in the World. Besides the pieces on display at the Vista Alegre Museum (about 2.000), the Group has a considerable number of objects in reserve which include porcelain and glass, but also other collections associated with the history of the Group that cover different areas such as decorative arts, technology and technique, social and local history or religious history. The collection was formed through direct transfers from the industrial plant, acquisitions or donations, comprising a broad chronological period, which runs from the 17th to the 20th century.

The remaining tangible fixed assets are initially measured at acquisition cost and subsequently are deducted from depreciation and impairment losses, or acquisition cost plus legal revaluations prior to the date of transition to IFRS, less depreciation and impairment losses.

(amounts in thousands of euros)

The acquisition cost includes all expenditures directly attributable to the activities required to place the assets in the location and condition required to operate as required.

The subsequent costs are included in the assets' carrying amount, or recognized as separate assets, as adequate, only when it is possible that the economic benefits will flow to the Group and the cost may be measured with reliability. All other subsequent expenditures are recognized as an expense during the period they incur.

Depreciations

Land is not depreciated, as the depreciations of the remaining assets calculated over the acquisition or reassessment values, by the according to the constant quota method, on a duodecimal basis. The annual rates applied successfully reflect the economic useful life of the assets, which is determined according to the expected use. The depreciation rates correspond, on average, to the following estimated useful lives:

	31-12-2017	31-12-2016
Buildings and other constructions	3-50	3-50
Basic equipment	3-14	3-14
Transport equipment	4-8	4-8
Tools and utensils	3-7	3-7
Office equipment	4-10	4-10

The depreciation process starts on the month the asset becomes available for operation.

The assets' residual values, the useful lives and the amortization methods are reviewed and adjusted annually. In case the carrying amount is superior to the assets' recoverable value, its readjustment to the estimated recoverable values should be carried out.

Regarding the Group's Artistic Collection the Group's Artistic Estate, its residual value is equal to or greater than its book value, which is why it is not suffering any depreciation.

Gains or losses arising from write-off or sale are determined by the difference between sale's receivables and the asset carrying amount, and are recognized as income or expenses in the consolidated financial statements. When revaluated assets are sold, the amount included in other reserves is transferred to retained earnings.

2.3.4 Investment Properties

Investment properties, which correspond to real estate assets held for income or for capital appreciation, or both, and not for use in the production or supply of goods and services or for administrative purposes, are recorded at fair value, determined by valuation carried out by an independent specialized entity.

Changes in the fair value of investment properties are recognized in the Consolidated Income Statement during the year in which they are generated, in the line of Increase / (Decrease) in fair value.

Investment properties are derecognized when they are sold or withdrawn from use and future economic benefits are not expected to result from their withdrawal. Any gains or losses resulting from the recognition of investment property are recognized in the consolidation income statement during that year.

Costs incurred with investment properties in use, namely maintenance, repairs, insurance and property taxes, are recognized in the consolidated income of the period which they relate to. The improvements, which are estimated to generate future additional economic benefits, are capitalized.

2.3.5 Impairment of tangible and intangible fixed assets (other than goodwill)

An impairment assessment of the Group's assets is made at the date of each consolidated financial statement and whenever an event or change in circumstances is identified indicating that the amount for which an asset is registered may not be recoverable. Whenever the amount by which an asset is recorded is greater than its recoverable amount (defined as the highest of the net selling price and the value in use, or as the net sale price of assets for sale) impairment loss, recorded in the income statement under the caption "Fair value increases / (reductions)". The net selling price is the amount that would be obtained from the asset sale in a transaction between independent and knowledgeable entities, less cost directly attributable to the sale. Value in use is the current value of the estimated future cash flows that are expected to arise from the continued use of the asset and its sale at the end of its useful life. The recoverable amount is estimated for each asset, individually or, if it is not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recognized in prior periods is recorded when it is concluded that recognized impairment losses no longer exist or have decreased. This analysis is performed whenever there is evidence that the previously recognized impairment loss has reversed. The reversal of impairment losses is recognized in the income statement under the caption "Fair value increases/ (reductions)". However, the reversal of the impairment loss is made up to the amount that would be recognized (net of amortization or depreciation) if the impairment loss had not been recorded in previous years.

Impairment losses are identified in Note 11.

2.3.6 Inventories

Inventories are valued according to the following criteria:

a) Goods and raw materials

Goods and raw materials, subsidiaries and consumables are registered on the acquisition cost, which is lowest to the correspondent market value, using the weighted average method.

b) Finished products and undergoing products and works

The finished and intermediate products as well as undergoing products were valued at a “standard cost”, adjusted to its net realizable value, when it is lower than the standard the respective market value.

The structure of the cost calculation will be supported by the computer system - SAP based on “technical listings” (structured summary of the components of the product) and “scripts” (description of the operations carried out to produce a product) of each product, which have the essential master data for the planning, production control and product’s industrial cost, adding value as the product goes through the different stages up to the end stage. The calculation of the standard cost is based on the costs’ structure necessary for the normal use of the production capacity installed in the different plant, excluding the inactivity and restructuring costs. Occasionally, are carried out reviews in case there are significant changes in the product’s structure.

The Group periodically analyses the impairment of its inventories in order to reduce their value to their realizable value, based on both their estimated selling price and their turnover. Regarding this latter factor, the Group mainly structures its products between "Line products" and "Products off-line", having defined criteria of impairment according to the actual rotation of each article during the last 24 months, criteria approved by the Board of Directors.

2.3.7 Financial Instruments

2.3.7.1 Factoring and discounted bills

The Group derecognises financial assets in its financial statements, only when the contractual right to cash flows inherent in such assets has expired or when the Group transfers substantially all the risks and benefits inherent in the ownership of those assets to a third party. If the Group substantially retains the risks and benefits inherent in the ownership of such assets, it continues to recognize them in its consolidated financial statements, recording in the liability under the caption "Financing obtained" the monetary counterpart for the assets assigned.

Consequently, customer balances denominated in discounted and unpaid bills and receivables assigned in factoring at the date of each financial statement, with the exception of non-recourse factoring operations (and for which it is unequivocally transferred the risks and benefits inherent to these accounts receivable) are recognized in the consolidated financial statements of the Group until the date of their receipt.

2.3.7.2 Confirming

The Group keeps protocols with financial entities in order to allow its suppliers access to an advantageous management tool for their working capital, upon confirmation by the said subsidiary of the validity of the credits that the suppliers hold over it.

Under these protocols, some suppliers have freely entered into agreements with these financial institutions that allow them to anticipate receipt of the covered loans immediately after confirmation by the subsidiary of its validity to the financial institution.

The Group considers that the economic substance of these financial liabilities does not change and therefore maintains the accounting classification of such credits in the "Suppliers" heading up to the date of their normal maturity under the supply contract signed between the subsidiary and the supplier whenever (i) the maturity corresponds to a period of time practiced by the industry in which the subsidiary is located, as there are no changes to payment deadlines for periods outside the range that normally apply to other suppliers that are not part of the aforementioned program, and (ii) the subsidiary does not bear liquid charges with the prepayment transaction in relation to the alternative payment at normal maturity. In some situations, the said subsidiary receives from the financial institution a commission for credit collection.

On the maturity date of said invoices, the amount is paid by the subsidiaries to the financial institution regardless of whether or not they have paid those amounts in advance to the suppliers.

2.3.7.3 Investments

The Group classifies financial investments within the following categories: "Investments recorded at fair value through profit or loss", "Loans and receivables", "Held-to-maturity investments" and "Available-for-sale investments". The classification depends on the intention underlying the acquisition of the investment.

Investments recorded at fair value through profit or loss

This category is divided into two subcategories: "financial assets held for trading" and "investments recorded at fair value through profit or loss". A financial asset is classified under this category if it is acquired for the purpose of being sold in the short term, or if valuation carried out through this method eliminates or significantly reduces an accounting mismatch. Derivative instruments are also classified as they are held for trading or if they are unless they are hedged. Assets in this category are classified as current assets if they are held for trading or if they are expected to be realized within less than 12 months of the balance sheet date.

Held-to-maturity investments

This category includes non-derivative financial assets with fixed or variable repayments that have a fixed maturity and for which the Board of Directors intends to maintain until their maturity date.

These investments are classified as non-current assets, unless their maturity is less than 12 months from the balance sheet date.

Investment available for sale

These include financial assets, not derivatives, which are designated as available-for-sale or those that do not fall into the previous categories. This category is included in non-current assets, unless the Board of Directors intends to sell the investment within less than 12 months of the balance sheet date.

All purchases and sales of financial investments are recognized at the transaction date, that is, on the date the Group assumes all risks and obligations inherent to the purchase or sale of the asset. Investments are initially recognized at fair value plus transaction costs, being the only exception “investments carried at fair value through profit or loss”. In the latter case, investments are initially recognized at fair value and transaction costs are recognized

Investments are initially recognized at fair value plus transaction costs, with the only exception being "investments carried at fair value through profit or loss". In the latter case, investments are initially recognized at fair value and transaction costs are recognized in the income statement.

Investments are derecognised when the right to receive financial flows is overdue, or in case it has been transferred and as a consequence all the associated risks and benefits.

"Available-for-sale investments" and "investments carried at fair value through profit or loss" are subsequently carried at fair value by reference to their market value at the balance sheet date, without any deduction relating to transaction costs that may arise until it is sold.

"Loans and receivables" and "Held-to-maturity investments" are recorded at amortized cost using the effective interest rate method.

Gains and losses, realized or not, arising from a change in the fair value of “Investments recorded at fair value through profit or loss” are recorded in the income statement for the year. Gains and losses, realized or not, arising from a change in the fair values of non-monetary investments classified as available for sale, are recognized in equity under “Fair value reserves” until the investment is sold, received or until the fair value of the investment is below its cost of acquisition, and that it corresponds to an impairment loss, at which point the accumulated loss is recorded in the income statement.

The fair value of financial investments held for sale is based on current market prices. If the market in which the investments are inserted is not an active/net market (unlisted investments), the Group records the cost of acquisition, taking into account the existence or not of impairment losses. The Group's Board of Directors believes that the fair value of these investments does not differ significantly from their cost of acquisition. The fair value of quoted investments is calculated based on the closing price of the stock market where they are traded, at the date of each financial statement.

The Group evaluates at the date of each financial statement whenever there is objective evidence that a financial asset may be impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decrease from their fair value to levels below their cost is indicative that the asset is impaired. If there is any evidence of impairment of "available-for-sale investments", accumulated losses - calculated by the difference between the acquisition cost and the fair value less any impairment losses previously recognized in the income statement - are deducted from equity and recognized in the income statement.

All purchases and sales of these investments are recognized on the date of their respective purchase and sale contracts, regardless of the date of their financial settlement.

2.3.7.4 Third party's debts

Third parties' debts that do not bear interest are recorded at their nominal value less any impairment losses so that they reflect their present net realizable value. These amounts are not discounted because the effect of their financial update is not considered material.

2.3.7.5 Loans

Loans are recorded in liabilities at their nominal value less transaction costs that are directly attributable to the issuance of these liabilities. The financial charges are calculated at amortized cost according to the effective interest rate.

2.3.7.6 Debts to third parties

Debts to third parties to non-interest bearing are recorded at their nominal value, except in situations where the effect of the financial update is considered material.

2.3.7.7 Equity instruments and the distinction between financial liabilities

Financial liabilities and equity instruments are classified according to the contractual substance of the transaction. The Group considers equity instruments those in which the contractual support of the transaction shows that the Group has a residual interest in a group of assets after deducting a set of liabilities.

Equity instruments issued by the Group's companies are recorded according to the amount received, net of the costs incurred with its issuing. The treasury shares are accounted for by its acquisition value as a reduction to equity.

The gains or losses resulting from the disposal of treasury shares are registered in "Reserves and retained earnings", not being considered in the results of the period in which they occur.

2.3.7.8 Derivatives and hedge accounting

The Group uses derivatives in the management of its financial risks solely as a way to hedge these risks, and derivative instruments are not used for the purpose of speculation.

Derivative instruments used by the Group relate to interest rate hedging instruments to hedge interest rate risk on borrowings.

The criteria used by the Group to classify derivative instruments as cash flow hedging instruments are as follows:

i. The hedge is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
ii. The effectiveness of the coverage can be reliably measured;
iii. There is adequate documentation on the transaction to be covered at the beginning of coverage;
iv. The hedged transaction is highly probable.

Interest rate hedging instruments are initially recorded at cost, if any, and subsequently revalued to their fair value. Changes in the fair value of these instruments are recognized in equity in the caption "Hedging reserves" and are transferred to profit and loss in the same period in which the hedged instrument affects results.

If derivative instruments do not meet the above-mentioned requirements for classification as hedging instruments, although initially contracted for this purpose, changes in their fair value are recognized directly in the income statement.

The hedge accounting for derivative instruments is discontinued when the instrument matures or is sold. In situations where the derivative is no longer qualified as a hedging instrument, the accumulated fair value differences recorded in equity under "Hedging reserves" are transferred to profit or loss for the period or accounting value of the asset to which the hedged transactions originated, and subsequent revaluations are recorded directly in the income statement items.

When there are derivatives embedded in other financial instruments or other contracts, they are treated as separate derivatives in situations where the risks and characteristics are not closely related to contracts and in situations in that the contracts are not presented by its fair value with unrealised gains or losses registered in the consolidated Statements of results.

2.3.7.9 Cash and cash equivalents

The amounts included under "Cash and cash equivalents" correspond to cash, bank deposits, time deposits and other cash investments, which mature less than three months and can be immediately mobilized with insignificant risk of change in value.

2.3.8 Equity

- ***Share Capital:***

The share capital is fully represented by bearer share certificates, which are classified in the Equity.

- ***Legal reserve:***

According to the Portuguese commercial legislation, at least 5% of income, established in the Company's individual accounts, which must be allocated to the legal reserve until it represents at least 20% of the Share Capital. The legal reserve is non-distributable unless in case of liquidation of the Company, but can be used to absorb losses, after exhausting all other reserves, or for incorporation in the share capital.

2.3.9 Employee benefits

2.3.9.1 Provisions for pensions – defined benefit plan

Some Group companies have pension schemes assigned to former employees, in the form of a defined benefit plan; this is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The Group has in place several plans of retirement benefits, some at the expense of the Group and others in charge of the *Futuro – Sociedade Gestora de Fundos de Pensões, S.A.* (*Grupo Montepio*).

The liability recognized in the statement of the consolidated position, in relation to the benefit plan defined, is the present amount of the benefits obligation defined at the date of the consolidated financial statements. The obligations of the defined benefit plans are annually determined by independent actuaries, using the credit method of the projected unit ("Projected Unit Credit Method"). The present amount of the defined benefit obligation is determined by discounting the future cash outflows, using interest rates of high-quality obligations defined in the same currency in which the benefits will be paid and with maturity terms which approach of the assumed responsibility.

All actuarial gains and losses arising from adjustments related to the experience and changes in actuarial assumptions are directly recognised in equity and presented in other comprehensive income.

The previous service costs are immediately recognised in results, except if the changes to the pension plan are determined by the register of employees in service for a specified period of time (the period that qualifies for the benefit). In this case, the previous service costs are amortized on a straight line basis over the related period.

Gains and losses generated by a curtailment or a settlement of a defined benefit pension plan are recognized in the year in which the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees or when the plan is modified in a way that the benefits are materially reduced, originating a reduction in the plan's liability.

2.3.9.2 Employment termination

The employment termination benefits are due for payment when there is an employment termination before the normal date of retirement or when an employee agrees to voluntarily leave in exchange for these benefits. The Group acknowledged these benefits when it can be demonstrated the commitment to a cessation of employment of current employees, according to a detailed formal plan for cessation and when there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary termination. Where termination benefits fall due more than 12 months after the balance sheet date, they shall be discounted to their current value.

2.3.9.3 Holidays, holiday allowances and awards

The labour code approved by the law nº 7/2009 of 12 February, amended by the Laws nº 105/2009 of 14 September, and nº 53/2011 of 14 October, established in the nº 3 of the article 238, the conditions under which the right to holidays, ended at the beginning of each year, should be of 25 days. The Law nº 23/2012 of 25 June repealed this provision, passing the right a maximum of 22 days. The Constitutional Court later declared the unconstitutionality of some of the rules of this law, namely the increase of holidays, when this increase was already received in a collective recruitment.

The collective contracting applicable to the ceramics industry, negotiated between APICER and the unions, had accepted the rules for the increase and applied directly or indirectly to about 2/3 of the VAA workers. The VAA SA Management has decided, for reasons of equity, to extend the right to increase the vacation due on 01/01/2013 to all employees. It is understood that the criteria underlying the calculation of holidays and holiday allowances, recorded in the 2013 accounts and due on 01/01/2014 should follow the same principle.

2.3.9.4 Labour Compensation Fund (FCT) and Labour Compensation Guarantee Fund (FGCT)

In Portugal, with the publication of the Law nº 70/2013 and subsequent regulation through the Decree nº 294-A/2013 entered into force on 1 October the regimes of the Labour Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). In this context, the companies that hire a new worker are obliged to cash a percentage of their salary for these two new funds (0.925% for the FCT and 0.075% for the FGCT), in order to ensure, in the future, the partial payment of the compensation in case of redundancy.

In view of the characteristics of each Fund, it was considered as follows:

- The monthly deliveries to the FGCT, carried out by the employer, are recognised as an expense of that period;

- The monthly deliveries to the FCT, carried out by the employer, are recognised as a financial asset of that entity, measured at a fair value, with the respective variations recognized in the results.

