

*From the ocean's
point of view*

Annual Report 2017



OCEANO AZUL
foundation

An aerial photograph of a coastline with dark, jagged rocks and white, foamy waves crashing over them. The water is a deep blue, and the sky is not visible. The year '2017' is written in a large, white, sans-serif font across the center of the image.

2017

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Chairman's Message

The Oceano Azul Foundation, the second foundation set up in Portugal by Sociedade Francisco Manuel dos Santos, is a challenge that took years to prepare, but, in its very first months of existence, it has raised us to a level we believed impossible to reach so rapidly when we started along this path.

We began to look at the theme of the ocean and its sustainability back in 2014, driven by the encouragement that we received from a number of specialists in the sea from several different countries, at what became known as the “Estoril Meeting”. In 2015, we endeavoured to win the concession for the magnificent Oceanário de Lisboa, which we immediately realised could be essential leverage for the projection, consolidation and sustainability of our intention, which is to contribute to the universal cause of ocean conservation and hence the preservation of the planet on which we live. In 2016, we prepared the creation of the Foundation and we were lucky enough to bring into this project a unique array of international figures dedicated to the preservation of the sea, including leading figures from other foreign foundations that share the objectives of the Oceano Azul Foundation.

In 2017, we launched the Foundation, with the support of the President of the Republic and the Prime Minister, who generously associated themselves with the inauguration ceremonies, alongside several members of the Government. We also enjoyed the support of key organisations in Portugal, including practically all Portuguese knowledge centres dedicated to the science of the sea. I would like to extend my heartfelt thanks to you all for the encouragement that so much support meant to me, to my family and to Sociedade Francisco Manuel dos Santos. I would also like to thank many international organisations – approximately thirty – that did not hesitate to associate themselves with this Project. We are already closely cooperating with many of these, including the United Nations, the European Commission, the National Geographic Pristine Seas programme, the

Waitt Foundation, the Environmental Defense Fund, and the University of California I would also like to note the work that we have already carried out in the context of summits on the subject of climate change negotiations and the collaboration that we have developed to promote the ocean in these negotiations with the Global Ocean Forum and with the Sasakawa Peace Foundation in Japan.

In this first year of the Foundation, we were concerned, above all, in devising strategies with all the members of our governance bodies. With them, we have drawn up priority areas of action based around three key concepts: Blue Generation; Blue Natural Capital; and Blue Network. And with them, we have discussed the model for change that we intend to bring to the issue of the ocean, so that we can be effective in our mission to save it. Their collaboration has been invaluable and this reflection will enable us to focus our attention and our resources on initiatives and actions that can implement this model for change. This change involves looking at conservation and at development and, then, at the economy, as parts of the same reality: that of the real natural capital of the Planet's fabulous ocean system, which we must necessarily preserve for the next generations, with a sense of urgency given the gravity that the ecological crisis of the sea demands, which is unfortunately not fully understood by the society in which we live.

I would therefore also like to express a conviction, without which this project would not make sense: knowing that alone we cannot save the ocean, we also know that if we do not start to organise ourselves to save it, encouraging actions that can change behaviour and, above all, that lead others to change through our example, our hope of bequeathing a healthy and productive ocean to the next generations will be increasingly tenuous and unrealistic.

And last, but far from least, I would like to express my very special thanks to the members of the statutory boards and, in particular, the board of trustees and of board of directors of the Oceano Azul Foundation, for having joined this Project, for having devoted so many hours to it, sometimes travelling very long distances, and for having been so important for the critical reflection that we have engaged in together and needs to continue in the future for us to ensure that the work of the Foundation can contribute to the sustainability of the ocean.

Lisbon, March 2018

José Soares dos Santos

Vision and Mission

Vision

A healthy ocean is essential to the development of humanity.

The health of the ocean is a necessary condition, not just for the progress of humanity on our planet, but even for its very survival.

The significant environmental degradation of the marine environment since the mid twentieth century and, above all, since the start of this century, can only be stopped through individual and collective actions, representing a new awareness of the importance and urgency to safeguarding the Ocean, as the guarantee of the balance of planet Earth.

Thus, in a changing context of inevitable expansion of commercial exploitation of the sea and given the significant environmental degradation of the marine environment, during this century we will see a gradual disassociation between economic growth and the environmental degradation of the ocean. A new paradigm of sustainability will therefore be reached, in which the development of new economic activities associated with the sea must be inextricably associated with preservation related to the conservation of the ocean, instead of worsening its environmental degradation.

This new paradigm will be achieved through:

| An increase in perception, among citizens and societies in general, of the importance of the sustainability of the ocean;

| This perception will lead to demands for major changes in collective behaviour, particularly that of political decision makers, economic operators and civil society, including consumers and other users of the sea;

| This significant change will enable a new governance of the ocean to be established, more strongly based on scientific knowledge, ethics and values of sharing and fairness (ocean stewardship);

| These changes will have as a corollary and will be accompanied by the gradual development of a new sustainable blue economy, in order to achieve the desirable disassociation between the development of economic activities and the environmental deterioration of the sea.

| A new sustainable economy, accompanied by a new collective awareness of the role of the ocean, will be the guarantee for a balanced existence of all species on planet Earth.

Mission

*To contribute to a healthy and productive ocean,
for the benefit of our planet.*

Consequently, and consistent with the vision set out above, the mission of the Foundation is to act, inform, raise awareness and call on everybody to change, thus contributing to a healthy and productive ocean.

This mission will imply above all:

| Increasing people's understanding, across all generations and particularly the new generations, of the importance of sustainable use and the challenges of managing the ocean, through the dissemination of knowledge and making use of specific educational programmes;

| Contributing to a change in everybody's behaviour in their interaction with the sea, through the promotion of ocean conservation, which includes activities and campaigns that influence and disseminate this need for conservation;

| Contributing to a new governance of the ocean, guided by ethical values and based on scientific knowledge, through support for empowerment in the generation of regulations, legislation and innovative public policies, in their implementation, and in the spreading of good practices;

| Contributing to incentives for an environmentally friendly blue economy, to ensure rational use of marine resources, promoting their sustainability through capacity building actions.

The Establishment of the Foundation

The establishment of the Oceano Azul Foundation resulted from an initiative developed by Sociedade Francisco Manuel dos Santos (SFMS), after a thorough process of reflection that started in May 2014, with an international meeting - the “Estoril Meeting” - at which a group of 20 worldwide ocean experts met to discuss the state of the ocean, its challenges, solutions and trends for the future.

The reflection and debate provided by the Estoril meeting led to the following conclusions:

/ The ocean is fundamental for the planet’s environmental and climate balance, as well as for human development. However, its environmental state is even worse than what most people, including decision makers, imagine. There has been a lack of perception or even a wrong perception of the condition of the ocean for generations.

/ At the same time as the deterioration in the state of the ocean, there is a growing focus on economic development, due to new marine technologies and the scarcity of terrestrial natural resources. This will further increase the degradation of the ocean in the short term, unless we chose the ocean sustainability as a paradigm for the 21st century, with the goal of disassociating blue growth from a depletion of the marine resources and the degradation of the environment.

/ It is important to act now. There is a need for greater ocean literacy, for better communication, in order to reduce the lack of understanding about the state of the ocean. There is also a need to

contribute to ocean conservation and to change human behaviour regarding the ocean. Finally, the journey towards a new paradigm for ocean sustainability requires the simultaneous use of knowledge from the best science available for correct decision-making, integrated ocean governance, including marine protected areas and marine spatial planning, and a new blue economy.

These discussions formed the groundwork for the document “A New Initiative for the Conservation and Sustainable Use of the Ocean – Strategic Matrix Document”, considered fundamental for the creation of the Foundation.

Document available via the following link:

www.oceanoazulfoundation.org/wp-content/uploads/2017/01/2-PT_DocEstrategicoMatricial.pdf

In the following year, 2015, with the setting up of the Oceano Azul Foundation already under way, Sociedade Francisco Manuel dos Santos (SFMS) responded to a call for tenders for the concession of Oceanário de Lisboa, one of the most outstanding public aquariums in the world.

This decision was considered strategic, since Oceanário de Lisboa would be a crucial asset to help fulfil the Foundation’s mission, both through educational action on literacy of the sea and through its action in the area of conservation.

Indeed, these activities developed by Oceanário de Lisboa were well known to SFMS, which, through regular donations within the group of companies that it owns, had long supported this public aquarium.

These two important steps – the Estoril Meeting, in 2014, and the tender for the operation of Oceanário de Lisboa, in 2015 – were decisive for the conception and creation of the Foundation.

For this reason, the original vision, mission and main objectives established at the Estoril Meeting, as well as the commitment taken on in the strategic proposal for the concession of one of the most important public aquariums in the world, are reflected in the Bylaws of the Oceano Azul Foundation.

Formally incorporated under Portuguese law in December 2016 and duly recognised by the Portuguese Government in February 2017, the Oceano Azul Foundation, set up by Sociedade Francisco Manuel dos Santos (SFMS), was presented to the public in Lisbon, on 17 March 2017.

With its initial endowment of 30 million euros over 10 years, the Oceano Azul Foundation aims to become a global leader in ocean sustainability.

With the subsequent donation of the concession to run Oceanário de Lisboa by SFMS to the Oceano Azul Foundation, the possibility of achieving that objective became even stronger.

Indeed, the Oceanário de Lisboa concession provides the Foundation with:

/ direct contact and involvement with the public that visits the exhibition (more than one million visitors, from more than 180 countries, in 2017);

/ an opportunity to increase people’s awareness of the importance of the ocean, particularly among younger generations, through the direct initiatives of Oceanário de Lisboa’s ocean literacy and conservation programmes; and also

/ additional funding for the Foundation’s programmes, through the profits generated by Oceanário de Lisboa.

In turn, the creation of the Foundation has given Oceanário de Lisboa a much more central role in ocean literacy and marine conservation programmes at national and international levels.

The creation of the Oceano Azul Foundation resulted from a firm conviction that, in our times of profound change, it is necessary to develop global policies to ensure the coexistence of human development and protection of the ocean.