2.3.10 Provisions, assets and contingent liabilities

Provisions are recognized when, and only when, the Group has a current obligation (legal or implicit) resulting from a past event, it is probable that an outflow of resources will occur and the amount of the obligation can be reasonably estimated. Provisions are reviewed at the date of each financial statement and adjusted to reflect the best estimate at that date (expected value of the outflow to be incurred), taking into account the risks and uncertainties inherent in such estimates. When a provision is determined taking into consideration the future cash flows required to settle the obligation, it is recorded at their current value. The discount rate in the aforementioned financial update correspond to the average rate of financing of the respective company at the reporting date.

Restructuring: Provisions for restructuring are only recognized by the Grupo whenever there is a formal and detailed restructuring plan, and it has already been informed to the parties.

Onerous Contracts: The obligations resulting from onerous contracts are recognized and measured as provisions. There is an onerous contract whenever the Group is before a situation in which the inevitable costs to meet the contract's obligations exceed the economic benefits foreseen to be received.

Contingent assets are not recognized in the consolidated financial statements, but they are reported on the annex when a future economic benefit is foreseen.

Contingent liabilities are not recognized in the consolidated financial statements, but they are reported on the annex, unless the idea of an outflow of resources may affect future economic benefits is a remote one.

The provisions are reviewed and updated on the balance sheet date, so as to reflect the best estimate, at this time, of the obligation in question.

2.3.11 Fair value measurement

The Group measures part of its financial assets, as financial assets available for sale and trading, and part of its non-financial assets, as investment properties and tangible fixed assets (lands and buildings), at fair value at the reference date of the financial statements.

The measurement of the fair value assumes that the assets and liabilities is changed in an orderly transaction between market participants to sell the asset or to transfer liabilities, at the measurement date, under current market conditions.

The measurement of fair value is based on the assumption that the transaction of selling the asset or transferring the liability may occur:

- In the main asset and liability market, or

- In the absence of a main market, the transaction is presumed to take place in the most advantageous market. This is what maximizes the amount that would be received in the sale of the assets, or minimizes the amount that would be paid to transfer liabilities, after considering transaction and transportation costs.

Because different entities and different businesses within a single entity may have access to different markets, the main or most advantageous market for the same asset or liability may vary from one entity to another, or even between businesses within same entity, but are assumed to be accessible to the Group.

The measurement of fair value uses assumptions that market participants would use for defining the price of the asset or liability, assuming that market participants would use the asset in order to maximize its value and use.

The Group uses valuation technique adequate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which its disclosure is mandatory are classified according to a fair value hierarchy, which classifies the data to be used, detailed below, into three levels to be used in the fair value measurement:

Level 1 – Market prices quoted, unadjusted, in active markets for identical assets or liabilities, which the entity may access at the measurement date;

Level 2 – Valuation techniques that use inputs that are not quoted, are directly or indirectly observable;

Level 3 – Valuation techniques that use inputs which are not based on observable market data.

The measurement at fair value is fully classified on the same hierarchy level as the lowest level of the input which is more significant for the measurement as a whole.

2.3.12 Recognition of revenue

Revenue comprises the fair value of the sale of goods and services, net of taxes and discounts, and after elimination of domestic sales. Revenue is recognized as follows:

a) Goods' sale – gross

Income resulting from sales is recognized in the Consolidated Income Statement when the risks and advantages are inherent to the ownership of the assets sold are transferred to the buyer. The Group has agreed with some customers a bonus discount percentage, which depends on the annual volume of purchases and its payment term. Based on the agreed rates, the Group estimates the bonus discount amount at the time of sale.

b) Goods' sale – retail

Income from sales is recognized in the Consolidated Statement of Income when the risks and advantages inherent in the ownership of the assets sold are transferred to the buyer. Retail sales are usually made in cash or by credit card. The revenue to be recognized is the gross amount of the sale and the expenses of using credit cards to pay for the transaction.

c) Net financial results

Net financial results mainly represent interests on loans deducted from interests on financial investments and exchange gains and losses. Financial costs and income are recognized in income on an accrual basis over the period to which they relate.

Loans costs that are directly attributable to the acquisition, construction or production of a qualifying asset (that is, an asset that necessarily takes a substantial period of time to be ready for its intended use or sale, such as for example, inventories that require a substantial period of time to be in a saleable condition, industrial facilities, power plants and investment properties) are capitalized as part of that asset cost, if recoverable. On 31st December 2017 and 2016 there are no capitalized loan costs.

d) Dividends

These revenues are recognized when the shareholder's right to receive is established.

e) Works for the company

Internal costs (e.g. labour, materials, and transportation) incurred in the production of tangible fixed assets and inventories are capitalized only when the following conditions are met: (i) assets are reliably identifiable and measurable; and (ii) there is a strong possibility that they will generate future economic benefits. No internally generated margins are recognized.

2.3.13 Accrual basis

Generally, income and costs are recorded in accordance with the accrual basis principle, whereby income and expenses are recognized to the extend they are generated, regardless of when they are received or paid. The differences between the amounts received and paid and the corresponding revenues and expenses generated are recorded in the consolidated balance sheet under “Other current assets” and “Other current liabilities”, respectively.

2.3.14 Leasing contracts

Leases are classified as (i) finance leases if through them are transferred substantially all of the risks and rewards of ownership of the asset, and (ii) operating leases if through them are not transferred substantially all of the risks and rewards of ownership of the asset leased.

The classification of leases in financial or operational is done according to the substance and not the form of the contract.

Tangible fixed assets acquired under finance lease contracts and the corresponding liabilities are accounted for using the financial method. According to this method, the cost of the asset is recorded in tangible fixed assets, the corresponding liability is recorded in the liability, interest is included in the amount of the rent and the amortization of the asset, calculated as described in Note 2.3.3 are recorded as financial costs and amortization of the financial year respectively, is recorded in the income statement for the year to which they relate.

Regarding leases considered as operating, rents due are recognized as expenses in the corresponding income statement.

2.3.15 Government subsidies or other public entities

Government subsidies are recognized at their fair value when there is reasonable assurance that they will be received and that the Group will meet the conditions required for granting them. Subsidies and grants received as non-repayable to finance tangible fixed assets are recorded only when there is a reasonable guarantee of receipt under "Other non-current liabilities" and "Other current liabilities", and are recognized in the income statement proportionally to the amortization of subsidized tangible fixed assets.

Subsidies related to costs incurred are recorded as income to the extent that there is a reasonable guarantee that they will be received, that the Group has already incurred in subsidized costs and that it complies with the conditions required for granting it.

2.3.16 Income tax

The current tax is determined based on the accounting results of the companies included in the consolidation to fiscal rules in force at the location of the Group's head offices and considers the tax deferred.

Deferred tax is calculated on the basis of the liability method of the balance sheet, on temporary differences between the book amounts of assets and liabilities and the respective tax base. No deferred tax is calculated on the differences of consolidation, and the difference in the initial recognition of an asset and a liability when it does not affect either the accounting or fiscal result. The tax base of assets and liabilities is determined in order to reflect the tax consequences arising from the way the Group expects, on the financial statements' date, to recover or settle the carrying amount of its assets and liabilities, based on fiscal decisions substantially implemented at the balance sheet date.

In 2014 the *Grupo VAA* was included within the *Grupo Visabeira*'s fiscal domain, under the Special Tax Regime for Groups of Companies ("RETGS").

The tax amount to be included in both current and deferred tax, resulting from transactions or events recognized in reserves, is recorded directly in these same headings, without affecting the result for the year.

Deferred tax assets are recognized whenever there is reasonable assurance that future profits are generated against which the assets may be used. Deferred tax assets are reviewed annually and reduced whenever they are no longer likely to be used.

Deferred taxes are determined by the tax rates (and laws) decreed or substantially decreed at the balance sheet date and are expected to be applicable in the accrual basis of deferred tax assets or settlement of deferred tax liabilities.

2.3.17 Subsequent events

Events after the statement of financial position date which provide additional information about conditions that existed on the statement of financial position date ("adjusting events") are reflected in the consolidated financial statements. Events after the balance sheet date that provide information on conditions which occur after the statement of financial position date ("non-adjusting events"), are disclosed in the annex to the financial statements.

2.3.18 Segment reporting

A business segment is a group of assets and operations of the Group that are subject to risks and returns, that are different from those of other business segments. A geographical segment is involved in providing products or services in a particular economic environment that is subject to risks and benefits other than those segments operating in other economic environments. The Group presents the operational segments based on the Management information produced internally.

3. Significant accounting estimates and judgements

When preparing the financial statements, the Group's Board of Directors is based on the experience of past and/or current events, considering certain assumptions related to future events.

The most significant accounting estimates reflected in the consolidated financial statements of the year ended on 31st December 2017 include:

- Fair value of the investment properties and fixed tangible assets;
- Realization of Goodwill and tangible fixed assets;
- Record of impairment on inventories and provisions;
- Realization of deferred tax assets;
- Calculation of responsibilities associated with defined benefit plans.

Estimates were determined based on the best information available at the date of preparation of the consolidated financial statements and based on the best knowledge and experience of past and/or current events. However, situations may occur in subsequent periods that, if not predictable at the time, were not considered in these estimates. Changes in these estimates, which occur after the date of the consolidated financial statements, will be adjusted in the income statement prospectively, as required by IAS 8. For this reason and given the degree of uncertainty associated, the actual results of the transactions in question may differ from the corresponding estimates.

The main estimates and assumptions regarding future events included in the preparation of the consolidated financial statements are described in the annexed notes.

4. Changes in the accounting policies

During the exercise of 2017 didn't occur any voluntary changes on the accounting policies with regard to the previous financial year, presented in the comparatives.

Regarding new standards and interpretations occurred the following emissions, revisions, changes and improvements in standards and interpretations:

i) Revisions, changes and improvements in standards and interpretations endorsed by the EU with effect in accounting policies and disclosures adopted by the Group from the 1st January 2017:

- **IAS 7 – Financial Instruments: Disclosures**

In January 2016, the International Accounting Standards Board (IASB) issued changes to IAS 7- Statement of cash flows and this became effective for annual periods beginning on or after 1 January 2017, with early application permitted.

These changes require an entity to disclose information that enables users of financial statements to evaluate changes in the liabilities that are generated by the entity's financing activities, whether or not such changes have an impact on cash flows, such as:

- Changes in financing cash flow (see note 7);

- Changes arising from a gain or loss of control in subsidiaries or other business combinations;

-The effect of changes in foreign exchange rates; or

- Changes in fair value.

- **IAS 12 - Recognition of deferred tax assets for unrealised losses:**

The IASB issued amendments to IAS 12 to clarify the accounting of deferred tax assets on unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity should consider whether the country's tax law restricts the sources of taxable profits against which it may make deductions when reversing a temporary deductible difference. In addition, the amendments provide guidance on how an entity should determine its future taxable profit and explain the circumstances in which such taxable income may include the recovery of certain assets for a value greater than its accounting value.

No relevant effects were recorded for the consolidated financial statements of the Company from the application of these standards and interpretations.

ii) The standards and interpretations recently issued by the IASB whose application is mandatory only in periods starting after January, 01st 2017 or later and that the Group not adopted in advance, are as follows:

- **IFRS 15 - Revenue from contracts with customers**

IFRS 15 is based on the principle that revenue from the sale of assets is recognised on the date of transfer of control to the customer, and the transaction value is allocated to the different performance obligations assumed by the client and subject to adjustment in the measurement whenever there is a variable consideration or when subject to a significant financial effect. The Group analysed the potential impact of adopting IFRS 15 in revenue recognition, in terms of measurement and moment of recognition. From the analysis, the following differences between the current accounting policies applicable to the Group and policies resulting from the application of IFRS 15were identified:

(i) Accounting for certain costs incurred in the performance of a contract (fulfilling costs) - costs related to the implementation phase are considered "fulfilment costs". The costs associated with the performance of a contract must be capitalised according to IFRS 15 if i) they are related to an existing contract or a specific anticipated contract; ii) they generate or enhance resources that will be used to satisfy a performance obligation in the future; iii) those costs are expected to be recovered; iv) they are not within the scope of the standard. These costs will be capitalised and recognised in results according to the expected length of the contract or related client relationship. Currently these costs are recorded in results when incurred.

(ii) Accounting for the sale of consumer products and retail - According to IFRS 15 requirements, the revenue from these contracts must be recognised in the full amount. The conditions specified in IFRS 15 determine that the group is acting as a Principal in these contracts. In this way, revenue is recognised based on the total sales value of goods and related products and the related expenses for payments to the third-party provider must be recognised as a cost of distribution.

(iii) Presenting contract assets and contract liabilities in a balance sheet - IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 with regards to service contracts. From this analysis, it was concluded that the adoption of IFRS 15 in the Group's consolidated financial statements will have an immaterial estimated net impact on consolidated equity as of 1 January 2018. When adopting IFRS 15, the Group decided to adopt the retrospective transition method with the cumulative effect method assessed at the date of initial application recognised in retained earnings as of 1 January 2018, using the following practical expedients: applied only to contracts not concluded as of 1 January 2018 and the non-restatement of modified contracts before 1 January 2017.

- **IFRS 9 – Financial Instruments**

The standard should be applied for fiscal years beginning on or after 1 January 2018, replacing IAS 39.

Classification and measurement of financial assets

All financial assets are measured at fair value on the date of initial recognition adjusted by transaction costs when the instruments are not recorded at fair value through profit and loss (FVTPL). However, customer accounts without a significant financing component are initially measured by the value of their transaction, as defined in IFRS-15 Revenue from contracts with customers. Debt instruments are subsequently measured based on their contractual cash flows and business model in which such instruments are held.

Classification and measurement of financial liabilities

For financial liabilities designated as at FVTPL using the fair value option, the amount of change in fair value of these financial liabilities attributable to changes in credit risk of the entity should be presented in the comprehensive income statement. The remainder of the change in fair value should be presented in the results, unless the presentation of the fair value change in respect of the liability's credit risk in other comprehensive income creates or enlarges an accounting mismatch in profit and loss.

All the remaining requirements for the classification and measurement of financial liabilities in IAS 39 were transported to IFRS 9, including rules for the separation of embedded derivatives and the criteria for using the fair value option.

Impairment

Impairment requirements are based on an expected credit loss model, which replaces the IAS 39 incurred loss model.

Hedge accounting

The hedge effectiveness tests should be prospective and may be qualitative, depending on the complexity of the coverage, without the 80% -125% test. The three types of hedging provided for in IAS 39 are maintained but a greater number of hedging strategies will be eligible for hedge accounting.

- **IFRS 16 - Leases**

IFRS 16 defines the principles for the recognition, measurement and presentation of leases, replacing IAS 17 – leases and respective interpretative guidelines. IFRS 16 distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The distinctions between operating leases (off-balance sheet) and finance leases (included in the balance sheet) are eliminated on the lessee's level and replaced by a model in which an asset conveys the right to control the use and a corresponding liability for all lease contracts, except for short-term (up to 12 months) and low value contracts. The “right-of-use” is initially measured at cost and subsequently at cost net of depreciation and Impairment, adjusted by the re-measurement of the lease liability. The lease liability is initially measured based on the present value of the lease liabilities. Subsequently, the lease liability is adjusted by the financial update of said amount, as well as by possible modifications of the lease contracts.

As of 31 December 2017, the Group had liabilities related to operating leases amounting to 4.8 million euros, which is not discounted at present. IAS 17 does not require the right-of-use to be recognised as an asset nor future payments as a liability, but only a few disclosures identified in note 12. At the date of publication of these consolidated financial statements, the Group is carrying out an inventory of existing lease contracts, along with their analysis and technical framework taking the provisions of IFRS 16 into account. Additionally, it is analysing existing information systems in order to assess to what extent adaptations are necessary in light of the requirements set by this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to its implementation.

Applying IFRS 9 with IFRS 4 - Amendments to IFRS 4

(amounts in thousands of euros)

These amendments cover some of the issues raised with the implementation of IFRS 9 prior to the implementing the new standard on insurance contracts that the IASB will issue to replace IFRS 4. It shall be applicable for the first time for annual periods beginning on or after 1 January 2018.

iii) The standards and interpretations issued by the IASB but not yet endorsed by the European Union

On 31 December 2017 the following standards, revisions, amendments and improvements in the standards and interpretations issued by IASB were still in the process of being approved by the EU:

Issue (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the exercises initiated on and after
June 2016	IFRS 2: Classification and measurement of share-based payment transactions	1st January 2018
December 2016	Improvements in international financial reporting standards (cycle 2014-2016)	1st January 2018
December 2016	IFRIC 22: Effects of exchange changes (new)	1st January 2018
December 2016	IAS 40: Transfer of investment property (changes)	1st January 2018
Mai 2017	IFRS 17 Insurance contract (new)	1st January 2021
June 2017	IFRIC 23 Uncertainty in the treatment of income tax (new)	1st January 2019
October 2017	IFRS 9: Prepayment features with negative compensation (changes)	1st January 2019
October 2017	IAS 28: Long-term investment in associates and joint ventures (changes)	1st January 2019
December 2017	Improvements in international financial reporting standards (cycle 2015-2017)	1st January 2019

The impact of adopting these standards or changes is being analysed by the Group.

5. Group Companies included in the consolidation

On 31st December 2017 and 2016, the Grupo Vista Alegre subsidiaries which were integrated in the consolidated financial statements, its head offices and the percentage of participation can be presented as following:

(amounts in thousands of euros)

Companies	Head Office	2017 Percentage of Participation	2016 Percentage of Participation
Cerexport - Cerâmica de exportação, SA	Ílhavo	100.00%	100.00%
Faianças da Capôa - Indústria Cerâmica , SA	Ílhavo	100.00%	100.00%
Ria Stone Fábrica de Louça de Mesa em Grés, SA	Ílhavo	100.00%	100.00%
Shree Sharda Vista Alegre Private Limited	Delhi	50.00%	50.00%
VA - Vista Alegre España, SA	Madrid	100.00%	100.00%
Vista Alegre France, SAS	Paris	100.00%	100.00%
VA Grupo - Vista Alegre Participações , SA	Ílhavo	99.30%	99.30%
VAA Brasil – Comércio, Importação e Exportação, SA	S. Paulo	89.93%	89.93%
VAA I.I. – Sociedade Imobiliária , SA	Ílhavo	100.00%	100.00%
Vista Alegre Atlantis Moçambique, Lda	Maputo	99.00%	99.00%
Vista Alegre Atlantis UK LTD	London	100.00%	100.00%
Vista Alegre Atlantis, SA	Ílhavo	100.00%	100.00%
Vista Alegre USA Corporation	New York	100.00%	100.00%

During the exercise of 2017 there were no changes in the consolidation perimeter of the Grupo Vista Alegre.

6. Segment reporting

The segment information is presented in relation to geographical segments and to the Group's business and built on the basis of the different types of materials that are produced in industrial units with distinct locations. The results, assets and liabilities of each segment correspond to those directly attributable as well as the reasonable basis they can be assigned. Additionally, the corporate assets are allocated to each operating segment according to its representation in the global activity of the Grupo Vista Alegre.

On 31st December 2017, the Group is organised into five main business segments: (1) Porcelain, (2) Ovenware, (3) Tableware (4) Crystal and Manual Glass and (5) Real Estate, and is according to this segmentation that the financial reporting systems and the internal operational systems is drawn. It proceeded in 2016 a business relocation of the faience segment that happened to be integrated into the Ovenware segment.

6.1-Turnover

6.1.1- Information by business segment

The breakdown of turnover by business segment and geographical areas on the 31st December 2017 and 2016 is the following:

(amounts in thousands of euros)

December 2017	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Total
Gross sales by segment	43,378	11,658	18,415	11,529	0	84,981
% Sales	**51%**	**14%**	**22%**	**14%**	**0%**	**100%**

December 2016	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Total
Gross sales by segment	36,606	11,254	16,854	10,725	0	75,439
% Sales	**49%**	**15%**	**22%**	**14%**	**0%**	**100%**

The results by business segment are the following:

31st December 2017

	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Others not attributable	Total
Operating profit	4,933	23	4,235	-1,727	237	0	7,701
Net financial expenses	-2,092	-273	-387	-486	181	0	-3,056
Profit before income tax	**2,841**	**-250**	**3,847**	**-2,213**	**418**		**4,645**
Income tax						**-428**	**-428**
Net result of the fiscal year	**2,841**	**-250**	**3,847**	**-2,213**	**418**	**-428**	**4,218**
Non-controlling interests						**-40**	-40
Net result of the fiscal year attributable to shareholders	**2,841**	**-250**	**3,847**	**-2,213**	**418**	**-387**	**4,258**

31st December 2016

	Porcelain and other products	Ovenware	Tableware Mesa	Crystal / Manual glass	Real Estate	Others not attributable	Total
Operating profit	5,592	-865	2,878	-3,353	1,280	0	5,531
Net financial expenses	-1,825	-419	-798	-679	181	0	-3,540
Profit before income tax	**3,767**	**-1,284**	**2,080**	**-4,032**	**1,460**	**0**	**1,991**
Income tax						**-251**	**-251**
Net result of the fiscal year	**3,767**	**-1,284**	**2,080**	**-4,032**	**1,460**	**-251**	**1,741**
Non-controlling interests						-56	-56
Net result of the fiscal year attributable to shareholders	**3,767**	**-1,284**	**2,080**	**-4,032**	**1,460**	**-195**	**1,797**

Other elements by business segment (expenses, not cash) are the following:

(amounts in thousands of euros)

31st December 2017

	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Others not attributable	Total
Amortizations and Depreciations	2,854	989	1,816	752	3	0	6,414
Impairment (losses/reversals)	183	-7	0	-13	0	0	163
Provisions (increases/reductions)	-43	-310	0	-19	0	0	-372
Total	**2,995**	**672**	**1,816**	**720**	**3**	**0**	**6,206**

31st December 2016

	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Others not attributable	Total
Amortizations and Depreciations	2,174	573	1,836	945	26		5,554
Impairment (losses/reversals)	84	-71		-115			-102
Provisions (increases/reductions)	14	4		7			25
Total	**2,272**	**506**	**1,836**	**837**	**26**	**0**	**5,478**

Transfers or transactions between segments are carried out in normal commercial terms and under the conditions applicable to independent third parties.

The assets, liabilities and investments of the segments in the exercises ended on 31st December 2017 and 2016 are:

	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Others not attributable	Total
Tangible fixed assets	41,574	11,490	26,005	10,646	0	0	89,715
Investment properties	0	0	0	0	19,013	0	19,013
Intangible assets and Goodwill	2,588	2,754	0	772	0	0	6,114
Financial investments	0	0	0	0	0	172	172
Deferred taxes	0	0	0	0	0	4,941	4,941
Non-current assets	**44,162**	**14,244**	**26,005**	**11,418**	**19,013**	**5,112**	**119,955**
Current assets	29,338	4,494	10,970	11,303	0	1,758	57,861
Total Assets	**73,500**	**18,738**	**36,975**	**22,720**	**19,013**	**6,870**	**177,816**
Operating liabilities	13,571	4,073	12,600	4,918	0	0	35,162
Other liabilities	24,097	7,871	9,086	10,650	5,523	2,829	60,057
Total liabilities	**37,668**	**11,945**	**21,686**	**15,568**	**5,523**	**2,829**	**95,219**

(amounts in thousands of euros)

	31st December 2016						
	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Real Estate	Others not attributable	Total
Tangible fixed assets	32,322	10,483	22,990	15,248	0	0	81,043
Investment properties	0	0	0	0	24,534	5,459	29,993
Intangible assets and Goodwill	3,199	2,830	0	429	0	0	6,459
Financial investments	0	0	0	0	0	224	224
Deferred taxes	0	0	0	0	0	6,037	6,037
Non-current assets	**35,521**	**13,313**	**22,990**	**15,677**	**24,534**	**11,720**	**123,755**
Current assets	30,009	3,706	5,950	10,804	0	1,593	52,063
Total Assets	**65,530**	**17,019**	**28,940**	**26,482**	**24,534**	**13,313**	**175,819**
Operating liabilities	16,278	5,072	7,910	7,418	0	0	36,678
Other liabilities	48,050	15,580	12,607	23,533	5,184	2,901	107,854
Total liabilities	**64,328**	**20,652**	**20,517**	**30,952**	**5,184**	**2,901**	**144,532**

The assets of the segments include mainly tangible fixed assets, intangible assets, inventories, accounts receivable and availabilities. Deferred taxes and financial investments and the Vista Alegre collection are excluded.

The liabilities of the segments correspond to operating liabilities and exclude deferred provisions and taxes that are not easily allocated to the business. Deferred tax liabilities related to the revaluations of factories and buildings were allocated by business as well as loans.

6.2- Information by geographical area

The four business segments of industrial base (non-real estate) of the Group which operate in three major geographical areas, although managed on a global scale. The distribution of the turnover by geographical segment on 31st December 2017 and 2016 is as follows:

(amounts in thousands of euros)

January to December 2017

Geographical area	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Total
Portugal	23,849	1,096	447	5,076	30,468
Spain	6,083	161	3,688	899	10,830
Germany	98	6,876	3,053	56	10,083
France	593	218	4,385	3,313	8,509
Italy	1,864	465	4,136	38	6,504
Brazil	3,110	120	0	120	3,350
United Kingdom	501	157	1,487	421	2,565
USA	1,401	296	0	451	2,149
Belgium	1,390	1	0	20	1,412
Netherlands	231	500	459	132	1,324
Other European countries	1,654	1,437	32	240	3,363
Other countries (OP)	2,601	331	728	763	4,423
Total	**43,378**	**11,658**	**18,415**	**11,529**	**84,981**

January to December 2016

Geographical area	Porcelain and other products	Ovenware	Tableware	Crystal / Manual glass	Total Geral
Portugal	20,827	1,172	527	4,937	27,465
Spain	6,215	9	3,949	921	11,095
France	402	331	4,563	2,097	7,393
Italy	1,289	595	4,915	24	6,823
Germany	238	4,135	2,207	63	6,644
Brazil	2,373	352	0	86	2,811
USA	902	725	0	787	2,414
United Kingdom	553	450	185	555	1,743
Netherlands	91	877	0	79	1,046
United Arab Emirates	87	7	487	19	600
Other European countries	1,326	1,539	22	440	3,327
Other countries (OP)	2,302	1,060		716	4,079
Total	**36,607**	**11,254**	**16,855**	**10,725**	**75,439**

Total assets per geographical area:

	31-12-2017	31-12-2016
Portugal	166,975	163,662
Rest of Europe	6,341	6,002
Other Countries	5,103	6,155
	178,419	**175,819**

Total liabilities per geographical area:

	31-12-2017	31-12-2016
Portugal	81,532	130,294
Rest of Europe	8,108	8,187
Other Countries	6,182	6,051
	95,822	**144,532**

Total investment by geographical area:

	31-12-2017	31-12-2016
Portugal	5,608	5,467
Rest of Europe	2	11
Other Countries	98	107
	5,708	**5,585**

Amortization, impairments and provisions

	31-12-2017	31-12-2016
Portugal	5,971	5,067
Rest of Europe	192	198
Other Countries	251	212
	6,414	**5,478**

(amounts in thousands of euros)

7. Financial Instruments by Class

The financial instruments, according to the accounting policies described above in the Note 2, have been classified as follows:

	Notes	Value in the Balance	
		31-12-2017	31-12-2016
Financial assets			
Financial assets available for sale			
Financial investments – available for sale	14	172	224
Loans and receivables			
Accounts receivable and other	17	18,901	14,315
State and other public entities	23	1,233	1,014
Cash and cash equivalents		4,800	1,593
Total		**25,105**	**17,146**
Financial liabilities			
Loans obtained			
Loans from banks remunerated at a variable interest rate	20	23,928	15,031
Loans from shareholders remunerated at a variable interest rate	20	370	60,966
Loans non-remunerated	20	9,834	13,860
Other loans	20	2,000	3,250
Operating loans	20	10,245	0
Accounts payable			
Accounts payable and other	21	29,298	32,192
State and other public entities	23	2,291	1,723
Pension Fund	22	158	86
Fair Swap Value		0	41
Total		**78,125**	**127,149**

The financial assets available for sale were measured at the cost of investing in unlisted companies, and whose fair value cannot be reliably measured. The Board of Directors considers that the amount by which those assets are reflected is less than the respective realizable value.

On 31st December 2017 and 2016, the group's liquidity position is detailed as follows:

(amounts in thousands of euros)

	Value in the Balance	
	Obtained loans	Loans of related parties
Balance on 31st December 2016	**31,683**	**60,966**
Cash flow:		
Cash receipts resulting from obtained loans	12,662	0
Payments resulting from obtained loans	-6,644	-10,596
Payments resulting from interests and similar expenses	-1,211	0
Payments resulting from the amortization of financial lease contracts	-42	0
Cash receipts resulting from capital increase	1,484	0
Transfer of operating loans	10,245	0
Conversion of incentives Ria Stone	-2,170	0
Conversion of credits resulting from capital increase	0	-50,000
Balance on 31st December 2017	**46,007**	**370**

8. Tangible fixed assets

During the years ended 31 December 2016 and 2017, the movement occurred in the gross value of property, plant and equipment, as well as the respective amortisation and accumulated impairment losses, as follows:

(amounts in thousands of euros)

	Lands and buildings	Transp. equip and Basic equipment	Office equip	Other assets Tools and utensils	Current assets	Cultural Collection (note 13)	Total
Exercise of 2017							
Initial net Value	52,034	24,707	237	2,549	1,515	0	81,043
Additions	854	1,604	35	78	2,306	600	5,477
Sales and disposals net value	0	0	0	0	0	0	0
Regulations	-756	-70	0	0	0	0	-826
Impairments	0	0	0	0	0	-214	-214
Revaluations	-2,298	0	0	0	0	0	-2,298
Transfers	6,472	493	20	345	-473	5,459	12,317
Depreciation of the exercise	-2,053	-3,126	-84	-520	0	0	-5,783
Final net value December	**54,254**	**23,609**	**207**	**2,452**	**3,349**	**5,845**	**89,715**

	Lands and buildings	Transp. equip and Basic equipment	Office equip	Other assets Tools and utensils	Current assets	Cultural Collection	Total
Exercise of 2016							
Initial net Value	48,743	23,908	300	2,736	4,016	0	79,704
Additions	2,106	436	2	109	2,545	0	5,199
Sales and disposals net value	-189	-22	0	-3	0	0	-215
Revaluations	1,321	0	0	0	0	0	1,321
Transfers	2,741	2,966	2	110	-5,046	0	772
Depreciation of the exercise	-2,689	-2,581	-66	-403	0	0	-5,738
Final net value December 2016	**52,034**	**24,707**	**237**	**2,549**	**1,515**	**0**	**81,043**

In the year 2017, the value of the asset's increases includes 614 thousand euros for expenditure capitalization ("Works for the company"). Special attention to the capitalisation of personnel costs (252 thousand euros), inventories (277 thousand euros) and external services and suppliers (84.5 thousand euros) associated with the new Cerexport project.

The acquisitions of fixed assets which were reclassified "in progress" in 2017, are related with equipment and tools in the construction of new kilns in VAA, SA and in the expansion of the Ria Stone factory.

In relation to 2016, the increase in the value of fixed assets includes 1.9 million euros related to the capitalisation of costs Special attention to the capitalisation of personnel costs (1.76 million euros) and external services and suppliers (120 thousand euros) related to restructuring work and refurbishment of offices, the kiln projects, E-commerce and Museum, and restructuring of the Bordallo Pinheiro store.

The items from the Vista Alegre collection ("Cultural Heritage") make up a collection that has been formed through direct transfers from the factory, acquisitions or donations, comprising an extended period from the 17th to the 20th century.

Following a lengthy process of cataloguing, studying, recovering and organising this rich patrimony, which started in 2009 and ended in 2014, the conditions needed to inventorise and determine the value of each item by an independent entity ("Veritas Art Auctioneers") were met. Based on these evaluations, this patrimony or assets were reported in the accounts in 2014 and 2015. This patrimony or assets were recorded under "Investment Properties" until 31st December 2016, and later reclassified as "Fixed Tangible Assets" in 2017 (Note 13), as according to the Board of Directors, in the absence of an explicit legal framework, this section is the one that best reflects the nature and purpose of these assets.

In addition, in the year ended 31st December 2017, with the objective of analysing realisation value of the Vista Alegre Collection (impairment test), the value of a significant number of items was determined by a specialised and independent entity (Cabral Moncada Auctions) which resulted in the recording of an impairment in the amount of 214 thousand Euros. The criterion used by the appraiser corresponds to the value that the owner will have to spend to acquire a similar or equivalent item in the art market.

- Methods to evaluate revalued property, plant and equipment

Tangible fixed assets (property, plant and equipment) corresponding to land and buildings, which essentially comprise factories, warehouses, retail stores and offices, are recorded according to the revaluation model, corresponding to their carrying amount at the reporting date at their fair value on the date of the last revaluation less accumulated depreciation and impairment losses. Revaluations are made annually based on independent external real estate appraisals.

According to the revaluation model, increases in the carrying amount of an asset as a result of the revaluation of land and buildings are credited to a specific caption in equity. Decreases that offset previous increases of the same asset are brought to the same section in which increases were recorded; all other decreases are recognised as expenses in the period. The difference between depreciation based on the revalued carrying amount of the asset carried over to expenses for the period and depreciation based on the original cost of the asset is transferred on an annual basis from the fair value reserve to retained earnings.

For tangible fixed assets relating to land and buildings held by the group, their fair value was calculated taking into consideration the following information:

-Marketing Value per m2;
- Rent value per m2;
- Capitalization rate / discount.

The assessment of land and buildings included in Tangible Fixed Assets was carried out essentially by independent appraisers according to one of the following methods, applied according to the specific situation of each property:

Market method The market comparison criterion refers to the transaction value of similar properties which are comparable to the property under study, obtained through market prospecting in the area where it is located.

Income method The aim of this method is to estimate the value of the property from the capitalisation of its net income, updated to the present moment, using the discounted cash flow method.

(amounts in thousands of euros)

The assessment carried out on the aforementioned property was done by an independent and specialized entity, which is accredited by the Securities Market Commission (CMVM) - J Curvelo, SA.

Should there be an increase in rents per m2 or a decrease in the capitalisation / discount rate, the fair value of real estate will increase. On the other hand, if there is a reduction in rents per m2 or an increase in capitalization rate/discount, the fair value of real estate shall decrease.

Although the abovementioned assessments were carried out on the basis of market data and transactions (essentially disclosed by real estate agencies), their low liquidity and the characteristics and specificities of each property do not allow the market to be classified as an asset. Accordingly, the fair value of the Group's tangible fixed assets is classified in Level 3 of IFRS-13.