It is also important to note that, being based in Portugal, the Foundation was born from a clear desire to reconnect Portugal with the sea and to help the country play a leading role in the European and international agenda related to the sea, so that Portugal can set an example and be one of the leaders in ocean sustainability.

Public launch of the Foundation



© Alfredo Matos

The Oceano Azul Foundation was presented to the public on 17 March 2017, at the Convent of Beato, in Lisbon, at an event attended by numerous Portuguese and international personalities from a wide range of fields, with considerable media coverage.

Marcelo Rebelo de Sousa, the President of the Republic, José Soares dos Santos, the Chairman of the Oceano Azul Foundation, and members of the Foundation's Board of Trustees Princess Laurentien van Oranje-Nassau, Jane Lubchenco and Nuno Vieira Matias, this Board's Special Advisors Julie Packard and Viriato Soromenho-Marques, and the Chairman of the Foundation's Executive Committee, Tiago Pitta e Cunha, all spoke at this presentation.

The event was also attended by numerous figures, including the vice-president of the Portuguese Parliament, José Manuel Pureza, the Minister for the Presidency, Maria Manuel Leitão Marques, the Minister for the Sea, Ana Paula Vitorino, the previous Minister for Agriculture and the Sea, Assunção Cristas, and also the previous President of the Republic, Aníbal Cavaco Silva.

With extensive media coverage, the presentation of the new institution was mentioned on all the main

Portuguese television channels. Of the total of 140 news items referring to the launch, 43 were online, 64 on television, 18 in the press and 14 on the radio. On social media, publications about the birth of the Oceano Azul Foundation reached some 174,000 people, with around 15,000 users interacting with these publications, through likes, comments and shares.

News coverage of the event also included a special edition of the weekly magazine "Sábado", dedicated in its entirety to the theme of the Ocean, with distribution ensured throughout the country.

www.sabado.pt/ciencia--saude/especial-oceanos/detalhe/portugal-de-regresso-ao-mar?ref=SEC_Grupo1_especial-oceanos

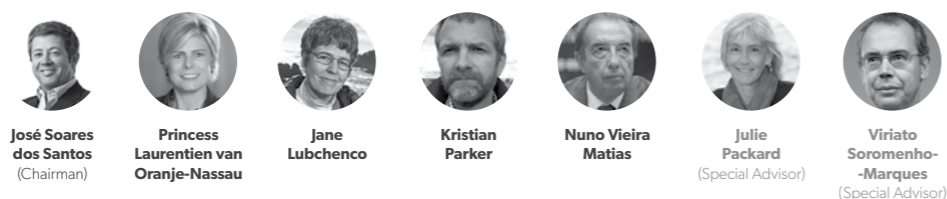
The official presentation of the Oceano Azul Foundation was undoubtedly a historical milestone and an important moment in the journey to position Portugal as an indisputable player in the global ocean agenda.

Statutory Boards

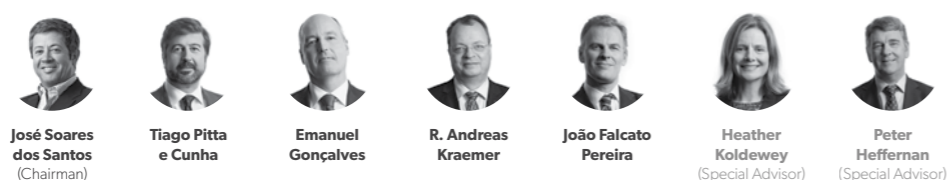


The statutory bodies of the Foundation are the Board of Trustees, the Board of Directors, the Executive Committee and the Audit Committee .

Board of Trustees



Board of Directors



Executive Committee



Board of Trustees

The Board of Trustees is responsible for the Foundation's strategic plan.



José Soares dos Santos Chairman

Graduated in Marine Biology from Lisbon Classic University in 1986. Alumni Member at IMD (1995), Harvard (1997) and Stanford (2000). Board member of Jerónimo Martins from 1995 to 2001 and from 2004 to 2015. Board member of Sociedade Francisco Manuel dos Santos, SGPS, S.E., since 2001. CEO of Sociedade Francisco Manuel dos Santos B.V., main Shareholder of Jerónimo Martins, SGPS, S.A.. Board member of Fundação Francisco Manuel dos Santos since 2009. He is Chairman of Unilever Fima, Lda., Gallo Worldwide, Lda., and JMDB Representação e Distribuição de Marcas Lda.. Since September 2015,

he is Chairman of Oceanário de Lisboa, S.A. and, since December 2016, Chairman of the Board of Trustees and the Board of Directors of the Oceano Azul Foundation. He is Chairman of Movendo Capital B.V., since 2017.



Princess Laurentien van Oranje-Nassau

President of Fauna and Flora International, has worked on sustainability and climate change issues for over a decade. Was a Special Advisor to WWF and is currently a Special Advisor to "Rewilding Europe" and a Fellow of the European Climate Foundation. Established the Missing Chapter Foundation that promotes

youth empowerment and inter-generational dialogue between children and business leaders. An expert in literacy through the Reading & Writing Foundation she set up and as UNESCO Special Envoy on Literacy for Development. Has written several (children's) books, including the Mr Finney series on environmental issues, with translations into 8 languages. Together with her husband, she established and runs an innovation centre in The Hague, called 'Number 5', and she also holds a range of honorary positions in culture and language -related organizations, including President of the European Cultural Foundation.



Jane Lubchenco

Former administrator of NOAA; Distinguished University Professor and Adviser in Marine Studies; Former U.S. Science Envoy for the Ocean. A world renowned environmental scientist who has vast experience in the worlds of science, academia, and government. Nominated by President Obama in December 2008

as part of his "Science Dream Team," she is a marine ecologist and environmental scientist by training, with expertise in oceans, climate change, and interactions between the environment and human well-being.



Kristian Parker

Vice-Chair of the Board of Trustees of the Oak Foundation and a member of its founding family. Directed the Oak Foundation's environment program since its inception in 1998 and has worked fulltime for the programme since 2003.

The Oak Foundation's environment programme dedicates a majority of its resources to two of the world's biggest challenges: climate change and collapsing fishing stocks. Kristian is also a founding board member of OceansFive and a member of the Board of Oceana and ClimateWorks.



Nuno Vieira Matias

Navy Chief of Staff from 1997 to 2002. Former Naval Deputy-Chief of Staff, Superintendent of Material Services, Naval Commander and Commander-in-Chief of the Iberian Atlantic Area. Was a member of the Ocean Strategic Commission and Chairman of the Marine Academy. Vice-President of the Board

of the Lisbon Geographical Society; member of the Academy of Sciences of Lisbon; emeritus member of the Portuguese Academy of History; member of the National Council of Education; and member of the European Security Research Advisory Board of the European Union. Invited professor at the Institute of Political Studies of Universidade Católica Portuguesa and author of several papers and articles on maritime strategy, national security and the economy of the sea.



Julie Packard Special Advisor

Executive director of the Monterey Bay Aquarium, trustee of the David and Lucile Packard Foundation, and Chair of the Board of the Monterey Bay Aquarium Research Institute (MBARI), a world leader in deep-ocean science and technology. Member of the Pew Oceans Commission and member of the Joint

Oceans Commission Initiative.



Viriato Soromenho-Marques Special Advisor

Teaches Philosophy in the Departments of Philosophy and European Studies at the University of Lisbon, where he is Full Professor. Corresponding member of the Lisbon Academy of Sciences and from the Marine Academy. Was the scientific coordinator of the Gulbenkian Environment Programme (2007-2011).

Has written numerous works on Philosophy, the Environment and International Relations.

Board of Directors

The Board of Directors is responsible for the management of the Foundation and for the implementation of strategic guidelines.

José Soares dos Santos Chairman



Tiago Pitta e Cunha

Has been working on ocean policies for two decades, as a policymaker for the United Nations, the Government of Portugal, the European Commission and as an independent consultant. Has been an advocate of the strategic importance of the oceans and seas both for Portugal and for Europe, in Lisbon

and in Brussels. Is currently the Chief Executive Officer of the Oceano Azul Foundation. Former counselor for Environment, Science and Maritime Affairs to the President of Portugal.



Emanuel Gonçalves

Associate Professor at ISPA – Instituto Universitário and vice-director of MARE – Marine and Environmental Sciences Centre. Has been involved in the creation, monitoring and implementation of Marine Protected Areas in several regions, including discussions on the high seas. Was deputy-head of the Portuguese Task

Group for Maritime Affairs that built the National Ocean Strategy. Was coordinator of the EU Group that led the negotiations which approved the CBD Scientific Criteria for Identifying Ecologically or Biologically Significant Areas (EBSAs) in the marine realm. Member of the National Council of Environment and Sustainable Development.



R. Andreas Kraemer

Founder of the Ecologic Institute, currently Senior Fellow at the Institute for Advanced Sustainability Studies (IASS Potsdam) and the Centre for International Governance Innovation (CIGI), Canada, non-executive Director of the Fundação Oceano Azul, Portugal, and Visiting Assistant Professor of

Political Science and Adjunct Professor of German Studies at Duke University. In 2015, he was Visiting Scholar at MIT. His research focuses on the theory and practice of think tanks and how they function in different political systems, the interactions among policy domains and international relations, and global governance on environment, resources, climate and energy.



João Falcato Pereira

CEO of Oceanário de Lisboa, S.A. since 2006, has a BSc in Aquatic Sciences from the Instituto de Ciências Biomédicas Abel Salazar, Porto, Portugal, and a postgraduate degree in Advanced Management from the Portuguese Catholic University. Was Manager of Telecabine Lisboa, Lda. (2007-2012), Administrator

of the Gil Foundation (2012-2015) and member of the Board of Directors of Fórum Empresarial da Economia do Mar (2010-2016). He is also member of the Board of Directors of the Portuguese Association of Zoos and Aquaria and administrator of SIEOCEAN. Since 2013, a member of the Executive Committee of EAZA (European Association of Zoos and Aquaria) and, since 2014, President of the EUAC (European Union of Aquarium Curators).