Market prices per m^2 of the more relevant assets on which the valuation for the 2017 and 2016 fiscal years were based on are the following:

		31-12-2017			31-12-2016		
Real Estate	Location	Market price per m^2	Fair value (in T€)	Yeld	Market price per m^2	Fair value (in T€)	Yeld
Tangible fixed assets							
Factory (VAA, SA)	Ílhavo	168.43	20,360	8.00%	169.67	20,530	7.65%
Atlantis Factory	Cós Alcobaça	31.59	4,650	9.50%	65.46	9,636	7.75%
Câpoa Factory	Aradas - Aveiro	114.44	3,624	8.00%	114.72	3,713	7.90%
Cerexport Factory	Tabueira - Esgueira	138.91	4,720	8.00%	140.79	5,240	8.00%
Braga Store	Praceta Stª Bárbara - Braga	1,773.33	133	-	1,826.67	137	-
Massarelos Store/Edif Galiza	R. Piedade - Massarelos	1,382.15	319	-	1,412.48	326	-
Ria Stone Factory	Ílhavo	507.17	8,500	-	-	-	-
Quinta Nova Factory	Ílhavo	195.00	5,683	8.75%	-	-	-
Total			**47,989**			**39,582**	

The above described properties have had mortgages in the financial institutions Caixa Geral de Depósitos, S.A. and Millennium BCP, S.A. since 2011 (see note 20).

In addition, it should be noted that the property "Fábrica Quinta Nova" was previously included in the caption "Investment Properties" and was transferred to "Tangible Fixed Assets", as it currently affects the Group's operating activity, namely as a warehouse for inventory. The industrial property referred to as the subsidiary factory of Ria Stone was subjected to an external real estate appraisal for the first time in 2017, which resulted in an increase in value that amounted to approximately 3.1 million euros.

If the land and buildings were presented at historical cost, the balance sheet values would be:

	31-12-2017	31-12-2016
Historical cost	23,672	23,672
Accumulated depreciation	-13,278	-13,261
Net value	**10,394**	**10,410**

(amounts in thousands of euros)

9. Goodwill

On 31st December 2017 and 2016, the Goodwill is the following:

GOODWILL	Porcelain	Ovenware	Total
01st January 2008 net of impairment	**2,018**	**4,303**	**6,321**
Impairments registered in 2008		-1,610	-1,610
Exercise of 2016 = 2017	**2,018**	**2,693**	**4,711**

Impairment tests

According to Notes 2.3.1 and 2.3.2, the group carries out annual goodwill impairment testing, as well as to assets attached to each one of the operating segments for which impairment indicators have been identified. Whenever the registered amount of the asset is greater than its recoverable amount, an impairment loss is recognized. The recoverable amount is the greater of the net selling price and the value in use.

For the purposes of assessing if there are indicators of impairment, the following topics were considered by the group:

- Physical / technical obsolescence of assets;
- Low or negative asset / EBITDA value;
- Changes in average financing interest rates and risk-free interest rate;
- Generation of negative cash-flows.

The goodwill and non-current assets impairment tests connected to each of the business segments (Note 6) are made using the "Discounted Cash-Flow", method based on financial projections of cash-flows for five years for each cash-generating unit and considering a perpetuity as from the fifth year.

Financial projections are prepared based on assumptions regarding the evolution of the activity of cash-generating units, which the Board of Directors considers to be consistent with the company's history and market trends, being reasonable, prudent and reflecting their vision. In addition, whenever possible, market data obtained from external entities were considered, which were compared with historical data and the Group's experience.

Discount rates used reflect the level of indebtedness and the cost of debt capital for the Grupo Vista Alegre (given that it is common to the various segments), as well as the level of risk and profitability expected by the market. In addition, it should be noted that, in determining the discount rates, the interest rate on a risk-free asset is referenced to the German bonds interest rate plus a risk premium for Portugal. The discount rates used also include a market risk premium.

(amounts in thousands of euros)

The perpetuity growth rate is estimated based on analysis of the market potential of each cash-generating unit, based on the Board of Directors' expectations.

The aforementioned assumptions were quantified based on historical data, as well as on the expectations of the Board of Directors. However, such assumptions may be affected by phenomena of a political, economic or legal nature that at present are unpredictable.

As a result of the impairment analyses carried out, based on the aforementioned methods and assumptions, the Board of Directors considers that there are no impairment losses to be recognised.

On 31 December 2017, the methods and assumptions used in preparing impairment tests with regards to Goodwill and non-current assets for the Group (and for the respective cash-generating units ("CGU") to which they belong), which showed evidence of impairment, were as follows:

Impairment testing assumptions	Porcelain	Ovenware	Crystal and Manual glass
Method used	cash flow method updated		
Basis used	Projection of results for the next 5 years		
Sales growth in N+1 (2018)	14%	5%	26%
CAGR sales 2018-2022	6,7%	5.0%	8,9%
Growth rate in perpetuity	2.24%		
WACC used in perpetuity	7.22%		

For each business areas, based on expectations of future results over a five-year horizon, the method of discounting the respective cash flows (earnings before depreciation, provisions, adjustments, financial results, and income tax) to test whether the recoverable value of each business area is greater than the book value of its assets. Was applied a discount rate of 7.22% (2016: 6.6%).

The compound annual growth rate for the aforementioned five-year period is 5.8%, with some segments having a rate of 8.9% (the highest in the Crystal/Glass) and the other 5% (lowest in Porcelain Stoneware).

The turnover growth rate estimated for "Crystal and hand-made glass" for 2018 reflects the effect of negotiating a multiannual agreement with a client for the production of cognac bottles.

The growth rate after 2022 was set at 2.235%.

It was not possible to calculate loss results through the analysis of impairment indicators, the revision of projections and impairment tests for the financial year ending 31st December 2017. Sensitivity analysis carried out in accordance with the IAS 36 Impairment of Assets requirements did not generate material differences in the recovery rates and consequently additional material impairments were not indicated for the "Porcelain" and "Stoneware Kiln" cash-generating units. An increase of 1.p.p. in the discount rate or a negative sales shortfall of 10% in these units does not translate into impairment.

(amounts in thousands of euros)

The conditions of economic uncertainty associated with the "Crystal and hand-made glass" segment introduce an additional degree of variability to assumptions and may significantly impact the considered estimates. The results of the impairment tests produced an increase in the value of those assets which were approximately 3.16% above their net book value.

10. Intangible assets

During the exercises ended on 31st December 2017 and 2016, the movement occurred in the gross value of intangible assets, as well as the respective amortisation and accumulated impairment losses, was the following:

	Change management	Projects of develop.	Computer programs	Other intangible assets	Fixed assets in progress	Total
Exercise of 2017						
Initial net value	947	0	1	800	0	1,748
Increases	0	499	5	326	0	831
Regularizations (Note 19)	-748	0	0	0	0	-748
Transfers	0	156	29	18	0	203
Amortization of the exercise	-33	-36	-5	-556	0	-631
Final net value December 2017	**166**	**619**	**29**	**589**	**0**	**1,403**

	Change management	Projects of develop.	Computer programs	Others intangible assets	Fixed assets. in progress	Total
Exercise of 2016						
Initial net value	947	0	14	585	0	1,546
Increases				386		386
Amortization of the exercise			-13	-171		-184
Final net value December 2016	**947**	**0**	**1**	**800**	**0**	**1,748**

During the year ending 31 December 2017, the Group capitalized ("Own account productions") costs in the amount of 534 thousand Euros, which include personnel costs (355 thousand euros), external services and suppliers (67 thousand euros) and inventory costs (112 thousand euros), related to development projects, in the segments of Kiln and Crystal and glass.

The amount of 748 thousand Euros registered under the caption "Regularisations" refers to the derecognition of the key money that the Group maintained over the Chiado store that it occupied under an operating lease agreement. These amendments were recognised against the equity item "Retained Earnings" (Note 19).

11. Impairment

(amounts in thousands of euros)

During the exercises of 2017 and 2016, the impairment of recognized assets had the following movements:

	Investment properties	Tangible Fixed Assets	Inventories (note 16)	Customers and accounts receivable (note 17)	Total
01st January 2016	**775**	**79**	**8,512**	**3,035**	**12,401**
Reinforcement			253	37	290
Reversals		-9	-363	-484	-856
Reversals by alienation	-713				-713
Direct cancellation / cont. adjustments					0
Balance in 31st December 2016	**62**	**70**	**8,402**	**2,588**	**11,122**
Reinforcement		214	0	99	313
Reversals			0	-150	-150
Subtotal	0	214	0	-51	163
Reinforcement by retained earnings			1,073		1,073
Balance in 31st December 2017	**62**	**284**	**9,475**	**2,537**	**12,358**

Impairment losses recorded in the 2017 fiscal year under the caption "Tangible Fixed Assets" relate to the Vista Alegre Cultural Heritage Collection (Note 8).

Additionally, the increase in impairments for inventory recognized in the 2017 fiscal year, approximately amounting to 1.073 thousand euros was recognised against the equity item "Retained Earnings" (Note 19).

12. Operating and financial leasing

The Group leases various stores in shopping centers and streets. In addition to other clauses, these contracts, classified as operating leases by the group, stipulate that the contracts are not transferable (key money-transfer of lease) and that in case of store closure, the group will have to pay rent until the end of the term of the contract. Under these circumstances, on 31 December 2017, the responsibility for accrued rents until the end of the contracts amounted to approximately 4.8 million Euros, with the following maturity dates:

Contract	Maturing rents	2018	2019	2020	2021	2022	2023 and following
STORES	3,956,474	1,645,985	1,143,880	482,118	311,784	214,310	158,397
OUTLETS	231,041	110,716	40,050	31,074	31,074	18,127	0
SHOWROOM	66,632	53,256	13,376	0	0	0	0
OTHERS	556,376	270,808	43,272	21,474	21,474	21,474	177,875
Total	**4,810,523**	**2,080,766**	**1,240,578**	**534,666**	**364,332**	**253,910**	**336,272**

The book values of the Group's assets acquired through financial leasing contracts are listed below:

	31-12-2017			31-12-2016		
Items	Contract Value	Accumulated amortizations	Net value	Contact Value	Accumulated amortizations	Net value
Basic Equipment	2,374	2,199	175	2,213	2,194	19
Transport Equipment	323	171	152	323	161	162
Totals	**2,697**	**2,370**	**327**	**2,536**	**2,355**	**181**

The maturity of the financial leasing contracts where the group is the lessee at 31st December 2016 and 2017, in thousands of euros, is as follows:

	31-12-2017			31-12-2016		
Entity	No more than 1 year	From 1 to 5 years	Total	No more than 1 year	From 1 to 5 years	Total
BIC	97	225	322	87	211	297
CLF	10	1	11	10	11	20
Caixa C.Mútuo	1	0	1	2	1	3
RCI	0	0	0	1	0	1
Total	**108**	**226**	**334**	**100**	**222**	**322**

Present value of the leasing contracts, in thousands of euros:

	31-12-2017		31-12-2016	
Entity	Outstanding value	Present value	Outstanding value	Present value
BIC	322	322	297	297
CLF	11	11	20	20
Caixa C.Mútuo	1	1	3	3
RCI	0	0	2	2
	334	**334**	**322**	**322**

13. Investment properties

On 31st December 2017 and 2016, the detail by real estate investment properties of the Group is the following:

	31-12-2017	31-12-2016
Vista Alegre buildings	19,013	29,993
Total investment properties	**19,013**	**29,993**

During the exercises ended on 31st December 2017 and 2016, the movement occurred in the item "Investment Properties" was as follows:

(amounts in thousands of euros)

Investment properties on 01st January 2016	**30,209**
Fair value variation	1,416
Sale of the *Nova Ivima* Factory	-1,632
Investment properties on 31st December 2016	**29,993**
Reclassification of the *Quinta Nova* building	-5,896
Fair value variation	375
Reclassification of Vista Alegre collection pieces (note 8)	-5,459
Investment properties on 31st December 2017	**19,013**

In 2017, the Group reclassified the "Nova Quinta" property to be included under the heading of Tangible Fixed Assets (Property, plant and equipment) (Note 8), as it is used by the group for their operational activities. This reclassification had no impact on the consolidated income statement for the year.

In addition, during 2017 fiscal year, the Vista Alegre Cultural Heritage Collection was transferred to the heading of Tangible Fixed Assets (note 8).

Buildings *Vista Alegre*

This is real estate (land and buildings) not used in the ordinary course of business of the Grupo Vista Alegre, which are for sale, under the current state or after a valuation process.

Determining the fair value of investment property was supported by market evidence.

At the end of each financial year and for the entire Group's real estate, evaluations are carried out by independent external evaluators with recognized professional qualifications (on 31st December 2016 and 2017 the entity used was J. Curvelo, S.A.). In determining the fair value of the investment properties, the comparative market method and the income approach were used.

The determination of the fair value of the investment properties was supported by market evidence, since, according to the assessor, "the reason behind the assessor's mind, when conceiving the structure of his report, together with fairness and independence only reasons with the aspects closely related to the object under analysis; those relating to the technical aspects, namely the specific characteristics of the assets under consideration, their insertion in the existing network and the elements which influence their tendency in the real estate market, represented by demand and supply, proposing balanced and adjusted venal values, which render analyses as close as possible to reality".

Regarding rental investment properties, there are rental contracts of limited duration, usually 5 years, renewable automatically for periods of one year if not terminated. As of the 31st of December 2017, in addition to the above agreements, there are no other significant contractual obligations to purchase, construct or develop investment property or to repair and maintain it.

The detail of the fair value of the buildings that comprise the Vista Alegre buildings, as well as some market indicators which were based on the valuation in the years 2017 and 2016, are the following:

Real Estate	Location	31-12-2017 Market price/m2	31-12-2017 Fair value (in T€)	31-12-2016 Market price/m2	31-12-2016 Fair value (in T€)
Investment Properties					
"Fábrica" Angolana	Marinha Grande	22.61 €	465	23.59 €	485
Pinewoods	Alcobaça	26.17 €	970	26.44 €	980
"Fábrica" Quinta Nova	Ílhavo	-	-	77.39 €	6,011
L. Barão Quintela	Lisboa	1,431.36 €	5,970	1,251.11 €	4,720
Real Estate	Ílhavo	182.70 €	2,402	183.62 €	2,605
Rural lands	Aveiro	1.90 €	19	1.97 €	20
Vale Ílhavo lands	Ílhavo	70.00 €	140	63.50 €	127
R. Neves Ferreira	Lisboa	513.89 €	370	512.50 €	369
RAN lands	Ílhavo	2.45 €	130	2.45 €	130
Urbanization I	Ílhavo	239.57 €	1,405	248.40 €	1,574
Urbanization II:					
Allotment neighborhood and land attach.	Ílhavo	75.01 €	4,853	76.21 €	4,931
Murteira Allotment	Ílhavo	34.23 €	899	34.57 €	1,107
Allotment of Rua Fábrica VA	Ílhavo	84.87 €	1,390	85.80 €	1,476
Total			**19,013**		**24,534**

The above described properties have been mortgaged in favour of the financial institutions - Caixa Geral de Depósitos, S.A. and Millennium BCP, S.A. since 2011 (see note 20).

The amounts recognized in the results for December 2017 and 2016, referring to income from investment property (see Note 28), were the following, in thousands of euros:

	31-12-2017	31-12-2016
Real Estate Rentals	60	166

14. Financial Investments

The heading of Financial Investments includes residual investments which are investments in companies over which the Group has no control or any significant influence, and these have been classified as available financial investments for sale.

Available-for-sale financial investments were measured at cost as these investments were for unlisted companies, whose fair value cannot be measured reliably.

The composition on 31st December 2017 and 2016 of this item is a follows:

(amounts in thousands of euros)

Financial investments	31-12-2017	31-12-2016
Duofil Lda	34	88
Imerys Ceramic	50	48
VAA-Empreendimentos Turísticos, SA	45	45
Lusitánia Gás SA	20	21
Centro Tecnológico da Cerâmica e do Vidro	6	6
Other participations	17	17
	172	**224**

15. Income tax

The current tax for the years ending 31 December 2017 and 2016 is registered as an account payable to the Visabeira Group, SGPS, S.A., in accordance with the Special Regime for group taxation.

On 31st December 2017 and 2016, the breakdown of assets and deferred tax liabilities, according to the temporary underlying differences, was as follows:

Temporary differences	Base	Assets	Liabilities	Net effect	Impact P&L Dr/(Cr)	Impact Equity Dr/(Cr)	Transf. to other debit.
Balance on 31st December 2016							
Revaluation of tangible fixed assets /Fair Value Investment Property	54,595	0	12,284	-12,284			
Retirement benefits - Responsibility in charge of the Group	2,287	534	19	515			
Adjustments and other provisions not accepted fiscally	9,129	2,054	0	2,054			
Reportable tax losses - Spain	5,296	1,324	0	1,324			
Reportable tax losses - Mozambique	74	24	0	24			
Tax credits		1,869	0	1,869			
Cancellation of the transactions intra-group	1,029	232	0	232			
		6,037	**12,304**	**-6,267**			
Movement of the net year							
Revaluation of tangible fixed assets /Fair Value Investment Property	-445		-100	100	417	-517	0
Retirement benefits - Responsibility in charge of the Group	-954	-202	13	-215	203	12	0
Adjustments and other provisions not accepted fiscally	489	110		110	-56	-54	0
Reportable tax losses - Spain	-561	-140		-140	140	0	0
Reportable tax losses - Mozambique	-63	-20	0	-20		20	0
Tax credits	0	-859		-859	358	0	502
Cancellation of the transactions intra-group	73	16		16	-16	0	0
		-1,096	**-88**	**-1,008**	**1,045**	**-539**	**502**
Balance on 31st December 2017							
Revaluation of tangible fixed assets /Fair Value Investment Property	54,150	0	12,184				
Retirement benefits - Responsibility in charge of the Group	1,333	332	32				
Adjustments and other provisions not accepted fiscally	9,618	2,164	0				
Reportable tax losses - Spain	4,735	1,184	0				
Reportable tax losses - Mozambique	11	4	0				
Tax credits		1,010	0				
Cancellation of the transactions intra-group	1,102	248	0				
		4,941	**12,216**	**0**			

Impact on the Income Statement – Income tax

	31-12-2017	31-12-2016
Current tax	618	410
Deferred tax	-1,045	-661
	-428	**-251**

(amounts in thousands of euros)

December of 2017 and 2016, according to the tax laws of subsidiaries that registered assets due to deferred taxes because of fiscal losses, those were reportable as follows:

T €

Spain	
Year	Tax losses
2011	1,161
2012	996
2013	958
2014	572
2015	1,048
Total	**4,734**

On 31st October 2017, assets that were due to deferred taxes because of fiscal losses and because of other temporary deductible differences were subject to evaluation. As a consequence, these were only registered as soon as it was probable, according to the following information which was referred to, that future taxable income would accrue and that these would be used to recover fiscal losses or to compensate for temporary taxable differences. This evaluation was based on business plans of the different companies of the Group, periodically reviewed and updated, in some internal reorganization already identified and in available fiscal planning opportunities.