Heather Koldewey Special Advisor

Head of Marine and Freshwater Conservation Programmes – Zoological Society of London. She finds solutions through interdisciplinary research and conservation action on the interface between communities and environment. Co-founder of Project Seahorse, the world's leading authority on seahorses; developed Net-

Works, which has developed a novel community-based supply chain for discarded fishing nets that are recycled into carpet tiles, and Project Ocean – retail activism in action, an innovative partnership between Selfridges and ZSL to bring ocean conservation to new audiences and change consumer buyer habits. Honorary Associate Professor at the University of Exeter, Cornwall campus.



Peter Heffernan Special Advisor

Chief Executive of the Marine Institute, Ireland's national agency for marine research and development, since 1993, which has grown from a staff of one to over 200 and a budget of €50 million. The Institute covers a number of areas: Marine Environment and Food Safety Services, Fisheries Ecosystem and Advisory Services,

Oceanographic and Information Services, Irish Maritime Development Office, Policy Innovation and Research Services and Corporate Services. Following his PhD in the National University of Ireland, Galway, worked at the University of Georgia, in the U.S. (1985 – 92). Was elected a Member of the Royal Irish Academy (MRIA) in November 2006 and received the NUI Galway Alumni Foundation Award for Natural Sciences in 2008. Was appointed to the European Research and Innovation Area Board and subsequently to the Research, Innovation and Science Policy Experts by Commissioner Maire Geoghegan Quinn.

Executive Committee

The Executive Committee is responsible for executing the decisions taken by the Board of Directors.

Tiago Pitta e Cunha (CEO)

Emanuel Gonçalves

João Falcato Pereira

Audit Committee

The Audit Committee is responsible for supervising the management of the Foundation.

Ernst & Young Audit & Associados – SROC, represented by João Carlos Miguel Alves (Chairman)

Henrique Soares dos Santos

Paula Prado Rosa

Rui Serra Martins (Alternate)

The First Year of the Oceano Azul



© Nuno Sousa Dias Photography

March

First meeting of the board of trustees of the Oceano Azul Foundation

The first official meeting of the Board of Trustees of the Oceano Azul Foundation, which is responsible for defining the Foundation's strategy, was held on 16 March 2017.



© Emanuel Gonçalves/Oceano Azul Foundation

Public presentation of the new Oceano Azul Foundation

17 March 2017 was the date of the public presentation of the Oceano Azul Foundation, attended by hundreds of national and international personalities associated with the ocean.



April

Collaboration agreement signed with the Prince Albert II of Monaco Foundation and the Oceanographic Institute of Monaco

The Oceano Azul Foundation, the Prince Alberto II of Monaco Foundation and the Oceanographic Institute of Monaco agreed, in April 2017, to establish cooperation between the three organisations, in order to promote the fulfilment of their common purposes and to increase the complementary nature and synergies of their ocean-related activities.



May

Launch of the Ocean Conservation Fund

The Oceano Azul Foundation and Oceanário de Lisboa launched the 1st "Ocean Conservation Fund", a 100,000 euro fund to support scientific projects that contribute to the conservation of marine species. The 1st theme was "Rays and sharks. From darkness to the light of science". This initiative seeks to raise awareness of the importance of conservation of these groups of fish, among the most endangered at a global scale.



© Emanuel Gonçalves/Oceano Azul Foundation

June

Attendance of the United Nations Ocean Conference

The Oceano Azul Foundation attended the United Nations Ocean Conference, in New York. This conference reflected the growing importance of this subject in the international multilateral agenda. Its main aim was to help create conditions for implementation of the UN's 14th Sustainable Development Goal, to conserve and sustainably use the ocean.



© ECOMARE

Inauguration of Ecomare Centre for Recovery of Marine Animals

The ECOMARE Centre for Recovery of Marine Animals at the University of Aveiro opened in June 2017. This is the largest centre for recovery and rescue of marine animals in Europe and it is supported by the Oceano Azul Foundation and Oceanário de Lisboa, and the Sociedade Portuguesa de Vida Selvagem.



© Pedro A. Pina

August

Oceanário de Lisboa voted Best Aquarium in the World on TripAdvisor

Oceanário de Lisboa was voted the Travelers' Choice Top Aquarium in the World on TripAdvisor. TripAdvisor is the largest travel site in the world, with more than 535 million reviews and opinions. The TripAdvisor Travelers' Choice Awards highlight the best in the world, according to the site's users.



Launch of the "If it doesn't go to the bin it goes in the Sea" Campaign

The Oceano Azul Foundation and Oceanário de Lisboa, in partnership with the Olá ice cream brand, launched the "IF IT DOESN'T GO IN THE BIN IT GOES IN THE SEA" campaign, to inform the Portuguese about one of the planet's worst environmental problems: marine waste, particularly plastic pollution. This campaign is intended to raise awareness among the population of the impact of attitudes and behaviour concerning the disposal of waste in inappropriate locations and the unimaginable journey of this waste towards the sea.



September

“World Ocean Assessment” - Experts debated the state of the ocean at Oceanário de Lisboa

Organised by the Secretariat of the United Nations, this initiative was supported by the Portuguese Government and the Oceano Azul Foundation partnership. This workshop, attended by around three dozen Portuguese and international experts, aimed to generate specialist knowledge on the North Atlantic, Mediterranean, Baltic and Black Sea regions, incorporating this into the Second “World Ocean Assessment”, to be concluded in 2020.



October

Chairman of the Oceano Azul Foundation was one of the speakers at the “Our Ocean” conference

Ministers, representatives of international institutions, non-governmental organisations, scientists and business leaders met in Malta to analyse the current state of the ocean and to find specific responses to transform the main challenges into opportunities for ocean sustainability, promoting cooperation, innovation and entrepreneurship. José Soares dos Santos, Chairman of the Oceano Azul Foundation, was one of the speakers at the Our Ocean conference, organised by the European Commission. This conference brings global leaders together each year to create mechanisms for global ocean governance and to achieve global commitments for its protection.



December

Presentation of the first Ocean Conservation Fund prize

The Oceano Azul Foundation and the Oceanário de Lisboa awarded 100,000 euros to the winners of the 1st “FUND for Ocean Conservation” on the theme of “Rays and sharks. From darkness to the light of science.”



Protocol signed with the Waitt Foundation

The Oceano Azul Foundation established a partnership agreement with the Waitt Foundation specifically to implement the “Blue Azores” project. This partnership aimed at mutual contributions and cooperation between the two entities for a comprehensive programme to be implemented in the Azores involves granting USD 150,000 funding to the Oceano Azul Foundation.

Introduction

2017 was the year in which the Oceano Azul Foundation was founded.

It was a year dedicated to debating the future strategy of the Foundation and its initial actions by the members of the Board of Directors and by the Board of Trustees. As a result of this internal debate, the original areas of action of the Foundation – education, conservation and capacity building – have evolved to three key horizontal and cross-cutting concepts, that as a whole constitute the context for the Foundation's actions:

/ the “blue generation”, a generation aware of the importance of the ocean and capable of protecting it,

/ the “blue natural capital”, as the model for ocean conservation as a finite resource and sustainable economic model, leading to a new economy, and

/ the “blue network”, a union of interests and responsibilities of worldwide scope, concerning the ocean, which must have as main aim an immediate reduction in the dilapidation of marine resources and promotion of their conservation and sustainable use.

Thus, the Foundation has chosen the protection and promotion of “blue natural capital” as a way to contribute to a sustainable and productive ocean. This will be achieved more rapidly through the emergence and development of a “blue generation”, aware of the importance of the sea in the present and in the future of humanity and the planet Earth, and of a “blue network” bringing together a wide range of entities, with interests and responsibilities in this area.

With the establishment and union of these three concepts – education, conservation and a global network – the Foundation will indeed be contributing, through a new way of thinking and acting, to effective change in humanity's relationship with the ocean.

The Oceano Azul Foundation does not aim to be isolated in this change and instead seeks to work through partnerships and collective commitments, since only the union of the collective can lead to solid and structured change.

For this reason, a range of actions were developed to consolidate the blue network that the Foundation began even before its formal existence with the Estoril Meeting, in 2014, and with the broad international support that it earned during its bid for the Oceanário de Lisboa, S.A.

The event that marked the launch of the Foundation, in March 2017, was in itself an occasion to expand this partner network and a second meeting was held at Oceanário de Lisboa, with a broader scope than the Estoril meeting. This meeting was also an opportunity to contact many stakeholders based in Portugal and other countries, as well as to inform the general public about the Oceano Azul Foundation project, through national media.

In 2017, the Foundation supported Portuguese non-governmental organisations, such as WWF Portugal, the Ocean-Alive cooperative and Brigada do Mar, as well as public entities, such as the Ministry of Education and the Institute of Nature Conservation and Forests.

In the international ocean agenda, the Foundation developed a discourse on the subject of the interconnections between the ocean, climate changes and a sustainable blue economy. This discourse was supported by specific collaboration with the United Nations and the European Commission, and through the launch of and support for a new platform “The Road Map for Oceans and Climate Action (ROCA)”.

In this context, the high-level participation of the Foundation in the “United Nations Ocean Conference” included the co-organisation of two parallel events in New York and another event at the UNESCO Intergovernmental Oceanographic Commission, in Paris. It sponsored the Youth Summit of Our Ocean conference, in Malta, in collaboration with the European Commission, and co-organised the Ocean Action Day at the Climate Conference, in Bonn (COP23). The Foundation has also participated in other events, including the 2017 Blue Carbon Initiative meeting, in Ibiza, and the International Marine Protected Areas Congress, IMPAC 4, in Chile.

Another important achievement of the Foundation, in 2017, was the launch of an awareness campaign aimed at the general public, together with with Oceanário de Lisboa and Olá ice creams, to increase

awareness about marine waste and plastic pollution. This initiative was based on three TV adverts and a digital communication campaign.

However, the Foundation’s most significant actions in 2017 were the initiatives that it developed to prepare its key programmes.