At the same time, for purposed of measuring asset recovery by means of deferred taxes generated in the consolidated tax group of Grupo Visabeira, SGPS, SA, the business plans of the companies making it up were used.

VAA, SGPS, S.A. since January 2014 has been covered by the *Regime Especial de Tributação dos Grupos de Sociedades* (special taxation regime for company groups) (RETGS), under which tax is calculated on the taxable the taxable income of companies included on consolidation, and within the specified regime, and according to the terms therewith.

The RETGS encompasses all of companies participating whether directly or indirectly in a minimum of 75% of social capital and which are based in Portugal and taxable under the *Imposto sobre o Rendimento das Pessoas* Coletivas (IRC) (corporate tax code) which are part of Visabeira Group.

For those companies not covered by that regime (essentially the foreign subsidiaries of the Grupo Vista Alegre), the current tax is calculated based on the respective taxable income, determined according to the tax rules in force in the respective country of each entity.

From 1 January 2007 onward, municipalities will be able to charge an annual municipal levy of up to a maximum limit of 1.5% on taxable profit subject to and not exempt from IRC (corporate tax). Thus, in the year ending on 31 December 2017, VAA, SGPS, S.A. and its participating companies with headquarters in Portugal were subject to Corporate Income Tax (IRC) at the rate of 21%, added to the maximum municipal tax levy of 1.5% over taxable income, in this way reaching a combined maximum tax rate of nearly 22.5%.

(amounts in thousands of euros)

Additionally, in the year ending 31 December 2017, taxable income of Portuguese companies that was in excess of 1,500,000 euros were subject to a local state tax, established in accordance with article 87ºA of the corporate tax code at the following rates:

- 3% for taxable profits between 1,500,000 euros and 7,500,000 euros;
- 5% for taxable profits between 7,500,000 euros and 35,000,000 euros; and
- 7% for taxable profits over 35,000,000 euros.

On the other hand, in the year ending 31 December 2017, the deduction of net financing costs in determining taxable profit come to be assessed at the higher of the following limits:

- 1,000,000 euros;
- 40% (30% in 2017) of income before depreciation, net financing expenses and taxes.

Finally, under the terms of article 88º IRC Tax Code, companies with headquarters in Portugal are subject to complementary taxation on a separate set of charges at the rates provided for in the same article.

In the table below, we present the reconciliation between the nominal rate and the effective tax rate on income from activity in 2017:

	31-12-2017
Results before taxes	4,645
Nominal rate of tax on profits	21.0%
Income tax - 21%	-975
Tax Benefits used	1,629
Autonomous taxation	56
Local tax	-92
Total Current tax	**618**
Deferred tax	-1,045
Excise tax	**-428**

16. Inventories

The detail of “Inventories”, with reference to 31st December 2017 and 2016, is as follows

(amounts in thousands of euros)

	31-12-2017			31-12-2016			Adjustments (note 11)	
	Gross Asset	Adjustments (note 11)	Net Asset	Gross Asset	Adjustments (note 11)	Net Asset	Movement 2017	Movement 2016
Goods	543	-952	-409	948	-460	488	-492	-35
Raw materials	4,227	-1,550	2,677	3,913	-1,481	2,432	-69	-80
Products in course of manufacture	782	0	782	546	0	546	0	0
Finished and interm. products	37,454	-6,972	30,482	38,136	-6,461	31,675	-511	225
	43,006	**-9,475**	**33,531**	**43,543**	**-8,402**	**35,141**	**-1,073**	**110**

Adjustments carried out in 2017 include the amount of 1.073 million euros written off through Retained earnings (Note 19).

The criteria used by the Group in regards to the value of inventories are described in note 2.3.6.

The detailed calculation of the recognized cost of merchandise sold and materials consumed is recognized in the consolidated income statement, on 31st December 2017 and 2016, as the following:

	Goods	Raw materials subsidiary and consumption	Total
Stocks on the 1st January 2016	1,601	2,909	4,510
Purchase	10,416	12,663	23,079
Stocks on the 31st December 2016	-948	-3,913	-4,861
CMVMC 2016	**11,069**	**11,659**	**22,728**
Stocks on the 1st January 2017	948	3,913	4,861
Purchase	5,589	20,389	25,978
Stocks on the 31st December 2017	-543	-4,227	-4,771
CMVMC 2017	**5,994**	**20,074**	**26,068**

The detail of calculation of Production Variation recognized in consolidated income statement on 31st December 2017 and 2016, is as follows:

	Finished and intermediate products	Products and works in progress	Total
Balance on 1st January 2016	-37,166	-809	-37,975
Impairments/reversals	160		160
Regularization of inventories	-177		-177
Balance on 31st December 2016	38,137	546	38,683
Production variation 2016	**954**	**-264**	**690**
Balance on 1st January 2017	-38,137	-546	-38,683
Balance on 31st December 2017	37,454	782	38,236
Production variation on December 2017	**-683**	**236**	**-447**

(amounts in thousands of euros)

The values of reinforcement and impairment reversal, are recognised in the consolidated statements of income, respectively, in the "Cost of goods sold and raw materials consumed" and or "Production variation", depending on the goods/raw materials or products.

17. Accounts receivable and others

On 31st December 2017 and 2016 this item presents itself as shown:

	31-12-2017	31-12-2016
Customers	12,022	10,801
Debtors and anticipated expenses	6,879	3,514
	18,901	**14,315**

	31-12-2017	31-12-2016
Accounts receivable from customers and other debtors	19,923	15,580
Minus: accounts receivable adjustments (note 11)	-2,537	-2,588
Accounts receivable from customers and other debtors - net	17,386	12,992
Anticipated payments (deferred costs)	1,515	1,323
	18,901	**14,315**

Debtors and anticipated expenses	31-12-2017	31-12-2016
Advances of suppliers	20	137
Expenses to recognize (deferred costs)	1,515	1,323
Pension fund (note 22.2)	158	86
Related parties - Grupo Visabeira	1,493	829
Other debtors	1,693	1,139
Related parties - Grupo Visabeira	2,000	0
	6,879	**3,514**

The line of “Other debtors” includes a balance of 2 million euros to be collected by Grupo Visabeira, SGPS, SA under the scheme “Regime Especial de Tributação de Grupos de Sociedades” (special taxation regime for company groups).

The balance of “Expenses to be acknowledged” corresponds to incoming invoices in 2017 but which were only recognized as costs incurred in 2018 operations, as well as maintenance material factory areas, which was recognized as a cost of functioning for its consumption/use.

(amounts in thousands of euros)

The maturity of the amounts to be received in the line "Accounts receivable from customers and other debtors" has the following details:

Customers	Months' seniority after the expiration date				Total	Total	
	0 - 6	6 - 12	12 -18	> 18	Overdue	Not due	TOTAL
2016	3,409	287	157	45	3,898	6,903	10,801
2017	3,734	33	242	343	4,353	7,669	12,022

18. Share Capital, treasury shares, issue premium and supplementary benefits

The total number of common shares is 1,524,091,463 book-entry shares with a nominal value of 0.08 € per share. All shares issued are taken.

	No of shares (thousand)	common VN	common Prize	treasury VN	treasury Prize	Total
On 31st December 2008/2009	145,040	29,008	0	-1	-1	29,006
On 30th June 2010	145,040	11,603	0	-1	-1	11,601
On 31st December 2016	1,156,348	92,508	0	-1	-1	92,506
On 31st December 2017	1,524,091	121,927	22,065	-1	-1	143,990

On 22nd December 2017, Vista Alegre Atlantis, SGPS, SA witnessed its social capital growing from 92,507,861.92 euros to 121,927,317.04 euros, owing to the issuance of 367,743,189 common shares, registered and to the holder, being made up of 1,524,091,463 shares with the nominal value of 0.08 euros each, of which:

- 10,600,331 shares were subscribed through public offering for subscription with subscription reserved for VAA, SGPS, S.A. shareholders, in exercising their pre-emption rights (with the legal pre-emption rights having been withdrawn from shareholders of Visabeira Indústria SGPS, S.A., Grupo Visabeira SGPS, S.A., FCR Portugal Ventures Grandes Projetos de Investimento, Caixa Geral de Depósitos, S.A. and the Fundo de Capital de Risco Grupo CGD – Caixa Capital and limited to shareholder pre-emption rights of shareholders of CERUTIL – Cerâmicas Utilitárias, S.A. ("CERUTIL") in subscribing to actions in the instalment of the increase to be paid in cash);

(amounts in thousands of euros)

- 357,142,858 shares were subscribed by CERUTIL and were carried out within the category of contributions in kind through credit conversion of CERUTIL on VAA in the amount of 50,000,000.12 euros

On 31st December 2017, the Company held 1,099 company shares in its portfolio, valued at the price of 0.09 euros each. The premium paid per share was 1.687 euros. The total amount paid for share acquisition was 1,854 euros and this was deducted from equity. The value of market capitalization as of 31-12-2017 was 161.889 million euros.

Additionally, as of 31st December 2017 supplementary payments were made by the shareholder Visabeira Indústria, SGPS, SA in the amount of 38.182 million euros. These supplementary payments are not able to be reimbursed while this operation reduces its own Company capital to a value lower than the sum of the social capital and its legal reserve.

19. Reserves and retained earnings

The movement occurred in the items of "Reserves and retained earnings" was the following:

	Result of Previous years	Reevaluation of lands and buildings	Other Reserves	Total
Balance 01st January 2016	**-156,277**	**37,201**	**18,720**	**-100,356**
Result of the previous year	-814	0	0	-814
Revaluation of the net/fixed assets of the exercise	0	1,024	0	1,024
Net actuarial gains and losses	-126	0	0	-126
Amounts that will subsequently be reclassified in the results				0
Net gains and losses on equity instruments	0	0	0	62
Conversion of transactions into foreign currency	759	0	0	760
Balance 31st December 2016	**-158,997**	**38,836**	**18,720**	**-101,440**
Result of the previous year	1,797	0	0	1,797
Revaluation of the net/fixed assets of the exercise	0	-2,062	0	-2,062
Net actuarial gains and losses	31	0	0	31
Amounts that will subsequently be reclassified in the results				0
Other regularizations/net	-2,288	281	0	-2,007
Conversion of transactions into foreign currency	-424	0	0	-424
Balance 31st December 2017	**-159,881**	**37,055**	**18,720**	**-104,105**

The movement of "Other net settlements" referred to above, in terms of operations in 2017, includes a range of settlements that come to a total amount of approximately 2 million euros to the opening balances of some subsidiaries' financial statements, for which inaccuracies for previous activity were identified. These settlements essentially involved the lines in the statement of financial position "Tangible assets", Intangible assets" and "Inventories", given that according to the understanding of the Board of Directors, their materiality is not necessary for restating a consolidated financial statement.

(amounts in thousands of euros)

20. Credit institutions and shareholder loans

Debts to credit institutions and shareholder loans had the following expression on 31st December 2017 and 2016:

	31-12-2017	31-12-2016
Non-current liabilities		
Bank loans	17,475	13,476
Other loans	4,098	10,516
Financial leases	226	222
Shareholder loans	370	60,216
	22,169	84,430
Current liabilities		
Bank overdrafts	10,245	0
Financial leases	108	100
Other loans	5,736	3,290
Bank loans	8,119	4,080
Shareholder loans	0	750
	24,209	8,219
	46,377	**92,650**

The main guarantees and conditions of the agreement with the banks are hereafter described. In addition, the timing of maturity of the Bank loans and other loans can be summarized as follows:

(amounts in thousands of euros)

Institution	Interest rate 31-12-2017	Nominal value	2018	2019	2020	≥ 2021
BANCO BRASIL	3%	1,000	1,000	0	0	0
BCP	Euribor 3M +2,5%	2,542	133	133	133	2,143
CGD	Euribor 3M +2,5% / 5% / 5,37%	7,160	2,023	2,092	903	2,143
IFDR	5%	1,000	500	500	0	0
IKEA	2% / 2% / 2,9%	1,803	887	909	7	0
MONTEPIO	Euribor 6M +3%	2,230	590	584	569	487
NOVO BANCO	Euribor 12M + 3,5%	9,859	2,986	3,583	3,289	0
	Bank loans	**25,595**	**8,119**	**7,802**	**4,901**	**4,773**
BCP	Euribor 3M +3,5% / 5,5%	2,380	2,380	0	0	0
BIC	Euribor 3M +4,85%	960	960	0	0	0
CGD	Euribor 6M +4,25% / 4,5%	2,651	2,651	0	0	0
MONTEPIO	Euribor 6M +3,00%	652	652	0	0	0
NOVO BANCO	Euribor 6M +3,00%	1,597	1,597	0	0	0
SANTANDER	Euribor 3M +4,00%	2,004	2,004	0	0	0
	Bank loans	**10,245**	**10,245**	**0**	**0**	**0**
AICEP	0%	9,834	5,736	1,469	1,031	1,597
	Other loans	**9,834**	**5,736**	**1,469**	**1,031**	**1,597**
CGD	E3M +2.75%	11	10	1	0	0
CCAM	E3M +2.75%	1	1	0	0	0
BIC	E3M +2.75%	322	97	99	97	29
	Financial leases	**334**	**108**	**100**	**97**	**29**
Total		**46,007**	**24,209**	**9,370**	**6,029**	**6,399**

The Group's major loan contracts to be noted:

Novo Banco, SA: Funding in the total value of 10 million euros, to be reimbursed in 32 consecutive and equal quarterly instalments of capital and interest, with the due date of October 2020, with assignment of receipts from the client Moët Hennessy.

Caixa Geral de Depósitos, SA: Interim financing, to the total amount of 5.7 million euros, repaid in 20 successive and equal quarterly instalments of principal and interest, maturing on 27-05-2020.

In order to guarantee the amounts owed to Caixa Geral de Depósitos, S.A., the Ria Stone building and some basic equipment were mortgaged.

Agência para o Investimento e Comércio Externo de Portugal, EPE: Financing to the total amount of 9.8 million euros. The date for the first reimbursement corresponds to clause 11 of the investment agreement, which states: "the reimbursable incentive is allocated for a total period of 7 years, which includes a grace period of 3 years. The term is from: (i) the date on which the first payment of the Refund Incentive is made to the Company; or (ii) from the end of the fiscal year following the entry into force of this agreement; whichever is earlier."

Caixa Económica Montepio Geral: Loan in the total of 2.5 million euros taken out on October 2016 and with continual monthly instalments of capital and interest with the due date of 28-10-2021.

IKEA Supply AG: Loan to the amount of 2.4 million euros, outstanding at the end of 2017, 1.6 million euros, intended to finance equipment for its subsidiary Ria Stone made available in stages between 22-03-2013 and 31-01-2015. The date of the last repayment is on 25-01-2020, including interest.

IKEA Supply AG: Loan to the amount of 740 thousand euros, outstanding at the end of 2017, 148 thousand euros, for the financing for its subsidiary Ria Stone equipment available in stages between 23-06-2015 and 31-05-2015. The date of the last repayment is on 01-25-2020, including the respective interest.

IKEA Supply AG: Loan to the amount of 550 thousand euros, outstanding at the end of 2017, 74 thousand euros, in order to finance equipment for its subsidiary Ria Stone made available in stages between entre 29-08-2013 and 31-01-2015. The date of the last repayment is on 25-01-2019, including interest.

Grupo Vista Alegre has access to available lines of investment support within the framework of Portugal 2020, in the form of incentives that total 11.1 million euros and a bank credit line of 7.8 million euros at Caixa Geral de Depósitos, S.A., also for investment support. The Group also has other lines of debt instruments for cash-flow support in the way of factoring, discounting export consignments and payment to suppliers in the amount of 14.7 million euros, with 10.2 million euros having been used on the balance sheet date.

In 2017 the Group came to use financing for VAT in the form of a current account to be reimbursed which was contracted with Caixa Geral de Depósitos, S.A. In addition, for cash-flow support, financing was taken out in the form of a current account with Banco do Brasil in the amount of 1 million euros. Banco BIC supported the acquisition of refractories for the oven having an effect on the Porcelain segment.

The Group concluded a capital increase in 2017 by using the balance from shareholder credits in the amount of 50 million euros, a fact which justifies reducing that sort of shareholder financing as compared to 31st December 2016 (Note 18).