In this first year of existence, the Foundation has advanced with all the preparation necessary to build its own team, in order to be able to implement these programmes.

Finally, also in 2017, the Foundation moved its offices to Oceanário de Lisboa, the registered office of the Foundation and where it is currently established.

2018 will be the year in which the Foundation stabilises its human resources structure and starts the implementation of its Action Plan, intended to create a blue generation and to promote, protect and enhance our blue natural capital. The Foundation will move on from the initial, preparatory stage developed throughout 2017 to a new stage of specific development of its activities and implementation of its programmes and actions. The activity of the Foundation will thus focus on implementation of the Action Plan for 2018, as well as the measurement of its main performance indicators.

Blue Generation



Blue Generation

To increase citizens' awareness and understanding of the ocean.

Lack of knowledge about the ocean is the first obstacle that the Foundation aims to overcome. Without knowledge or awareness about the ocean and its marine resources, of the deterioration that has been registered on the surface of the sea or below the surface, and of the threats and dangers that currently exist, changes in behaviour are unlikely.

This is why ocean literacy was chosen as one of the greatest challenges for the Foundation.

Encompassing a number of initiatives, it intends to create a new generation with greater awareness of the importance of sustainable use of the sea and of the strategic importance of the ocean for life on earth, with the aim of raising society's awareness of the dangers that the ocean faces and the importance of recognising its crucial value as a natural capital of the planet and, consequently, of our economy and societies.

The Oceano Azul Foundation is focused on preparing this new generation, through educational programmes aimed at school-age children and through raising awareness among the public and decision makers of the challenge of ocean sustainability. The Foundation believes that citizens aware of the dangers that the ocean faces will also be more careful in their use of its resources and will further support the preservation of the blue natural capital.

It is a programme with a mainly long-term impact, but with some results that can be immediately assessed, particularly regarding the interest raised, the resulting support and the reactions recorded.

To help create this generation, in 2017 the Oceano Azul Foundation began its strategic planning, which includes, on the one hand, aspects associated with increasing knowledge and with blue literacy and, on the other hand, communication and awareness actions aimed at the general public.

Blue Literacy

Thematic and inspirational activities

The thematic and inspirational activities aim to raise awareness, convey specific information and/or encourage the desire to find out more about or act in support of the ocean. These are periodical contacts, in which people are approached on a single occasion.

Visits by the public, as well as the numerous educational activities developed by Oceanário de Lisboa, are the main inspirational and recreational-educational activities provided by the Foundation.



Oceanário de Lisboa, an aquarium dedicated to the ocean and to its conservation

Oceanário de Lisboa is one of the fundamental assets of the Oceano Azul Foundation and it plays a crucial role in the fulfilment of its areas of action of conservation and education for the ocean.

Oceanário de Lisboa helps to create an emotional connection to the ocean, showing the beauty of

the underwater world to the general public, and making it possible for the Oceano Azul Foundation to communicate with the people who visit it every year. Through the privileged resource of a public aquarium it is possible to ensure more direct and effective contact with the public, ensuring meaningful and coherent promotion of conservation awareness messages.



1 360 582 visitors

In 2017, 1 360 582 people from 185 different countries visited the Oceanário de Lisboa exhibitions, the highest number of visitors it has ever recorded. With more than 22 million visitors since 1998, it is one of the most visited attractions in Portugal, where, through the unique experience of travelling to the seabed, everybody is invited to increase their knowledge about the ocean.



Educational activities of Oceanário de Lisboa

The organisation of educational activities by Oceanário de Lisboa seeks to raise awareness and promote knowledge of the ocean and a desire to contribute to its conservation. The initiatives to raise awareness and educate and mobilise society for blue citizenship included the following programmes and activities in 2017:

Paid Programmes

Oceanário de Lisboa Education Programmes

Children's musical "The incredible factory of the oceans"

Free Programmes

Vaivém Oceanário

Marine plasticology

Lufinha school tour



168 040 Participants in educational activities

The more than 30 educational activities organised by Oceanário de Lisboa in 2017 received a total of 168 040 participants. 71 972 of these people took part in free activities and 96 068 took part in paid activities.

The free programmes offered away from Oceanário de Lisboa include the Oceanário Shuttle "Vaivém Oceanário", which visits Portuguese municipalities to raise awareness for ocean conservation in schools and among the general public. **In 2017, the Oceanário Shuttle had its best year ever, welcoming around 32 000 visitors. Since it was created, it has reached 236 000 people and visited 197 municipalities with programmes aimed at audiences of all ages.**



The "Marine Plasticology" programme is a project aimed at the empowerment and direct mobilisation of school communities, aiming to influence changes in behaviour in relation to one of the greatest threats

that the ocean faces today – plastic pollution, through workshops held in schools. Targeting primary and middle school students in Lisbon and Porto, the activities raise awareness of the pollution generated by the accumulation of plastic in the ocean and provide tools to minimise our impact and to change our relationship with this material. **Up to the end of 2017, this action had involved 34 226 children.**

Other highlights were programmes that already represent the implementation of the Oceano Azul Foundation strategy, such as the “Leaders for Ocean Sustainability” programme, with the creation of the “Lufinha School Tour”.

Leaders for ocean sustainability

The partnership with leaders on ocean issues aims to create precursors to spread the Foundation’s vision and to reach a wider audience, in order to generate awareness of ocean conservation. Sports personalities, artists, musicians and others who are viewed as models in their field are transformed into leaders for ocean sustainability and will be fundamental for the Blue Generation programme, especially for communication and dissemination to the public, particularly young people.



© Pedro A. Pina

Lufinha School Tour

In 2017, the Oceano Azul Foundation supported the Portuguese kitesurfer Francisco Lufinha, who is passionate about the sea and water sports and the world record holder for the longest distance travelled while kitesurfing. In 2013, Francisco Lufinha first broke the world record, travelling from the Foz do Douro to Lagos in 28h53min, travelling 305 nautical miles (564 km). In 2017, he established a new world record for the longest kitesurfing journey by a two-person team by sailing 1646 km together with Anke Brandt, in a 10-day odyssey from Ponta Delgada, in the Azores, to Oeiras, near Lisbon.

“Lufinha School Tour” is an educational project in which Francisco Lufinha visits schools throughout the country to tell his stories and describe the challenges he has faced at sea, to inspire young people to follow their dreams. The world record holder tells young people in an inspiring and educational fashion about his exciting adventures and challenges on the ocean, appealing to a differentiating, pro-active, positive and resilient attitude in their lives and with regard to the sea that surrounds them. He also calls for responsible behaviour in our use of the sea and the promotion of its conservation.

The Oceano Azul Foundation strengthens its positioning in the field of ocean literacy, through a partnership with Francisco Lufinha, a celebrity of the Portuguese seas who inspires society and young people in particular to look at the sea with the responsibility to act for its sustainable use and conservation. This way, through the relational and emotional potential that the athlete generates with the public, the influence and mission of the Oceano Azul Foundation is amplified with young people.

In 2017, this initiative reached 5 855 third cycle and secondary school students on mainland Portugal and the archipelagos of the Azores and Madeira.

Activities involving permanent presence in schools



© Neonbrand/Unsplash

Ocean Literacy pilot project for basic education

This project envisages developing ocean literacy with children aged 5 to 10 from the 1st cycle of education, working with municipalities and primary schools. This cycle of education has 4 years and requires the

development of a literacy programme that includes themes related to the ocean tailored to the intellectual development of children over these 4 years of school.

It began in 2017, with the development of a pilot project in primary schools in the municipality of Mafra, one of the municipalities that has supported the Oceano Azul Foundation project since its creation. This project aims to test the method and approach to be adopted and subsequently measure the success of its implementation, in order to extend the programme in future years.

The ultimate objective is to bring ocean literacy to all children resident in Portugal, aged 5 to 10, through training for primary school teachers.

The training of primary school teachers is a long-term project that requires a range of preparatory measures, including the selection of a curriculum subjects, the preparation of content, resources and support materials, that guarantee an appropriate and effective structure, in order to successfully achieve the proposed objectives:

- / To provide teachers with ocean literacy skills.
- / To make tools available for teachers to work on the theme of the ocean, in both curricular activities and in the flexible management of the curriculum.
- / To contribute to an increase in ocean literacy of children aged 5 to 10.
- / To guarantee effective changes in behaviour, with regard to the conservation and sustainability of the ocean.

This project began to be drawn up in 2017, with the development of a proposal that identifies the target public, characterises the profiles of teachers and the different primary school years, lists the themes to be explored, proposes different training formats and identifies possible partners.



Support for school water sports

Ocean literacy, understood as a dimension of citizenship, makes it possible to acquire knowledge, skills, attitudes and conduct that can raise children and young people's awareness of sustainable development. The Oceano Azul Foundation believes that the acquisition of this knowledge and these skills must be also be undertaken and supported through sport, particularly water sports.

As the Oceano Azul Foundation, Oceanário de Lisboa and the Directorate-General of Education share the objective of encouraging the understanding of children and young people resident in Portugal about the importance of the sea for the country, in all senses, including strategic, political, environmental and scientific points of view and for economic and social development, in 2017 the Oceano Azul Foundation and Oceanário de Lisboa contributed to an increase in the resources made available by the Directorate-General of Education for learning water sports in state-run schools in Portugal, through the donation of 4 training sailboats specifically intended for this purpose.

Water sports, such as sailing and surfing, are interesting and successful ways to lead ocean literacy to children and young people. Support for school water sports can thus be used to test new approaches aimed at students, at an age when sport is an ideal context for conveying appropriate messages about the ocean.

Communication and Awareness Raising with the General Public

The communication of the Oceano Azul Foundation and Oceanário de Lisboa aims to promote awareness of the ocean and to inspire others to act responsibly for ocean conservation.

In 2017, the joint communication of the Oceano Azul Foundation and Oceanário de Lisboa achieved quite significant results. The main activity of the year, apart from the public launch of the Foundation, was the creation of the “If it doesn’t go in the bin it goes in the sea” programme, that was present over one month on television, achieving 83% coverage of the target public.

The films produced by the Oceano Azul Foundation and Oceanário de Lisboa registered more than 4 million views and their sites have been visited 1.9 million times and by more than 830 thousand people. The two institutions’ social media accounts have more than 120,000 followers.

In short, it can be estimated that throughout 2017 the Oceano Azul Foundation carried out, directly or through Oceanário de Lisbon, more than 5 million contacts, a significant number for its first year of activity.

“If it doesn’t go in the bin it goes in the sea” Campaign

An important achievement of the Foundation in 2017 was the launch of the joint campaign by Oceanário de Lisboa and Olá ice creams aimed at the general public, to increase awareness of pollution by marine waste and plastics. This initiative was based on three TV adverts and a digital communication campaign.

“If it doesn’t go in the bin it goes up in the sea.” This was the message of the environmental awareness campaigns promoted by the Oceano Azul Foundation and Oceanário de Lisboa, in partnership with the largest ice cream company in Portugal (Olá), aimed at alerting the Portuguese to one of the planet’s most serious environmental problems: marine waste.



During the summer, from 12 August to 12 September 2017, the campaign was presented at all 55 000 points of sale for Olá ice creams and 3 television adverts were produced, illustrating the importance of disposing of waste in the right place, since “If it doesn’t go in the bin it goes up in the sea.” (cigarette stubs, cotton buds and ice cream packaging). The 3 films were presented on all the general Portuguese television channels and also on digital platforms.

Television ensured that 83% of the target audience had contact with at least one of the adverts. The campaigns on Facebook, Instagram and YouTube reached 2.4 million users.

Cigarette butts www.youtube.com/watch?v=V5lth1Uq7uU

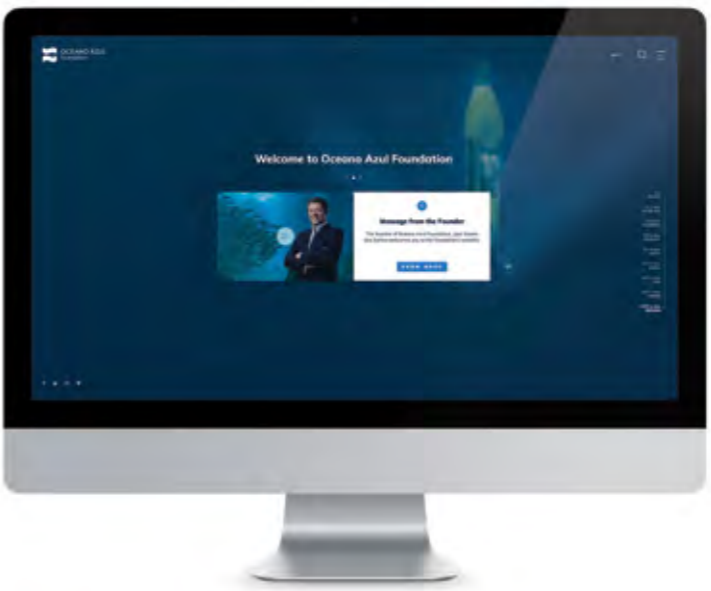
Cotton Buds www.youtube.com/watch?v=xhYzwSCqVPo

Ice Cream Packaging www.youtube.com/watch?v=y1zgqapjPlo

News

In 2017, the total number of references to the Oceano Azul Foundation and to Oceanário de Lisboa in the Portuguese media amounted to 2 185 references, corresponding to more than 23 million euros of AAV (Average Advertising Value), thus contributing to the building of awareness and the consolidation of the two institutions’ positioning with the public.

	Oceano Azul Foundation	Oceanário de Lisboa	Total
News			
Total references	496	1.701	2.185
Total TV references	96	178	267
Total radio references	14	14	26
Total press references	84	546	675
Total web references	302	963	1.191
Press Releases Issued			
Total press releases	3	63	66
AAV (Average Advertising Value)	4.655.359 €	19.316.871 €	23.972.230 €



Websites

The Oceano Azul Foundation site was launched in March 2017 and has received approximately 124,000 views, 21,000 visits and 14,000 new visitors.

Together, the Foundation and Oceanário de Lisboa sites recorded 5.6 million views, 1.9 million visits and 838,000 new visitors.

	Oceano Azul Foundation	Oceanário de Lisboa	Total
Who visits us			
Total visits	21 189	1 857 375	1 878 564
New visitors	14 539	823 368	837 907
Page views	124 352	5 465 357	5 589 709
How do they visit us			
Average pages/visit	5,87	2,98	4,43
Average time/visit	3.14 minutes	1.29 minutes	2.22 minutes
Visits per device			
Mobile	6 668	1 082 280	1 088 948
Desktop	12 694	645 830	658 524
Tablet	1 827	129 265	131 092

Social media

To provide publicity for the mission, strategic areas and main activities of the new Foundation, several digital platforms were developed and launched in 2017 to support communication. These include the Foundation’s institutional website, Facebook and Instagram accounts and YouTube channel. Activity also began on the Twitter social networking service.

Oceano Azul Foundation has been on social media since March 2017, when it was launched. Over the years, Oceanário de Lisboa has maintained a constant social media presence on Facebook, Instagram and YouTube, which is crucial for promoting the institution’s activities and mission.

	Oceano Azul Foundation	Oceanário de Lisboa	Total
Facebook			
Total followers	12.329	92.194	104.523
New likes	12.408	19.637	32.045
Unlikes	323	2.927	3.250
Total reach	5.221.888	27.437.404	32.659.292
Posts	145	339	484
Instagram			
Followers	544	15.590	16.134
Comments	47	860	907
Likes on posts	2.783	147.044	149.827
Posts	103	225	328
Youtube			
Views	573.488	805.268	1.378.756
Hours viewed	4.771	15.374	20.145

Facebook

Together, the Oceano Azul Foundation and Oceanário de Lisboa Facebook pages ended the year with a total of 104,000 followers, having reached 32.7 million people through their publications.

Instagram

The Oceano Azul Foundation Instagram profile was created in March 2017 and had 544 followers by the end of the year. The Oceanário de Lisboa Instagram profile posted 225 publications and ended the year with more than 15,000 followers.

Youtube

The Oceanário de Lisboa and Oceano Azul Foundation YouTube pages registered 1.4 million views, corresponding to around 20,000 hours of viewing time. In the Youtube channel of the Foundation, the videos related to the campaign “If it doesn’t go in the bin it goes in the sea” were those that registered a greater number of views.

Blue Natural Capital

Blue Natural Capital

To promote, protect and value blue natural capital, supporting marine protected areas and promoting sustainable uses of the ocean.

The actions of the Oceano Azul Foundation focused on the promotion, protection and valuation of blue natural capital aim to develop integrated programmes in order to preserve natural resources and the sustainable use of the ocean. Given the current state of the ocean, where the level of deterioration is now greater than its capacity for self-regeneration and the impacts of human activities are global and of great magnitude, there is an urgent need to reverse this situation.

The Oceano Azul Foundation addresses this problem by combining three objectives:

1. To help save locations where wild marine nature remains intact, by creating new Marine Protected Areas and increasing the effectiveness of those that already exist.
2. To promote the restoration of deteriorated habitats and of endangered species, increasing the productivity of the ocean.
3. To change how the ocean is managed, increasing the sustainability of human activities, particularly fisheries, enhancing the blue natural capital through new economic activities, and disassociating environmental degradation from economic development.

Marine Protected Areas

To increase the number of marine protected areas in the ocean.

Marine Protected Areas and other management tools are an integral part of any strategy to protect marine species and habitats, to reverse the decline of the biodiversity and of goods and services associated with marine ecosystems, to restore deteriorated habitats and to increase the sustainability of resource use.

In this field of intervention, the aim of the Foundation is to contribute to the implementation of new Marine Protected Areas and to improve the efficacy of existing Marine Protected Areas, at both national and international levels, through partnerships and by supporting processes based on scientific knowledge.



Blue Azores

The waters of the Azores Archipelago include some of the most important natural resources in the Atlantic. This invaluable blue natural capital needs to be protected, valued and promoted in order to support environmental, social and economic objectives.

The Oceano Azul Foundation, in partnership with the Waitt Foundation and in close collaboration with the Regional Government of the Azores, is creating a more extended network of national and international partners in order to implement a medium-term programme aimed at turning the Azores a sustainable ocean region in Europe – the Blue Azores programme.

After the development of its conception and initial planning over the course of 2017, the Oceano Azul Foundation's Blue Azores Programme now includes an expedition for 2018, in partnership with the Waitt Foundation and National Geographic, with both scientific objectives, as well as communication and dissemination goals. It also involves a series of other fields of action, including: an assessment of the socio-economic value of the Azores marine ecosystems, an international workshop with specialists in marine protected areas, the implementation of a pilot project in the field of sustainable fisheries, the development of blue literacy programmes through the creation of educational and awareness initiatives aimed at children, fishermen, journalists and political decision makers.

In the future, this integrated and innovative approach may be scalable to other regions worldwide. The successful implementation of the Blue Azores programme should function as a case study and significant international example, demonstrating that protection of the ocean's natural capital is compatible with the sustainable development of human societies.



Expansion of the marine protected area of Selvagens Islands

The Selvagens Islands, in the Autonomous Region of Madeira, are the best preserved marine ecosystem in Macaronesia. They are a rare example of an environment that has not been overburdened or polluted - an area of incomparable beauty. However, the current Nature Reserve is not sufficient to protect its wider marine ecosystem.

Under the National Geographic's "Pristine Seas" programme, in partnership with the Waitt Foundation, both partners of the Oceano Azul Foundation, a scientific expedition was conducted to the Selvagens Islands.

These islands have been little studied, especially with regard to the areas of open sea and deep ocean surrounding them. The results of this expedition were passed on to the Portuguese Government and recommend the expansion of the current marine protected area surrounding the Selvagens islands of just 92 km², which protects the ocean to a depth of 200 metres. Its main recommendations concern increasing the efficacy of surveillance of the islands and expanding its marine reserve.