(1) The guarantees and other conditions for the loans negotiated with Millennium BCP, S.A. and Caixa Geral de Depósitos, S.A. in previous periods are as follows:

Guarantees:

I) Financial pledge of the bank accounts of the Borrowers/Credited to the Lenders/Creditors;

II) Pledge of supplies and supplementary benefits of *Vista Alegre Atlantis*;

III) Mortgage of real estate owned by *Vista Alegre Atlantis* in favour of the banks, in parity and in the proportion of fifty percent for each one;

IV) Pledge on the marks, in favour of the banks, in parity and in the proportion of fifty percent for each one;

Other conditions:

I) Ownership, Pari Passu, Cross-Default and Negative pledge;

II) The conditions of termination of this financing are the situations that according to Lenders/Creditors may compromise significantly, the repayment of the debt or the activity of the Borrowers/Creditors;

III) Additional indebtedness of Vista Alegre Atlantis exceeding 250 thousand euros/year subject to the approval of the Lenders/Creditors;

IV) Impossibility of distribution of dividends, reimbursement of supplies or other forms of remuneration to shareholders;

V) Opening an income account in the Lenders/Creditors where credits will be generated resulting from the activity of the Lenders/Creditors;

VI) Commitment of presentation of economic and financial information or other on the activity of the Borrower/Credited considered relevant to the Agent, including accounts certified/audited on an annual basis;

VII) The financing will be compulsory reimbursed before the due date in the event of an event-of-default check.

VIII) Do not use the loan funds through the CONTRACT for purposes other than those that based their concession;

IX) The BORROWERS also undertake not to perform, without the prior written consent of Millennium BCP , S.A. and Caixa Geral de Depósitos, S.A., and for as long as the obligations arising under the CONTRACT persist, the following acts:

a) To establish or extend real rights of guarantee, as well as to promise to carry out any of these acts;

b) To sell, lease, transfer, assign the operation or otherwise dispose, as well as promising to carry out any of these acts on any real estate or other assets and rights of property and whose book value exceeds jointly or separately, 10% (ten percent) of fixed assets;

c) Sell or charge, in whole or in part, in any way, even in the form of a promise, the shares held in the capital of other companies with which they have a controlling or group relationship, as well as qualifying holdings, as such, legally defined, which it holds in other companies;

d) Segregate or separate from the company to which they belong, one or more establishments or a group of assets, to incorporate them in a third company or to constitute a new company or entity;

Non-Compliance:

(Late Payment)

1. It is agreed between BANKS and BORROWERS that, in the event of late payment of interest, BANKS may capitalize interest corresponding to the minimum period of three months.

2. It is agreed between BANKS and BORROWERS that, in the event of default of repayment of the principal of the financing, BANKS may apply, as a penal clause, an increase of 4% (four percentage points) on the remuneration interest rate referred to in number 1 of clause 4.

3. The penal clause provided for in the preceding paragraph shall also include capitalized interest corresponding to the minimum period of one year, or a shorter period, if this is permitted by legal or administrative provision.

(Advance payment)

1. The Millennium BCP, S.A. and the Caixa Geral de Depósitos, S.A. may, independently, without prejudice to their ability to demand the reinforcement or replacement of the GUARANTEES provided, consider in advance the debts of the BORROWERS arising from the CONTRACT and demand the immediate fulfilment of the corresponding obligations, without prejudice to other responsibilities that may occur, namely:

a) whenever BORROWERS or GUARANTORS cannot comply with obligations arising out of the CONTRACT or any document delivered thereunder or related thereto, or any other contract signed or to be signed between the BORROWERS and Millennium BCP, S.A. and/or Caixa Geral de Depósitos, S.A., or with entities that are in a controlling or group relationship with the BANKS, or any other credit institution and financial company, in particular when there is no timely payment of any capital or interest and such default is not remedied within five (5) or ten (10) working days, from the date of the notification receipt, depending on whether it is a pecuniary or non-pecuniary obligation;

b) whenever the BORROWER or GUARANTOR cannot comply with obligations arising out of any other contract signed or to be signed between the such companies and another entity other than a credit institution, in particular where no payment under any contract is due, and Millennium BCP , S.A. and Caixa Geral de Depósitos, S.A. understand that such breach may in any way affect the good performance of the CONTRACT and that such breach is not remedied within a period of five (5) or ten (10) working days, from the date of the notification receipt, depending on whether it is a pecuniary or non-pecuniary obligation.

c) If the credit granted is used for a purpose other than that for which it was granted;

d) When any statement made by any of the BORROWERS or by the GUARANTORS in this CONTRACT or in any document, certificate or statement delivered thereunder or relating thereto proves to be materially incorrect or untrue;

e) If any of the BORROWERS or the GUARANTORS suspend, interrupt or threaten or communicate to suspend or interrupt their activity;

f) If there is a negative change in the business of any of the BORROWERS or GUARANTORS or material changes in their liabilities or assets determined by any cause, including any transaction, act or business whose purpose or effect, direct or indirect , is to reduce the net asset value of any of the BORROWERS or GUARANTORS and that, according to a reasonable estimate of Millennium BCP , S.A. and Caixa Geral de Depósitos, S.A., may determine breach of any of the obligations assumed under this CONTRACT;

g) If any enforcement, attachment, seizure procedures, or any other judicial and/or administrative proceeding which implies limiting the free availability of its assets is proposed against BORROWERS and/or GUARANTORS here, which, in the opinion of the Banks, may affect the good compliance with the contract;

h) If any of the BORROWERS and/or GUARANTORS, with the exception of the companies Visabeira Indústria, SGPS, SA and Grupo Visabeira SGPS, SA, constitute, or extend real rights of guarantee, as well as promise to carry out any of these acts, without prior written agreement of the BANKS;

i) If any of the BORROWERS and/or the GUARANTORS with the exception of the companies Visabeira Industry, SGPS, SA and Grupo Visabeira SGPS, which here are guarantors to sell, lease, transfer, assign the exploration or in any way dispose, as well as promise to carry out any of these acts, on immovable over real estate or other assets and rights pledged as collateral, without the prior written agreement of the BANKS;

j) If any of the BORROWERS or GUARANTORS with the exception of the companies Visabeira Industry, SGPS, SA and Grupo Visabeira SGPS, SA, without the prior written agreement of the BANKS, sells or charges, in whole or in part, in any way, even if under a pledge, the shares it holds in the capital of other companies, with which it has a controlling or group relationship, as well as qualified holdings, as such, legally defined, held in other companies;

k) If any of the BORROWERS or GUARANTORS hereunder separates from the company to which they belong, one or more establishments or a group of assets, to incorporate them into a third company or to establish a new company or entity, except restructuring operations between companies which share a control or group relationship with BORROWERS or GUARANTORS, provided that they are duly authorized by the Banks;

l) In any court brings, of any nature whatsoever (including arbitration), any action of any kind against any of the BORROWERS or against the GUARANTORS that is likely to, in the opinion of the BANKS, adversely affect the compliance of the obligations under this CONTRACT ;

m) If the BORROWERS are liable to the National Treasury or Social Security and do not settle their debts within 15 days;

n) If the BORROWERS or the GUARANTORS cease the payments, if they file for insolvency or for company recovery or if third parties request any of these legal proceedings (and they are not dismissed); without challenging or in case the challenging proves to be, according to the exclusive criteria of the BANKS, unfeasible or of reduced feasibly.

o) If it is approved or decided by the competent corporate bodies or in the course of legal proceedings, the transformation, merger, division or dissolution and liquidation of any of the BORROWERS or of any of the GUARANTORS, unless the decision in question is taken within the scope of a restructuring process, which has been subject to prior approval by Millennium BCP, S.A. and by Caixa Geral de Depósitos, S.A.;

p) If there is any change in the ownership of the PLEDGED IN GUARANTEE, unless with prior written approval by Millennium BCP, S.A. and by the Caixa Geral de Depósitos, S.A.;

q) If Cerutil BORROWER ceases to have as sole shareholder the company Visabeira Indústria SGPS, SA, and/ or if Cerutil ceases to have a direct control relation in the VAA – Vista Alegre Atlantis, SGPS, SA, as defined in terms of the code of commercial companies, and/or the VAA – Vista Alegre Atlantis, SGPS, SA is no longer the sole shareholder of VAA;

r) If the social agreement of the BORROWER is amended without the prior agreement of Millennium BCP, S.A. and Caixa Geral de Depósitos, S.A. and to the extent that such a change is likely to jeopardize the compliance of the obligations arising from this CONTRACT for BORROWERS;

s) If (i) any of the GUARANTEES lose their respective priority degree, (ii) if any of the GUARANTEES are contrary to the law, void, (iii) any GUARANTEE ceases to represent, in whole or in part, a valid and effective obligation before the BANKS, as beneficiaries, in accordance with their terms, provided that they are not replaced within the period indicated by the banks for that purpose, under the terms and conditions satisfactory thereto;

t) If, at the initiative of the BORROWERS, any materially relevant assignment or change occurs, at the BANKS' sole discretion, or revocation, or termination in any way other than through its timely compliance with the INTEREST RATE COVERAGE AGREEMENT;

u) In the cases provided for in articles 670-c), 701 and 780 of the Civil Code.

2. The anticipated maturity of the debt arising under the CONTRACT, in accordance with paragraph 1, shall automatically and immediately be carried out, upon receipt, by the BORROWERS, of a communication sent to that effect by any of the BANKS.

3. In the event of any of the situations indicated in paragraph 1 of this clause, the BANKS, individually, shall have the right to consider immediately due and payable the obligations arising from other contracts signed with them by the BORROWERS, which shall operate automatically by written communication sent by the AGENT or by the CAIXA.

4. The non-exercise by any of the BANKS of any right or power, which is granted by the CONTRACT, in no case will mean a waiver of such right or power, and therefore will remain valid and effective notwithstanding its non-exercise.

5. The possible granting by the BANKS of an additional period for compliance with a given obligation is not a precedent that may be invoked in the future.

(2) The guarantees and other conditions for the negotiated loans related to the new business segment, Table Stoneware, are as follows:

Caixa Geral de Depósitos, SA:

Guarantees:

Endorsement from Grupo Visabeira, SGPS and Vista Alegre Atlantis, SGPS.

Other conditions:

The Ownership clause, direct or indirect, of the Grupo Visabeira, SGPS on Vista Alegre Atlantis, SGPS, and from the latter on the borrower; the obligation to centralize in CGD all payments and receipts of the project; Cross Default, Pari Passu and Negative Pledge.

AICEP – Agência para o Investimento e Comércio Externo de Portugal, EPE:

Guarantees:

The company undertakes to present a bank guarantee, under the terms and conditions stipulated in the Payment Standard applicable to Projects approved under the NSRF Incentive Systems.

Non-compliance:

Failure to comply with obligations or any breach of the obligations set forth in the investment contract shall be assessed by the Tribunal Arbitral.

The liability of the shareholders shall be proportional to their respective shares in the Company's share capital at the date of the non-compliance, and shall continue for the term of the contract even in the event of bankruptcy, merger or dissolution of the Company.

IKEA Supply AG:

Guarantees:

(amounts in thousands of euros)

The company is obliged to present until 31-01-2015 a mortgage, in favour of IKEA, of equipment belonging to Ria Stone already defined in the loan agreement. It was filed within the stipulated date.

Non-compliance:

Failure to comply with the obligations stipulated in the contract implies the immediate payment of the amounts due at the date, plus interest and other expenses, without any prior notice from IKEA.

Any dispute arising out of this contract shall be dealt with by the arbitration tribunal in Stockholm by three arbitrators appointed for that purpose.

21. Accounts payable and other debts

On 31st December 2017 and 2016 the item of Accounts payable and others debts had the following composition:

	31-12-2017	31-12-2016
Current liabilities		
Suppliers	12.786	15.479
Creditors and accrued expenses	16.512	16.713
	29.298	**32.192**

The maturity of the amounts to be paid in the line "Suppliers" has the following details

Suppliers	Months' seniority after the expiration date				Total	Total	
	0 - 6	6 - 12	12 -18	> 18	Overdue	Not due	TOTAL
2016	7,867	743	170	215	8,995	6,484	15,479
2017	4,888	68	21	168	5,146	7,641	12,786

The item "Suppliers" present itself on 31st December 2017 and 2016 as shown in the following:

	31-12-2017	31-12-2016
Current account suppliers	12,669	15,369
Suppliers' invoices in reception and conference	92	84
Suppliers – payable equities	25	26
	12,786	**15,479**

The item "Creditors and accrued expenses – Current Liabilities" present itself as shown in the following table:

(amounts in thousands of euros)

	31-12-2017	31-12-2016
Accrued expenses	9,067	8,902
Investment suppliers	1,412	780
Other creditors	6,216	972
Receivables from customers	228	294
	16,922	**10,949**

The item "Other creditors" includes an amount of 5.373 thousand euros related to the confirming commercial debt.

The item "Accrued expenses" on 31st December 2017 and 2016 present itself as shown in the following table:

	31-12-2017	31-12-2016
Personnel charges	4,432	4,249
Interest payable	3,878	3,766
Natural Gas	260	176
Rappel	215	150
Others	186	117
Municipal property tax	57	74
Electricity	40	124
Royalties	0	143
Commissions	0	60
Fair value of financial instruments Swap	0	41
	9,067	**8,902**

22. Provisions

22.1 Provisions

The information related to the provisions, on 31st December 2017 and 2016, present itself as shown in the following table:

	31-12-2017	31-12-2016
Initial balance on 1st January	**538**	**555**
Provisions for other risks and charges	-169	-17
Legal proceedings	*-300*	*-17*
Compensations	*61*	*0*
Taxes	*70*	*0*
Final balance	**369**	**538**

22.2 Provision for retirement pensions

The detail on 31st December 2017 and 2016 of the Accounting Provisions constituted for the responsibilities with retirement complements, by plan, is as follows.

Grupo VAA has a number of defined benefit pension plans in place, some of which are borne by the Pension Funds specially constituted and managed by the actuarial society (*Futuro- Sociedade Gestora de Fundos de Pensões, S.A.*) and others are borne by the Group itself (“Plano de benefícios definido – sem Fundo”).

Borne by the *Futuro- Sociedade Gestora de Fundos de Pensões, S.A.* are two funds:

- One (“Ex-Atlantis”) called *Adesão Coletiva Atlantis* has an undetermined duration. All employees of Vista Alegre Atlantis, SA, former Atlantis – Cristais de Alcobaça, SA, admitted to the Associate's service up to the 31st December 2013, and who meet the requirements of eligibility provided for in the Pension Plan, which is to say all, are entitled to a supplementary old-age pension calculated in accordance with the Pension Plan.

This fund is financed by the *Fundo de Pensões Viva*.

- Another (“Ex-Vista Alegre” and “Vista Alegre Grupo”), called *Fundo de Pensões Grupo Vista Alegre*, also of undetermined duration, which includes the permanent employees of Vista Alegre Atlantis SA, who worked for the formers *Fábrica de Porcelana da Vista Alegre*, S.A. and *Vista Alegre Grupo - Vista Alegre Participações S.A.*, who have signed an individual employment contract before the 20th of December 1976 and are covered by the CCT for the Ceramic Industry.

The *Grupo Vista Alegre* pension fund is financed by the *Fundo de Pensões Grupo Vista Alegre*.

The responsibilities of the Group are the following:

(amounts in thousands of euros)

	31-12-2017	31-12-2016
Defined benefit plan – without Fund	-1.465	-2.363
Defined benefit plan – with Fund		
Ex-Vista Alegre		
Responsibilities for previous services	-1.144	-1.057
Market value of the Fund	1.326	1.188
	183	**131**
Ex-Atlantis		
Responsibilities for previous services	-437	-451
Market value of the Fund	412	406
	-25	**-45**
Grupo Vista Alegre		
Responsibilities for previous services	-1.251	-1.276
Market value of the Fund	1.251	1.276
	0	**0**
Excess/(deficit)	**158**	**86**

The excess of the fund of 158 thousand euros and 86 thousand euros, respectively on 31st December 2017 and 2016 is registered in the accounts receivable, according to the note 17.

The actuarial study carried out by specialized independent actuary – Futuro, Sociedade Gestora de Fundos de Pensões, S.A. is based on the following assumptions and theoretical bases:

	2017-12-31	2016-12-31
Discount rate	1.90%	1.75%
Salary growth rate	1.00%	1.00%
Pensions growth rate	0.25%	0.25%
Mortality tables	TV 88/90	TV 88/90
Disability tables	EKV 80	EKV 80
Retirement age (men and women)	65	65

The evolution of responsibilities with plans to retirement complement was the following:

(amounts in thousands of euros)

	without Fund	with Fund (VA)	with Fund (Atlantis)	with Fund (VG)	Total
Responsibilities for previous services – 1st January 2016	**2,917**	**1,136**	**451**	**1,309**	**5,812**
Current service cost	0	6	6		12
Interest cost	14	28	11	33	86
Pensions paid	-727	-132	-36	-167	-1,062
Reinforcement	116				116
Change in assumptions	23	62	35	56	177
Actuarial losses/gains	20	-44	-16	46	5
Responsibilities for previous services – 31st December 2016	**2,363**	**1,057**	**451**	**1,276**	**5,146**

	without Fund	with Fund (VA)	with Fund (Atlantis)	with Fund (VG)	Total
Responsibilities for previous services – 1st January 2017	**2,363**	**1,057**	**451**	**1,276**	**5,146**
Current service cost	0	5	6		11
Interest cost	10	18	8	22	58
Pensions paid	-726	-125	-35	-167	-1,053
Reversion	-201				-201
Change in assumptions	-4	-12	-9	-11	-35
Actuarial losses/gains	23	-1	-15	70	78
Responsibilities for previous services – 31st December 2017	**1,465**	**943**	**407**	**1,190**	**4,005**

On the 31st December 2017, the amount of responsibilities – without fund include a provision – related to an ex-administrator of Grupo Vista Alegre is 957 thousand euros (on December 2016: 1.8 million euros). The provision concerns complementing the retirement pension of a former director, based on the accounting calculation performed by the entity Futuro, Sociedade Gestora de Fundos de Pensões, S.A.. On December 2014, the Supreme Court granted the attribution of a retirement pension to the former administrator. From February 2018 the retirement pension was reduced under certain legal provisions. This decision was supported by legal advisors of the Grupo Vista Alegre, having determined a reduction in the provision in the amount of 201 thousand euros.

The assets of the funds set aside to ensure financing of liabilities relating to retirement pensions was as follows:

(amounts in thousands of euros)

	with Fund (VA)	with Fund (Atlantis)	with Fund (VG)	Total
Amount – 01st January 2016	**1,400**	**436**	**1,309**	**3,145**
Expected return	35	11	33	79
Actuarial losses/gains	-118	-6	102	-22
Pensions paid	-128	-35	-167	-331
Amount – 01st January 2017	**1,188**	**406**	**1,276**	**2,870**
Expected return	21	10	22	53
Actuarial losses/gains	-25	20	60	54
Pensions paid	-95	-33	-167	-296
Amount – 31st December 2017	**1,088**	**403**	**1,190**	**2,682**

Actuarial gains and losses result mainly from the changes in actuarial assumptions and from differences between these assumptions and actual data, and are recognized directly in shareholders' equity and are presented in the Consolidated Income Statement.

The table below summarizes the composition of net pension cost in the periods ended on 31st December 2017 and 2016, recognised in the consolidated income statement, in “Personal expenses”:

	Without Fund		With Fund	
	dec-17	dec-16	dec-17	dec-16
Current service cost		0	11	12
Interest cost	10	14	49	72
Expected return			-53	-79
Net Cost	**10**	**14**	**6**	**6**

The minimum financing level required by the ISP in the last four years was the following:

(amounts in thousands of euros)

VA and VG Pensions Fund

		2017	2016
(1)	Responsibilities for previous services	2,134	2,333
(2)	Value of the fund	2,279	2,464
(3)	Financing Surplus/(Deficit) (2)-(1)	145	131
	(4) Financing level (2)/(1)	**107%**	**106%**

Ex-Atlantis Pensions Fund

		2017	2016
(1)	Responsibilities for previous services	407	451
(2)	Value of the fund	403	406
(3)	Financing Surplus/(Deficit) (2)-(1)	-4	-45
	(4) Financing level (2)/(1)	**99%**	**90%**

The composition of the Fund's portfolio and the statistics of population covered had the following decomposition:

(amounts in thousands of euros)

VA and VG Pensions Fund

	31-12-2017	31-12-2016
Fixed-rate bonds	37,8%	39,4%
Floating rate bonds	29,9%	31,6%
Shares	19,8%	17,3%
Liquidity	2,2%	2,2%
Real Estate	10,3%	9,5%

Ex-Atlantis Pensions Fund

(Collective membership to the Open pension Fund *BPI Valorização*)

	31-12-2017	31-12-2016
Fixed-rate bonds	24,5%	29,9%
Floating rate bonds	35,7%	30,5%
Shares	32,6%	29,5%
Liquidity	3,2%	6,8%
Real Estate	3,0%	3,4%

	31-12-2017	31-12-2016
VA and VG Pensions Fund		
Number of employees	23	23
Number of retired persons	52	61
Ex-Atlantis Pensions Fund		
Number of employees	259	268
Number of retired persons	38	42
Pensions' payable by the Company		
Number of employees	0	0
Number of retired persons	3	3

Sensitivity of the amount of responsibilities of the VA and VG Fund to the changes in the actuarial and financial assumptions:

Sensitivity analysis		Increase	Decrease
Discount rate	**(0,25 pp)**	-36	37
Salary growth rate	**(0,25 pp)**	8	-8
Pension growth rate	**(0,25 pp)**	35	-34
Mortality	**(1%)**	-123	122

(amounts in thousands of euros)

Sensitivity of the amount of responsibilities of the Ex Atlantis Fund to the changes in the actuarial and financial assumptions:

Sensitivity analysis		Increase	Decrease
Discount rate	**(0,25 pp)**	-12	13
Salary growth rate	**(0,25 pp)**	2	-2
Pension growth rate	**(0,25 pp)**	11	-10
Mortality	**(1%)**	-20	21

23. State and other public entities

On 31st December 2017 and 2016 the decomposition in the item "State and other public entities" was the following:

	31-12-2017		31-12-2016	
	Assets	Liabilities	Assets	Liabilities
Income tax	150		229	
Retentions of income tax		243		255
Tax on commercial transactions*	479	797	785	793
Social security contributions		648		674
	629	**1,688**	**1,014**	**1,723**

*IVA, ICMS, PIS, COFINS and IPI.

24. Subsidies

The main information about the investment subsidies allocated to the Group on 31st December 2017 and 2016 is as follows:

	31-12-2017	Amortization	Reinforcement	31-12-2016
Subsidies for medium and long-term investment	**3,779**	**-741**	**1,757**	**2,763**
Tableware Project	*3,106*	*-650*	*1,632*	*2,124*
Porcelain Project	*544*	*-91*	*54*	*581*
CerexCor & CristalLux Project	*129*	*0*	*71*	*58*

Follows a brief description of each project referred above:

(amounts in thousands of euros)

Tableware

Project of national strategic interest to set up the new company – Ria Stone – dedicated to manufacturing tableware pieces in stoneware, through innovative single-firing processes, underpinned by a strong automatization process.

Porcelain

Innovation projects in the porcelain segment, aimed at modernizing the factory, supported by innovation in production processes, with changes in various sections of manufacturing (presses, firing, decaling, decorating, storage), with the acquisition of a new firing kiln for hollow pieces standing out, which allowed for product development in innovative porcelain, better and more resistant, technically speaking. The projects were aimed at reinforcing the presence of the Vista Alegre brand internationally.

CerexCor & CristalLux

Innovative project acting on two planes, one in the Stoneware Oven (Aveiro factory) and the other in Crystal (Alcobaça factory), the first aimed at diversifying production by introducing coloured pastes in the manufacturing process for a higher quality product and the second making fundamental changes in Crystal manufacturing processes, for innovative processes, with single moulding (*single pass*).

25. Revenue

During the periods ended on 31st December 2017 and 2016, the categories of revenue recognised in the period include the revenue from:

	31-12-2017	31-12-2016
Goods sale	83,914	74,764
Services provided	1,067	674
	84,981	**75,439**

26. Personnel expenses

The personnel expenses during the exercises ended on 31st December 2017 and 2016 are as follows:

(amounts in thousands of euros)

	31-12-2017	31-12-2016
Salaries and other personnel expenses	22,931	22,242
Salaries and other Administration short-term benefits	370	476
Pensions paid to former administrators	656	660
Charges on remuneration	5,038	5,583
Works for the company	0	-1,758
Total	**28,995**	**27,203**

The responsibilities with retirement pensions plans are detailed on Note 22.

Moreover, the Group changed the form of recognition of "Work for the company" during 2017, and its effect becomes an autonomous income caption in the consolidated income statements.

On the 31st December 2017 and 2016, the number of employees working for the Group (taking into account the company they work for) may be detailed as follows:

Number of employees at the end of 2017	31-12-2017	31-12-2016
VAA Vista Alegre Atlantis SGPS	5	5
Vista Alegre Atlantis, SA	1,473	1,378
VA - Vista Alegre España, SA	56	57
VAA Brasil – Comércio, Importação e Exportação SA	15	14
Vista Alegre Atlantis USA	3	2
Vista Alegre Atlantis Moçambique, Lda	5	5
Ria Stone Fábrica de Louça de Mesa em Grés, SA	183	176
	1,740	**1,637**

Average number of employees per company	31-12-2017	31-12-2016
VAA Vista Alegre Atlantis SGPS	5	5
Vista Alegre Atlantis, SA	1,408	1,406
VA - Vista Alegre España, SA	55	57
VAA Brasil – Comércio, Importação e Exportação SA	14	14
Vista Alegre Atlantis USA	3	2
Vista Alegre Atlantis Moçambique, Lda	5	5
Ria Stone Fábrica de Louça de Mesa em Grés, SA	181	176
	1,671	**1,665**

27. Supplies and external services

On 31st December 2017 and 2016, this item presented the following composition:

(amounts in thousands of euros)

	31-12-2017	31-12-2016
Electricity	2,911	3,300
Rents	3,121	2,724
Commissions	1,379	1,992
Conservation and repair	1,345	1,226
Advertising and propaganda	1,378	1,376
Transport of goods	1,543	1,641
Specialized services	1,601	1,200
Traveling and staying	535	567
Insurance	410	392
Cleaning, hygiene and comfort	386	444
Subcontracts	795	557
Other	461	229
Petrol, water and other fluids	313	335
Communication	231	265
Quick wearing tools and utensils	240	146
Royalties	223	283
Safety and surveillance	300	273
Fees	121	68
Works for the company	0	-120
	17,292	**16,896**

On the 31st December 2017 and 2016, the caption “Rental and Lease” mainly regards the expenses with the rents of several Vista Alegre stores in Portugal and abroad.

Moreover, the Group changed the form of recognition of “Work for the company” during 2017, and its effect becomes an autonomous income caption in the consolidated income statements.

28. Other income and operating costs

The other income and operating costs of the exercises ended on 31st December 2017 and 2016 can be analysed as follows:

(amounts in thousands of euros)

	31-12-2017		31-12-2016	
	Cost	Income	Cost	Income
Costs and revenue from previous years	81		149	
Fines and penalties/contractual benefits	4		8	
Gains and losses with capital asset – write-offs/sales	0		20	
Commissions without the collections in the stores (cards)	238		142	
Offers/stock samples	221		177	
Taxes	179	136	174	
Exchange differences	780	80	134	257
Prompt payment discounts	55	4	65	0
Industrial property rights			7	
Operating and training grants		390		381
Investment grants		741		326
Sale of shavings/residues, rejects, molds and freights		192		231
Interest and similar	276		548	
Rents		60		58
Accidents		38		4
Other operating income and costs	76	528	334	756
	1,909	**2,168**	**1,767**	**2,013**

29. Financial Results

The financial results of the exercises ended on 31st December 2017 and 2016 had the following origin and expression:

	31-12-2017	31-12-2016
Interest with loans and bank overdrafts and applications	-2,681	-3,296
Other financial charges	-397	-244
Financial income-interest obtained	22	0
	-3,056	**-3,540**

(amounts in thousands of euros)

30. Earnings per share

Basic and Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares to incorporate the effects of the conversion of all potential dilutive common shares. The company has no potentially dilutive common shares, so the diluted earnings per share are equal to the basic earnings per share.

The basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of common shares of the company during the year, excluding the common shares acquired by the company and held as treasury shares.

	31-12-2017	31-12-2016
Loss/Profit attributable to equity holders	**4,258**	**1,797**
Number of common shares issued excluding the treasury shares	**1,157,179,176**	**1,156,347,175**
Basic earnings per share (euros per share)	0.004	0.002
Diluted earnings per share (euros per share)	0.004	0.002

31. Contingencies

The Grupo Vista Alegre has contingent liabilities related to bank guarantees and different nature guarantees, as well as other contingencies related to its business activity.

We don’t expect any significant losses arising from contingent liabilities.

There are several legal procedures intended against the Group, particularly in the area of labour, that in case they are judged by the court to our disadvantage, which we do not believe will happen, will total the amount of 35 thousand euros (see note 22).

The amount of guarantees provided to cover financial commitments not included in the Consolidated Financial Statement is 2.8 million euros and 1.7 million euros on the 31st of December 2017 and 2016, respectively.

The amount of guarantees provided to cover financial commitments included in the Consolidated Financial Statement is 5.4 million euros and 2.6 million euros on the 31st of December 2017 and 2016, respectively.

(amounts in thousands of euros)

With the renegotiation of the debt to the banks, a mortgage was granted in favour of the banking institutions, a mortgage that included all the buildings, improvements and accessions, present and future, built and to be built by VAA SGPS and its subsidiaries:

Real Estate	Entity	Net accounting value
Urbanização	BCP+CGD	1,518
Urbanização II Pinhais do Casal da Areia	BCP+CGD	8,379
R. Neves Ferreira	BCP+CGD	370
L.Barão Quintela	BCP+CGD	5,400
Cerexport I	BCP+CGD	5,160
Ex- Quinta Nova	BCP+CGD	5,887
Ria Stone	CGD	8,500
V.Alegre Ilhavo Porcelain Factory Factory of Atlantis in Alcobaça Factory of *Faianças da Capoa* in Aveiro*	BCP+CGD+SANTA CLARA CERÂMICA, SA	20,380 9,250 3,704

*Santa Clara Cerâmica only for Factory Câpoa

Regarding the subsidiary Faianças da Capôa is bound a lawsuit that led to the legal registration of a mortgage on its property in the amount of 1.67 million euros - this value is solely and exclusively the responsibility of the creditor. The Group keeps a provision registered on the 31st of December 2017 to the amount of approximately 225 thousand euros to meet this legal process, non-estimated, which will result on additional relevant impact for the Group, supported by its legal assessors.

Moreover, the following guarantees were granted:

- Industrial equipments, whose net asset value at 31st December 2017 amounts to 6.5 million euros;

-The following stores:

- Store VA Chiado – Largo do Chiado, 20/23 Lisboa
- Store VA Cascais – Av.25 de Abril, 475, Cascais
- Store VA Porto – Rua Cândido dos Reis, 6, Porto
- Store Atlantis Braga – Praceta, Stª Bárbara, nº1-A, Braga
- Store Atlantis Porto – Rua Eugénio de Castro, 301 Porto
- Store Atlantis Cascais – AV. Valbom, 28-B, Cascais

- And the brands described below:

- Vista Alegre Brand.

(amounts in thousands of euros)

32. Commitments

Commitment to investment

Commitment to investments contracted but not yet incurred 31st December 2017 and 2016:

	31-12-2017	31-12-2016
Tangible fixed assets	11,092	725

The amount of 11 million euros of commitments on the 31st December 2017 regards the amounts referring to assets' orders realized, but only materialized in 2018. The majority, around 10.3 million euros, regards the project for the expansion of the Ria Stone factory and its equipment.

33. Financial Risk Management

In the Grupo VAA, the main financial liabilities are loans obtained from banks and shareholders, commercial payables and other accounts payable. Financial liabilities are incurred in order to finance the Group's operations, namely its working capital and investments in expansion and maintenance of production capacity.

Financial assets derive from operations and are comprised of trade accounts receivable and other debtors and cash and short-term deposits. The Group also has available-for-sale investments, which are recorded at acquisition cost and of limited significance.

Grupo VAA is basically exposed to (i) market risk essentially with interest rate and Exchange rate changes, (ii) credit risk and (iii) liquidity risk. Group's main purpose is to reduce these risks to an acceptable level.

Market risk

Market risk is the fair value risk of future cash flows fluctuating due to changes in market prices. Market risk encompasses three types of risk: interest rate risk, currency risk, and other price risks.

- Interest rate risk

Grupo Vista Alegre exposure to interest rate risk comes primarily from borrowings, since investments are usually contracted at short-term and consequently the impact resulting from variations on the interest rates does not significantly affect the accounts.

The balance of the financial debt of the Vista Alegre subsidiaries was contracted mainly at the indexed interest rate, the main index being used at three to twelve-month Euribor. This rate started to decrease on October 2008 as a result of the successive cuts in the European Central Bank's interest rate in response to the international financial crisis, which has led to a downward trend in recent years, in 2015 reached negative values. In 2016, the rate continued to drop and in 2017 the downward trend continued. The three-month Euribor started in 2017 with a value of -0,318%, and at the end of this year settled in at -0,329%. With Euribor at very low levels and with a stable short-term trend, the Group estimates that the impacts arising from changes in this index will not have a significant impact on its accounts, especially since, for the most part, credit lines have floor zero for the indexer.

(amounts in thousands of euros)

A variation of 0.5% in the interest rate would cause an impact on the accounts to the amount of 179 thousand euros.

- Exchange risk

Vista Alegre holds subsidiaries in Brazil, United Kingdom, Mozambique and United States of America, through which it trades in Reais, pounds, meticais and American dollars, respectively. In Brazil, where the impact is more significant, the Exchange risk against the euro - currency in which its imports to Portugal are expressed – the Group has around 3.96 million euros. The Brazilian real devaluated 9.72% against the euro in 2017. A variation of 10% in the interest rate would cause an impact of around 396 thousand euros. Under consolidated terms, it presents a balance risk for the accounts incorporation.
A variation of 5% in the interest rate would cause an impact on the accounts to the amount dos 211 thousand euros.

Regarding trade accounts receivable and trade payables, there are balances expressed in a currency other than the Euro, in particular US dollars, but without relevant expression, as detailed below:

Trade and other receivables:

Currency	Amount 2017	Amount 2016
BRL	2,773,871.35	2,425,259.41
MZN	1,993,764.90	2,456,149.90
USD	268,641.49	188,795.00

Trade and other payables:

Currency	Amount 2017	Amount 2016
INR	21,423,051.97	-
BRL	15,536,682.35	15,463,066.33
MZN	10,889,264.53	9,925,208.59
USD	1,514,322.56	1,219,684.56
GBP	51,308.05	233,542.74

Credit risk

Vista Alegre Atlantis, SGPS, SA's subsidiaries are exposed to a variety of diversified risks. The management is aware of the importance of credit risk management and the protection of their treasury, recognizing the importance of credit insurance as an essential instrument both domestically and externally. Conscious of the importance of adopting active management of different financial risks in order to minimize their potential negative impacts on cash flow, results and value of companies, it seeks to manage these risks effectively by formulating adequate hedging strategies.