There is an opportunity to increase the percentage of coverage of MPAs in Portuguese waters due to the isolation of this archipelago and the excellent conditions of the habitats to be found on these islands. The open sea is an important corridor for the movement of marine megafauna throughout the east Atlantic and its deep sea contains deep-water corals and important habitats for juveniles. Extending the marine reserve to include these ecosystems will ensure the protection of numerous species and unique habitats.

These isolated environments are particularly vulnerable to impacts such as overfishing, for which reason there is an urgent need to guarantee their effective protection now, to avoid the risk of losing them forever. The Foundation mobilised the media to spread the message of the importance of the Selvagens islands as unique areas of the North Atlantic and the need to extend the current marine protected area. The Foundation commissioned a legal study on the implementation of such an expansion from the Law School of the Catholic University in Lisbon to support this matter with the relevant authorities. Workshops and meetings will also be organised to promote the natural capital of the Selvagens and the need for its protection.

National Geographic - Pristine Seas - As Ilhas Selvagens

www.youtube.com/watch?v=pmjijY_cbiM

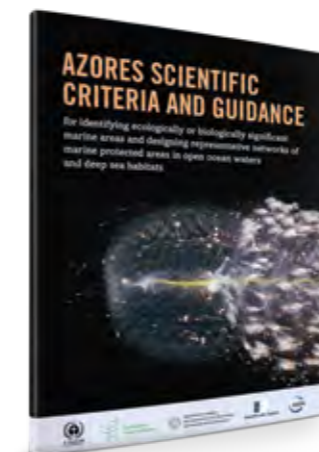


Marine protected area of community interest in the Algarve

In 2017, a joint process began with organisations such as a local fishermen’s association, a regional dive centre and the University of the Algarve to prepare and design a project to promote the creation of a marine protected area of community interest in the Algarve, in the south of Portugal, where there is a relatively extensive reef along a large bay area, corresponding to the former coastline from the last glaciation, 23 000 years ago. This reef is very important for marine life, but suffers significant impacts from fishing, including commercial fishing.

This project is intended to include both the conservation of the natural capital and the development of a blue economy, through correct management of activities such as small-scale fishing and diving, sustainably monitored. This aims to be a specific case of application of the Foundation’s model for change, in other words, it will be an opportunity for joint and full protection, organisation and enhancement of the blue natural capital.

After the first meetings with some of the local players and communities in 2017, the project will continue to be developed throughout 2018, bringing together municipalities, local fishermen, dive operators, companies from the region, scientists from the University of the Algarve, as well as NGOs, in order to involve the main stakeholders and create a joint and structured vision of the need to implement this marine protected area of community interest for the region.



Ecologically or Biologically Significant Marine Areas (EBSAs)

The Foundation sponsored the work on “Identification, description and scientific basis of Ecologically or Biologically Significant Marine Areas” (EBSAs) in Portugal, by the Institute of Nature Conservation and Forests. This initiative aims to contribute to the United Nations Convention on Biological Diversity (CBD) process of identifying and describing EBSAs in the Atlantic northeast.

The identification and designation of EBSAs under the CBD is an important objective, since these areas will be fundamental for promoting the protection of the high seas and for identifying important areas of interest for conservation.



New classification system for Marine Protected Areas

A consortium of European institutions created a new classification system for Marine Protected Areas (MPAs) that takes into consideration the type of regulations applicable to each of the different MPAs.

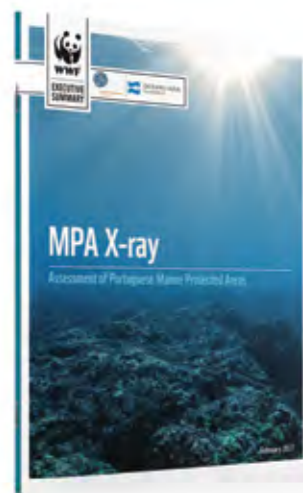
The development of this new system was ensured by an ERA-NET European “BiodivERSA” project and involved scientific institutions in Portugal, France, Norway and Sweden.

With the new system, it is possible to classify MPAs according to the impact of the activities allowed within them. This system is intended to complement the current classification system for protected areas of the International Union for Conservation of Nature (IUCN) and to help overcome some of its limitations.

With its support for this initiative, the Oceano Azul Foundation intends to promote the new MPA classification system, creating an online tool to be used by the global MPA community. The long-term objective is for other international institutions and the IUCN to adopt this new classification.

The result of this open initiative can be found on the following website:

www.classifympas.org



MPA X-Ray: diagnosis of the portuguese marine protected areas

“MPA X-Ray” is an initiative of WWF Portugal with the support of the Oceano Azul Foundation and Oceanário de Lisboa. Its objective is to systematise all information on Portuguese Marine Protected Areas (MPAs), assess the governance model for coastal and offshore MPAs and present concrete proposals for measures to improve these systems.

The MPA X-Ray Report - Diagnosis of Portuguese MPAs, offers a diagnosis of the MPAs existing in Portugal, namely their type of protection, distribution and area and their governance model. The focus is

on MPAs of national, regional or local interest, in the national network of protected areas (i.e. excluding Natura Network 2000 classified areas).

The report was presented in February 2017, having been presented in person to the different public bodies with responsibilities in the creation or maintenance of marine protected areas, namely the Ministry of the Sea, the Secretary of State for the Environment, the Directorate General of Sea Policies, the Portuguese Institute of the Sea and Atmosphere and the Institute of Nature Conservation and Forestry. The results presented are essential to support current and future efforts to set up new MPAs in Portugal and to increase the efficacy of existing MPAs.

This is an important contribution of the Oceano Azul Foundation and Oceanário de Lisboa to understanding of the current state of implementation of marine protected areas in Portugal.

www.mpaaction.org/sites/default/files/2017-02-03_Fact%20Sheet%20EN%20FINAL.pdf

Sustainable Fisheries



Pilot project for sustainable fisheries

With regard to sustainable fisheries, the Oceano Azul Foundation seeks to assess the possibility of implementing new management methods that can contribute to more sustainable coastal fisheries, providing conditions for an improvement in the earnings of people living from the fisheries sector simultaneously with preservation of resources.

With fisheries worldwide presenting significant problems of sustainability, solutions are being sought to increase food security and the sustainable exploitation of resources, given a growing human population.

Small-scale coastal fishing is especially vulnerable to the pressures that currently affect marine ecosystems. This issue is especially important in the case of Portugal, since small-scale fishing employs a significant percentage of active fishermen and represents approximately 90% of the fishing fleet, a majority not being subject to the rules of the Common Fisheries Policy, operating in a narrow strip along the coast with significant pressure on resources.

The future of small-scale fishing is uncertain today. The number of boats continues to fall, several species present a significant reduction in numbers and there is a low rate of generational renewal in the fishing community. In addition, the effects of climate change are becoming increasingly visible and are starting to affect the distribution of stocks, which means that there is an urgent need to find efficient and effective alternatives in fisheries management.

The development of co-management systems or equivalent mechanisms, that directly involve fishermen in management decisions, is a path that has started to be successful in many parts of the world, in order to achieve sustainability in these activities, through control of catches and responsibility for the results.

The Oceano Azul Foundation believes that the implementation of management systems, based on science and implemented by guaranteeing fishing rights, will give communities the tools to restore overexploited stocks and will enable them to benefit from the positive results of this recovery. With these mechanisms it will be possible to increase the abundance of species, increase the value of catches according to sustainability standards and ensure more prosperous fishing communities.

Co-management means the State and local users sharing rights and responsibilities and implies the creation of committees with representatives from the different stakeholders, namely fishermen, scientists, environmental organisations and public bodies with responsibility for resource management that take decisions on various aspects of management of resources and fishing, in a given geographically delimited area, within the defined limits of sustainability.

The Oceano Azul Foundation has established a partnership with the Environmental Defense Fund Europe (EDF) to develop a pilot project in Portugal, in order to test a co-management mechanism for small-scale coastal fishing.

In 2017, a number of meetings were held with the EDF to define the scope of the work to be developed, the partnership to be established, the work methodology and goals to achieve, culminating in the signing of a joint collaboration agreement aimed at boosting initiatives aimed at the sustainability of small-scale coastal fishing in Portugal and the preparation of a diagnosis and assessment of the potential for implementation of a co-management system in Portugal, including identification of the resource with the greatest potential and a geographic zone for implementing a pilot project.

After this diagnostic study is completed (planned for the second half of 2018) and once the necessary conditions are guaranteed, the location and resource are to be selected for a pilot project and the subsequent expansion of this co-management mechanism to the whole country will be assessed.



© Miguel Herédia

Co-Pesca II: creation of a co-management committee in the Berlengas

The sustainability of coastal marine resources frequently depends on a specific set of socio-ecological conditions that influence how they are exploited. There are several examples around the world of effective co-management processes that increase the profitability of fishermen and increase the biomass of the resource.

In connection with initiatives to promote sustainability with small-scale coastal fishing, the Oceano Azul Foundation supported phase 0 of the Co-Pesca II project, developed by WWF Portugal together with other entities, including the entities that will form part of the Management Committee of the Berlengas Nature Reserve:

/ AMB - Associação de Mariscadores das Berlengas

/ ICNF - Instituto de Conservação da Natureza e Florestas

- / Câmara Municipal de Peniche
- / CPP - Capitania do Porto de Peniche
- / DGRM - Direcção-Geral de Recursos Naturais, Segurança e Serviços Marítimos
- / Docapesca - Portos e Lotas, SA
- / ESTM - Escola Superior de Turismo e Tecnologia do Mar
- / GALP - Grupo de Ação Local Pesca
- / IPMA - Instituto Português do Mar e Atmosfera
- / PONG-Pesca - Plataforma de ONG Portuguesas sobre a Pesca
- / UÉ - Universidade de Évora

The objective of the Co-Pesca II project is the implementation of a co-management committee which will be responsible for managing goose barnacle harvesting in the Berlengas Nature Reserve.

Promoting this approach will fulfil the Foundation's objectives of contributing to increased sustainability in the exploitation of coastal marine resources. This project follows on from Co-Pesca I, which identified the best fisheries for the co-management process. As the harvesting of goose barnacles in the Berlengas Nature Reserve was the fishery that presented the best conditions for entering a co-management process, Co-Pesca II aims to implement the co-management committee for this fishery.

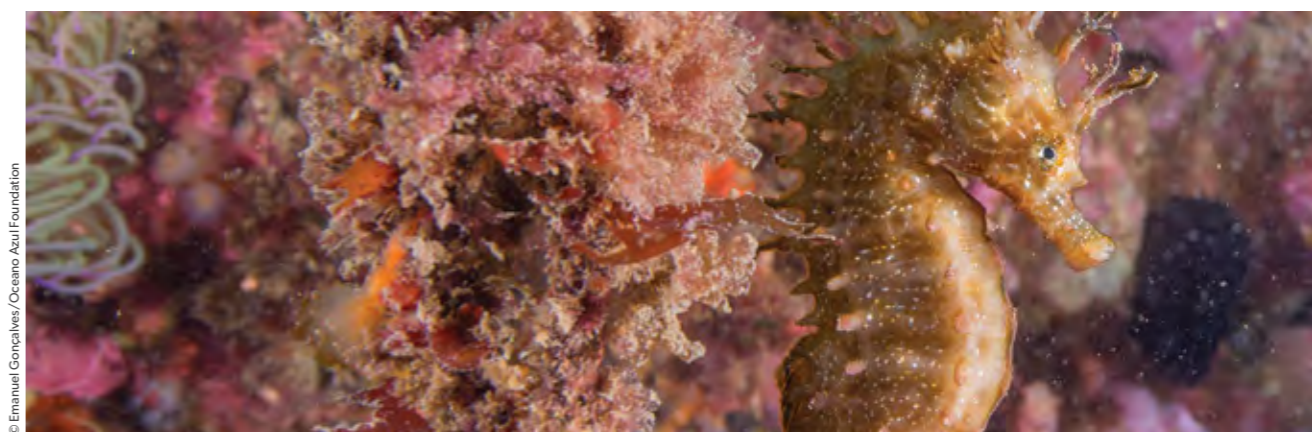
The activities supported by the Oceano Azul Foundation focused on three aspects in particular:

- I. Public Participation** - Participation of stakeholders in defining the statutes and bodies of the committee and the different responsibilities of the co-management committee;
- II. Legal advice** - Delimitation of the potential legal framework of the committee and review of its statutes by legal advisers;
- III. Empowerment and exchange of experiences** - Organisation of a visit by the members of the future co-management committee to the Fishermen's Association responsible for goose barnacle harvesting in Baiona, Galicia, considered a reference model for co-management processes and associated with the same resource.

The WWF, which has been working with co-management systems in Europe, leads the project in Portugal, bringing together fishermen, academia, NGOs and authorities in a single group that will decide on the

terms for the harvesting and sale of this resource. If this project is successful, as it has been in several cases in Europe and North America, it may become an example for other national and international initiatives. The Oceano Azul Foundation supports the WWF Portugal in the implementation of this project.

Ocean Conservation Awareness Campaigns



© Emanuel Gonçalves/Oceano Azul Foundation

"Save the Ria Formosa sea horses" campaign

In 2002, Ria Formosa had one of the highest densities of sea horses in the world, with an estimated population of two million. By 2008, it was estimated that there were only 300 000 left.

The Ria Formosa sea horse community (with two species), previously considered to have one of the highest concentrations of sea horses by area in the world, runs the risk of disappearing if measures are not taken to stop illegal captures for Asian markets.

The Oceano Azul Foundation thus decided to draw up a study with the participation of an expert from the University of the Algarve's Marine Science Centre (CCMAR) and to prepare the launch of a campaign to draw attention to this situation and to help save the sea horses.

This is intended to be an awareness campaign designed to exert a specific influence on certain previously selected target populations. Activities are programmed at different levels, to: (i) encourage public authorities and the Portuguese Government to demand firm action against illegal fishing; (ii) carry out actions aimed at engaging the press and mobilising public opinion on this matter; (iii) organise literacy on sea horses for students in Algarve schools in the areas surrounding Ria Formosa; and (iii) encourage literacy for fishermen in the area covered by Ria Formosa and encourage them to consider the importance of protecting sea horses.

In 2017, a technical report commissioned by the Oceano Azul Foundation was drawn up by a specialist in these sea horse communities. This document has been validated by the IUCN Seahorse, Pipefish & Stickleback Specialist Group and will be used as a foundation for the activities of the awareness campaign.



© WWF Portugal

Support for the WWF “Ocean Witness” campaign

Building a global community with institutions and inhabitants that depend on the ocean is the aim of the “Ocean Witness” platform launched by the WWF during the 4th International Marine Protected Areas Congress in Chile.

In the context of this campaign, the Oceano Azul Foundation co-financed a short film with the first-person testimony of one of the leaders of the goose barnacle harvesters on the Berlengas Islands, the fisherman Emanuel.

Emanuel works in the Berlengas Nature Reserve and shares with the public his passion for the sea, revealing the changes that have been made in his daily routine at sea in order to protect the ocean. Selective fishing methods, not fishing for juveniles and bringing to land any waste he comes across while sailing the cold waters of Peniche are some of the attitudes that Emanuel has already adopted.

Investing in a co-management methodology in order to guarantee the sustainability has been one of the work areas developed in the field by the WWF team, with support from the Oceano Azul Foundation.

The production of short videos is a way of communicating the Foundation’s work in partnership with the WWF and making it more effective through the presentation of specific examples by personalities and leaders related to the ocean who share the Foundation’s vision of sustainability. The film can be seen here:

www.oceanwitness.org/stories/ocean-witness-emanuel



© Gustavo Figueiredo

Support for the Ocean Alive “Shellfish gathering without waste” campaign

The Oceano Azul Foundation and Oceanário de Lisboa are partners of Ocean Alive for the “Shellfish Gathering Without Waste” campaign, which, in addition to the patronage of the Oceano Azul Foundation and Oceanário de Lisboa, is also supported by UNESCO and integrated into the “Guardians of the Sea” project that won the Ideias de Origem Portuguesa prize in 2016, awarded by the Calouste Gulbenkian Foundation, and the Terre de Femmes award from the Yves Rocher Foundation.

Ocean Alive is a cooperative dedicated to the protection of the ocean through marine educational materials with the aim of changing behaviour. This organisation focuses its activity on the Sado estuary region, one of the most important wetlands in Europe.

Within the estuary, there are several different zones with extensive shellfish gathering at low tide. To gather molluscs (razor clams), the fishermen use salt to force them to the surface at low tide. During the gathering of the shellfish, thousands of salt packets are left in the intertidal zone of the estuary. In this context, “Shellfish Gathering WITHOUT Waste” campaign was created by including the fisherwomen of the Sado estuary as community leaders to promote good practices and involving local stakeholders

in order to cover the wider community that uses the estuary. The aim is to raise awareness among the shellfish gatherers of the Sado estuary of correct practices in harvesting razor clams and of the need to collect the waste that has been left in this marine landscape.

In 2017: 1 113 volunteers collected more than 17 000 salt packets and 18.4 tonnes of waste from the Sado estuary. The awareness campaign influenced 1 436 shellfish gatherers.

By acting at a local level, promoting ocean literacy in the general population and providing fisherwomen with a key role as leaders for sustainability within their community, the support for this project was in line with the objective of the Oceano Azul Foundation and Oceanário de Lisboa and created visibility at both local and national levels for the protection of these important ecosystems.

ECOMARE Centre for Recovery of Marine Animals

The Centre for Recovery of Marine Animals (CRAM), in Ílhavo, is the largest centre for the recovery and rescue of marine animals in Europe. The CRAM is part of ECOMARE – Laboratory for Innovation and Sustainability of Marine Biological Resources of the University of Aveiro and is supported by the Portuguese Wildlife Society (SPV), as well as the Oceano Azul Foundation and Oceanário de Lisboa.

With this project, which rescues and rehabilitates hundreds of marine animals each year, the Foundation and Oceanário de Lisboa strengthen their commitment to ocean conservation. Every year, hundreds of injured or sick marine animals are found along the coast, many having been victims of human activities at sea. Captured accidentally during fishing, tangled in nets or lines or poisoned by plastic, birds, mammals and reptiles are rescued by ECOMARE, rehabilitated and, as soon as they have recovered, returned to nature.



CRAM-ECOMARE has a multidisciplinary team, including vets and veterinary nurses, biologists and volunteers, who work 24h a day, along 300 km of the coast of north and central Portugal. The treatment of the animals involves specialist veterinary care and requires outstanding premises designed with the different species in mind. It has a capacity for approximately 1 000 marine animals a year, including birds, mammals and turtles.

The aim of the rehabilitation of these marine animals is to return them to nature as rapidly as possible, ensuring their treatment and well-being throughout the process. This project also supports marine scientific knowledge and aims to raise awareness in the general population of the need to limit each person's negative impact on ocean conservation.

With its participation in the co-management of this new Centre for Recovery of Marine Animals, Oceanário de Lisboa aims to contribute to the recovery of marine animals and their return to nature and help make the Centre an international benchmark in this field. Under the partnership agreement with the University of Aveiro, joint technical and management committees have been created and a detailed work plan has been drawn up. The Oceanário will provide technical knowledge on maintaining animals in healthy conditions, with the highest quality standards, and will benefit from the work carried out at the Centre, encouraging stories of successful rehabilitation. Watch a short video about the Centre here:

Ecomare www.youtube.com/watch?v=lpOR00PGEtk

Ocean Conservation Fund

In 2017, Oceanário de Lisboa and the Oceano Azul Foundation launched the Ocean Conservation Fund, a 100 000 euro fund to support scientific projects that contribute to the conservation of marine species.

The Ocean Conservation Fund will reward conservation projects that include field work, guarantee the scientific quality of information, constitute sustainable initiatives, maximise education and present a strong dissemination component, not only for specialists but also for the general public.