(amounts in thousands of euros)

Credit risk is an important and complex aspect which is present in the daily life of Vista Alegre Atlantis. Risk assessment indicates a credit decision-making, based on sometimes incomplete information, within a scenario of uncertainties and constant changes.

The definition of credit risk is a reflection of the variety, quality and origin of the information available to the credit analyst.

The Group keeps the credit insurance policies, leaves the analysis of credit granting to professionals who are specialized in debts recovery, receiving from the credit company the indication of exposure - credit limit - adjusted to the credit capacity of each client. In this way, management attention can be centrally focused on operational issues. The coverage of this risk allows as well for compensation for the unpaid credits of clients, which represents for the domestic market is 85% and for the foreign market, except for Angola, is 90%. The last years were marked by an increase in the restrictions on the credit granting, and the credit limits were subject to significant unfavourable revisions. In view of this scenario, and in order to meet the credit risk coverage needs, in which the limits granted under the base policies are insufficient, the Grupo Visabeira has insured additional coverages that allow it to increase the partial coverage of its risks, up to twice the amount granted in the base policy, for customers within the domestic and foreign markets, as well as to obtain coverages for risks that have no value attributed in the said base policy; or obtain an amount greater than the double of the existing coverage, up to the limit of one hundred thousand euros, for customers located in foreign markets.

	31-12-2017	31-12-2016
Outstanding	**10,276**	**9,479**
Overdue but without register of impairments		
0-30 days	2,676	1,600
30-90 days	603	849
+ 90 days	715	1,033
Total	**3,993**	**3,482**
Overdue but with register of impairments		
0-90 days		
90-180 days		
180-360 days		
+ 360 days	2,537	2,442
Total	**2,537**	**2,442**
Overall Total	**16,807**	**15,403**
Total net of impairments	**14,269**	**12,961**

The greater restrictions on the external coverage of the credit granted imply of increased rigor and a greater requirement in the appraisal of the requests for the concession is internal credit.
The detailed analysis of a client's credit risk is usually summarized in a credit report, which includes available and relevant information such as the client's character, management capacity, assets, history, financial information, credit guarantees and payment conditions for drawing up an opinion on a credit operation.

The Group believes that it does not have significant credit risk concentrations, maintaining an active credit control for all its clients, overseen by the Financial Management.

Liquidity risk

Vista Alegre manages the liquidity risk in order to guarantee the financing of the assets by maturity terms and at appropriate rates, as well as the timely settlement of its financial commitments.

The liquidity risk and the cash flow improved substantially during 2017 with an increase of capital from 92.5 to 121.9 million euros, which allowed to reinforce the permanent capital.

Treasury and investments are managed by a global, centralized organization that allows reducing cash flow risks while avoiding exposure to variations that may affect business results.

The undergoing investment projects, namely the increase of the production capacity of the subsidiary Ria Stone, to supply IKEA until 2026, were approved with financing within the scope of *Portugal 2020*. The Group holds as well credit lines approved at financing institutions (7.8 million euros) and IKEA itself (2.5 million euros) for this purpose.

The use of discount on export shipments allows a reduction of the average time of receipt with the inherent anticipation of receipts and a better treasury management by obtaining timely working capital necessary to finance the operating cycle, fundamental to sustained economic and financial growth. On the 31st December, Vista Alegre Atlantis SA had discounts for export shipments to the amount of 5.1 million euros. The Group has financing lines to support the payments to suppliers amounting to 6 million euros, which have allowed a more efficient management of liquidity risk and cash flows.

34. Transactions with related parties

The entities that held, on 31st December 2017, a qualifying holding in the Grupo Vista Alegre were:

(amounts in thousands of euros)

Share Capital structure

Shareholder	Shares: No of shares	Shares: % voting rights
Grupo Visabeira, SGPS, SA (1)		
Directly (Proprietary portfolio)	55,484,166	3.64%
Through *Visabeira Indústria, SGPS, SA*	1,378,965,408	90.48%
Total attributable to Grupo Visabeira, SGPS, SA	*1,434,449,574*	*94.12%*
Caixa Geral de Depósitos, SA:		
Directly (Proprietary portfolio)	41,888,296	2.75%
Through FCR Grupo CGD CAPITAL	9,873,639	0.65%
Total attributable to Caixa Geral Depósitos, SA	*51,761,935*	*3.40%*
Free Float	37,878,855	2.49%
Sub-totals	**1,524,090,364**	**100.00%**
Treasury shares	1,099	
Vista Alegre Atlantis total shares	**1,524,091,463**	**100.00%**

(1) The majority shareholder of VISTA ALEGRE ATLANTIS SGPS, S.A., VISABEIRA INDÚSTRIA, SGPS, S.A., ., is totally owned by Grupo Visabeira SGPS, S.A., whose majority shareholder, NCFGEST, SGPS, S.A., possesses 94.12%, being this last company totally owned by the individual partner Fernando Campos Nunes.

The transactions with the related parties were the following:

	31-12-2017	31-12-2016
Salaries and other Administration short-term benefits	370	476
Pensions paid to former administrators	656	660
	1,026	**1,136**

The salaries described above, are all of a fixed nature, which occurred during the exercises of 2017 and 2016.

Open balances at 31st December 2017 and 2016 with the related parties are almost exclusively from financing obtained from the Groups VISABEIRA, CGD and BCP.

The balances of assets and liabilities to related parties on 31st December are as follows:

(amounts in thousands of euros)

	31-12-2017	31-12-2016
Assets		
Grupo CGD – Demand deposits	3,983	995
Grupo Visabeira - RETGS	3,493	829
Grupo Visabeira - Customers	2,144	1,010
	9,620	2,834
Liabilities		
Grupo CGD		
Bank overdrafts	7,171	0
Bank loans	2,651	9,412
	9,822	9,412
Grupo Visabeira		
Suppliers	4,437	7,845
Shareholder Loans	370	60,966
	4,808	68,812

Transactions with related parties:

(amounts in thousands of euros)

	31-12-2017		31-12-2016	
	Purchases to related parties (COSTS)	Sales to related parties (INCOME)	Purchases to related parties (COSTS)	Sales to related parties (INCOME)
GRUPO CGD	734		806	
GRUPO VISABEIRA	6,886	2,387	4,706	1,175
AMBITERMO - ENG. E EQUIP. TERMICOS,	0	3	0	0
BENETRONICA - IND. COM. COMP. ELECT	180	321	12	225
CERUTIL - CERAMICAS UTILITARIAS, LD	2,925	716	169	157
CONSTRUCTEL	1	1	4	0
EDIVISA - EMPRESA DE CONSTRUCOES, S	497	4	727	0
EMPREENDIMENTOS TUR. MONTE BELO, S.	35	100	28	0
FAIANÇAS ARTISTICAS BORDALO PINHEIR	2,644	747	3,257	499
GRANBEIRA, SOC. EXPL. COM. GRANITOS	2	0	1	0
GRUPO VISABEIRA SGPS, SA	0	4	0	1
IFERVISA, S.A.	0	1	0	0
IMOVISA - IMOBILIARIA DE MOCAMBIQUE	1	0	0	0
MERCURY COMERCIAL,LDA	2	0	5	0
MOB	37	16	12	0
MOVIDA	90	0	88	0
MUNDICOR - VIAGENS E TURISMO, SA	86	0	82	0
PDT- PROJECTOS DE TELECOMUNICAÇÕES,	2	4	0	3
PINEWELLS, SA	0	1	0	1
PORTO SALUS AZEITÃO - RESIDENCIAS	0	2	0	2
TELEVISA, LDA	2	0	0	0
TURVISA - EMPREENDIMENTOS TURISTICOS,LDA	16	0	0	0
VAA-EMPREENDIMENTOS TURISTICOS,S.A	75	386	51	282
VIATEL - TECNOLOGIA DE COMUNICACOES	85	37	51	0
VISABEIRA - SOC. TEC. OBRAS E PROJ.	12	1	11	0
VISABEIRA GLOBAL SGPS, SA	0	1	0	6
VISABEIRA IMOBILIARIA, SA	12	1	7	0
VISABEIRA MOÇAMBIQUE, S.A	12	0	0	0
VISABEIRA PRO - ESTUDOS E INVEST. S	116	38	139	0
VISACASA, S.A.	51	0	59	0
ZAMBEZE - RESTAURAÇAO, S.A.	2	3	4	0

35. Subsequent events

There are no events subsequent to the date of the financial statements which may influence the presentation and interpretation of consolidated financial statements.

Ílhavo, 14th March 2018

ANNEX TO THE SEPARETE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING ON 31ST DECEMBER 2017

During the period ended on 31st December 2017, the entities with related parties of the Grupo Vista Alegre are the following:

- NCFGEST, SGPS, SA
- Grupo Visabeira, SGPS, SA
- Aeroprotechnik - Aerial Engineering, Lda
- Cabling Station Data, SA
- Cass Constructel, Ltd
- Comatel Infraestruturas, Lda
- Constructel - Constructions et Telecommunications Belgique
- Constructel - Constructions et Telecommunications, SARL
- Constructel África, SA
- Constructel BAU GmbH
- Constructel Denmark, ApS
- Constructel Energie, S.A.
- Constructel Itália, SRL
- Constructel Infra-Structures, SAS
- Constructel GmbH
- Constructel LLC
- Constructel Sweden AB
- Constructel UK, Ltd
- Edivisa - Empresa de Construção Lda

- Edivisa - Empresa de Construções, SA
- Electrotec - Projecto, Execução e Gestão de Redes de Energia, Lda
- Electrotec Engenharia, SA
- Electrovisa, Lda
- Field Force Atlântico, SA
- Gatel, SAS
- Hidroáfrica - Comércio e Indústria, SARL
- IEME, SRL
- Intelvisa, Gestão de Participações, SA
- Modal Installation, SA
- Mascaux 800, SA
- Naturenergia - Agro-Energias, SA
- PDT - Projectos e Telecomunicações, SA
- PTC - Serviços de Telecomunicações, SA
- Real Life - Tecnologias de Informação, SA
- Real Life Advanced Technologies Academy MZ, SA
- Real Life Technologies MZ, SA
- SCI Constructel
- Selfenergy Moçambique, SA
- Sogitel - Sociedade de Gestão Imobiliária, Lda
- Televisa - Sociedade Técnica de Obras e Projectos, Lda
- Televisa Marrocos, SA
- TV Cabo - Comunicações Multimédia, Lda
- TV Cabo Angola, Lda
- Viatel – Tecnologia de Comunicações, SA

- Visabeira - Sociedade Técnica de Obras e Projectos, Lda
- Visabeira Global, SGPS, SA
- Visacasa - Serviços de Assistência e Manutenção Global, SA
- Visaqua - Gestão de Infra- estruturas e Serviços, Ambientais, SA
- Yetech, SA
- Agrovisa - Agricultura e Pecuária, Lda
- Álamo - Indústria e Desenvolvimento Florestal, Lda
- Ambitermo - Engenharia e Equipamentos Térmicos, SA
- Ambitermo Maroc Chaudieres Industrielles, SARL
- Bordalgest, SA
- Celmoque - Cabos de Energia e Telec. de Moçambique, SARL
- Cerexport - Cerâmica de Exportação, SA *
- Cerutil - Cerâmicas Utilitárias, SA
- Faianças Artisticas Bordallo Pinheiro, Lda
- Faianças da Capôa - Industria de Cerâmica, SA *
- Granbeira - Soc. de Exploração e Com. de Granitos, SA
- Granbeira II - Rochas Ornamentais, SA
- Marmonte - Mármores de Moçambique, SARL
- Mob - Indústria de Mobiliário, SA
- Mob Cuisines, SASU
- Pinewells, SA
- Ria Stone – Fábrica de Louça de Mesa em Grés, SA
- Shree Sharda Vista Alegre Private Limited
- Tubangol - Tubos de Angola, Lda
- Visabeira Indústria, SGPS, SA

- Visaconstroi - Construção e Gestão Imobiliária, Lda
- Vista Alegre Atlantis, SA
- Vista Alegre Atlantis Brasil - Comércio, Importação e Exportação, SA
- Vista Alegre Atlantis Imobiliária e Investimento, SA.
- Vista Alegre Atlantis Moçambique, Lda.
- Vista Alegre Atlantis, SGPS SA
- Vista Alegre Atlantis UK LTD.
- Vista Alegre Atlantis USA
- Vista Alegre España, SA
- Vista Alegre France, SAS
- Vista Alegre Grupo - Vista Alegre Participações, SA
- Empreendimentos Tur. Montebelo - Soc. Tur. e Recreio, SA
- Imobiliária Panorama, Lda
- Inhambane Empreendimentos, Lda
- Milibangalala, SA
- Movida - Empreendimentos Turísticos, SA
- Mundicor - Viagens e Turismo, SA
- Prato Convivas - Sociedade Hoteleira, Lda
- Ródia - Sociedade Beiraltina de Turismo e Diversões, SA
- Soginveste Empreendimentos, Lda
- Turvisa - Empreendimentos Turísticos, Lda
- VAA - Empreedimentos Turisticos, SA
- Visabeira Turismo, SGPS, SA
- Zambeze - Restauração, S.A
- Zambeze Village, Lda

- Ifervisa - Sociedade de Promoção e Desenvolvimento Imobiliário, SA
- Imovisa - Imobiliária de Moçambique, Lda
- Visabeira Imobiliária, SA
- Visabeira Imobiliária, SGPS, SA
- 2 Logical -Serviços de Consultoria Farmacêutica , SA
- Agrovisa - Agricultura e Pecuária, Lda
- Ambitermo Angola, Lda
- Angovisa, Lda
- Autovisa - Serviços Auto, SARL
- Benetrónica - International Commerce, Imp. e Exportação, SA
- Build Down & Build Up Moçambique, Lda
- Catari Angola, Lda
- Combustiveis do Songo, SA
- Convisa Engenharia, Lda
- Convisa Turismo, Lda
- Imensis - Soc. Gestão Empreen. Imobiliários, Lda
- Iutel - Infocomunicações, SA
- Hospital Nossa Senhora da Arrábida, SA
- Mercury Comercial, Lda (Moçambique)
- Mercury Comercial, Lda (Angola)
- Mercury South Africa, Lda
- PDA - Parque Desportivo de Aveiro, SA
- Predibeira - Compra e Venda de Propriedades, Lda
- Porto Salus
- Rentingvisa, Unipessoal Lda

- Telesp Telecomunicaciones, Electricidad y Gás de España, SA
- Turvisa, Lda
- Vibeiras, Sociedade Comercial de Plantas SA
- Visabeira Angola - Investimento e Participações, Lda
- Visabeira Espanha, SA
- Visabeira Pro - Estudos e Investimentos, SA
- Visabeira Knowledge and Research, SA
- Visabeira Moçambique, Lda
- Visabeira Participações Financeiras, SGPS, SA
- Visabeira Saúde, SA
- Visasecil - Prestação de Serviços, Lda
- Visatur - Empreendimentos Turísticos, Lda
- Visauto - Reparações Auto, Lda

The members of Vista Alegre Atlantis, SGPS, SA Board of Directors, performing its functions on 31st December 2017, are the following:

- Nuno Miguel Rodrigues Terras Marques
- Paulo Jorge Lourenço Pires
- João Manuel Pisco de Castro
- Alexandra da Conceição Lopes
- Alda Alexandra Abrantes Costa
- Paulo José Antunes Soares
- Nuno Miguel Ferreira de Assunção Barra
- Maria Filomena Dias Pastor

The members of Grupo Visabeira, SGPS, SA Board of Directors, performing its functions on 31st December 2017, are the following:

- Fernando Campos Nunes
- Nuno Miguel Rodrigues Terras Marques
- Alexandra da Conceição Lopes
- José Luís Borba de Campos Nogueira
- António Jorge Xavier da Costa
- João Manuel Pisco de Castro
- Maria Filomena Dias Pastor – representing Portugal Capital Ventures, SA

(amounts in thousands of euros)

List of Holders of Qualifying Holdings

established under the terms of the Article 8, paragraph 1, e), of the Regulation no 4/2004 of the CMVM,

indicating the number of shares held and the percentage of corresponding voting rights,

calculated in accordance with the Article 20 of the *Código dos Valores Mobiliários* [Code of Real Estate Values]

Under the terms and for the purposes of the articles 16 and 20 of the *Código dos Valores Mobiliários* [Code of Real Estate Values], is reported that companies and/or individuals who have a qualified social participation which exceeds the 2%, 10%, 20%, 33% and 50% of voting rights, and in accordance with the notifications received at the head offices of the company to present date, and with reference to 31st December 2017 are the following:

Share Capital structure

	Shares	
Shareholder	No of shares	% voting rights
Grupo Visabeira, SGPS, SA (1)		
Directly (Proprietary portfolio)	55,484,166	3.64%
Through *Visabeira Indústria, SGPS, SA*	1,378,965,408	90.48%
Total attributable to Grupo Visabeira, SGPS, SA	*1,434,449,574*	*94.12%*
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Total attributable to Caixa Geral Depósitos, SA	*51,761,935*	*3.40%*
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Treasury shares	1,099	
Vista Alegre Atlantis total shares	**1,524,091,463**	**100.00%**

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GRUPO VISTA ALEGRE | ATLANTIS

VISTA ALEGRE ATLANTIS, SGPS, SA

VISTA ALEGRE ATLANTIS, SGPS, SA

Relações com Investidores
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