Under the theme “Rays and sharks. From darkness to the light of science”, the 1st fund in 2017 aimed to support the best projects developed at a national or international level that contribute to the conservation of these species. This new Fund seeks to raise awareness of the importance of conservation of this groups of fish, among the most endangered on a global scale and 23 applications were received.

Although it is generally acknowledged that the biological diversity of the ocean is an asset of great value for current and future generations, it is known that the decline of species caused by human activity is increasing at an alarming rate. Overfishing, accidental fishing and by-catches, combined with the natural characteristics of rays and sharks – slow growth, late sexual maturity and reduced number of descendants – put them in a highly vulnerable situation, which means there is an urgent need for a joint effort to ensure their conservation.

This initiative will take on an essential and collaborative role in the fight to maintain existing biodiversity, promoting greater knowledge of the biology of marine animals and the search for solutions to combat the threats that they face.

The 3 winning projects in this 1st Ocean Conservation Fund were:

IslandShark | Oceanic islands as Essential Habitat for Sharks

[Universidade dos Açores/OMA - Observatório do Mar dos Açores](#)

This project was intended to answer the question: are there areas where migratory sharks give birth around the archipelagos of Macaronesia and what is their role for the resilience of Atlantic populations? The project proposes a research plan focusing on two key migratory species that are both vulnerable but have totally different ecological characteristics and behaviours: the hammer shark and the tope shark. The research is based on the use of non-invasive and non-lethal techniques, an essential issue for the well-being and handling of endangered species, and on the application of cutting-edge biotelemetry and genomics technology.

FindRayShark | Applying innovative technologies to the conservation of rays and sharks

[MARE - Centro de Ciências do Mar e do Ambiente](#)

This project aims to contribute to the conservation of rays and sharks worldwide, through assessment of their populations (presence, abundance and size), implementing an innovative and non-invasive technological approach. This approach will also help to improve the management of marine habitats and resources and raise awareness among the public.

Shark Attract | Sharks and rays conservation by enhancing awareness within fishermen communities and society

[MARE - Centro de Ciências do Mar e do Ambiente](#)

The objectives of this project are to promote the conservation of rays and sharks, creating and promoting ecological awareness of these species, analysing fishing data, involving fishermen in activities aimed at the dissemination of scientific knowledge and developing informal education activities. It is hoped that it will generate solid knowledge about the shark and ray fishing situation in Portugal, identifying ways to minimise its impacts and increase interest in these species, most of which are highly threatened.

Empowerment for a New Blue Bioeconomy

To support the development of the natural capital generated by the ocean, through incentives for the sector of biotechnological exploration of marine bioresources

The line of action aimed at empowerment seeks to develop integrated governance of the ocean, based on ethical values and scientific knowledge, as well as to promote an innovative and environmentally sustainable blue economy.

There is a lot of room for action to improve governance and regulation of the ocean in general and the legislation and regulation of uses of the ocean in particular. Some maritime sectors are over-regulated and others suffer from a lack of appropriate regulation. Creating strong action through better regulation is therefore a target worth pursuing.

In addition, ocean conservation per se does not attract or encourage a large number of players from the private sector who, operating in economic activities, could bring innovative practices and be agents of change in our relationship with the use of the ocean. Encouraging new environmentally responsible ways of using the sea with a neutral carbon footprint is another way to increase ocean conservation, offering an active role to operators that would otherwise be unable to contribute to the conservation of the ocean.

By promoting new, innovative and sustainable sectors for the blue economy, the Foundation will be contributing to its mission of disassociating economic development from deterioration in the marine environment, insofar as it promotes blue growth without harming the ocean's ecosystem.

Blue Bio Value

In order to help achieve a new paradigm for sustainable use of the ocean, in which the commercial exploitation of the ocean must be closely related to protection of the marine environment, the Oceano

Azul Foundation believes that it is essential to create a new paradigm, in which a new, innovative and environmentally sustainable blue economy can flourish.

The Oceano Azul Foundation believes that support for new emerging sectors and companies, with business models based on the sustainability of the blue natural capital or that promote a circular economy, as well as support for initiatives that restrict the exploitation of non-renewable natural resources and that are based on a renewable biobased economy, is the correct way to promote a new blue economy that can generate growth and employment, and a bluer society that does not contribute to the deterioration of the marine environment, instead benefiting from its good state of conservation.

The Foundation also predicts that this new economy, supported by a blue society, will also be a way of organising ocean conservation, since the expectation is that more investment and opportunities will be channelled towards these new economic sectors, replacing traditional sectors that have a more negative impact on the environment.

Based on this vision, the Oceano Azul Foundation has designed a Blue Bio Value Programme, the core objective of which is to help make Portugal an international benchmark for the marine bioresources and marine biotechnology industries, where companies operating in this value chain can find ideal conditions to install and develop their businesses.

This Programme, which will be implemented over the course of 2018, began to be drawn up in the last quarter of 2017, its whole concept, programme objective and identification having been defined, as well as its approach to its main partners, which include the Calouste Gulbenkian Foundation and the Bluebio Alliance association.



Blue Network

Blue Network

An active voice on the major themes of the ocean.

The Blue Network represents the area of action of the Foundation that guarantees the inclusion of the ocean and the importance given to it in national and international agendas.

In this context, several actions were developed, at the Estoril Meeting in 2014, even before the formal existence of the Foundation, and with broad international support in 2015, during the tender for the Oceanário de Lisboa concession.

The launch of the Foundation, in March 2017, was a further occasion for expanding this network of partners.

A meeting of international experts, of broader scope than the Estoril Meeting, was held at Oceanário de Lisboa in 2017 and was an opportunity to contact numerous stakeholders based in Portugal and outside the country, as well as to increase dissemination of the Oceano Azul Foundation project through Portuguese media.

Several Portuguese non-governmental organisations, such as WWF Portugal, the Ocean-Alive cooperative and Brigada do Mar, as well as public bodies, such as the Ministry of Education or the Institute of Nature Conservation and Forests, also became important partners in the collaboration network established by the Foundation in 2017.

For the international ocean agenda, the Foundation developed its intervention around interconnections between the ocean, climate changes and a sustainable blue economy. This discourse was supported by specific collaboration with the United Nations and the European Commission, and through the launch of and support for a new platform “The Road Map for Oceans and Climate Action (ROCA)”.

In this context, the participation of the Foundation in the United Nations Ocean Conference was important and included the co-organisation of two parallel events in New York and at the UNESCO Intergovernmental Oceanographic Commission, in Paris.

In collaboration with the European Commission, it sponsored the Youth Summit of the Our Ocean Conference», in Malta. It also co-organised the Ocean Action Day at the Climate Conference in Bonn (COP23).

The Foundation also participated in other events, including the 2017 Blue Carbon Initiative meeting, in Ibiza, and the International Marine Protected Areas Congress, IMPAC 4, in Chile.

These participations in Portugal and abroad were strategic for recognition of the Foundation as an active player in the protection and sustainability of the ocean.

The “Blue Network” programme, dedicated to the international ocean agenda, aims to influence the global agenda on ocean sustainability, particularly the agendas developed by the United Nations and the European Union.

The international scope of the Oceano Azul Foundation and the close association with the European Union and the United Nations from which it already benefits, facilitate the major role that the Foundation could play in the creation of and support for an international agenda for the ocean in the 21st century.

The aim is to improve the international framework for ocean governance and strengthen access to data through scientific research, thereby developing a sustainable blue economy and reducing human pressure on the ocean.

Support for Platforms, Organisations and Meetings on the Subject of the Ocean

The programme aimed at participation in and influence on the international ocean agenda includes, among other things, support for major events, platforms and initiatives. Support for meetings, workshops, side events and/or other forums where international ocean topics are presented and discussed is an effective way to promote the vision of the Oceano Azul Foundation on the sustainability and conservation of the ocean and to build a network of partners that can reinforce its Plan of Action.

In 2017, the Foundation supported the following events dedicated to the ocean:

February

Co-organisation of an event focused on the ocean, the climate and the blue economy, during ROCA (Road Map for Ocean and Climate Action), at the UN, New York.

May

Sponsorship of the ROCA (Road Map for Ocean and Climate Action) meeting organised by the UNESCO Intergovernmental Oceanographic Commission (IOC), in Paris.

June

Support for the UN Ocean Conference

Sponsorship of the attendance by delegates from Small Island Developing States at the UN Ocean Conference.

September

Support for the two-day European UN Global Ocean Assessment meeting, at Oceanário de Lisboa.

November

Co-organisation of the “Ocean Action Day”, during COP 23 in Bonn, Germany.



Support for the High Seas Alliance process

The High Seas Alliance is a partnership with 32 members from non-governmental organisations and the International Union for Conservation of Nature that focuses on the protection and sustainable use of the high seas. As is well known, the high seas include some of the most biologically important, least protected and most critically endangered ecosystems.

The process of creating a new international law treaty under the United Nations Convention on the Law of the Sea, in order to protect the high seas, which are outside national jurisdictions, is of great importance, since there is currently no legal mechanism, for example, to establish marine protected areas or to conduct environmental impact assessments in the high seas, which in themselves constitute 50% of the total ocean area of the planet.

Portugal is playing an important role in this process by hosting meetings and co-facilitating the negotiations taking place at the meeting of “Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development” (SGD14) of the United Nations.

As a starting point, the Oceano Azul Foundation supported the conference and attended as a partner, presenting its vision of how to influence the content of negotiations of new treaties. This meeting was held on 2 March 2017 and was organised by the Portuguese Ministry of Foreign Affairs and the High Seas Alliance, with the aim of preparing the work for the United Nations SGD14 conference.

International Ocean Events

During its first year of existence, the Oceano Azul Foundation took the opportunity to participate and make its presence felt at major international events about the ocean, which made an important contribution to recognition of the Foundation as an active advocate of ocean sustainability.



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Estoril Meeting II

16 MARCH, LISBON

Taking advantage of the launch of the Oceano Azul Foundation and the visits to Portugal of several international experts and partners of the Foundation, in particular many of those who had attended the first Estoril meeting in 2014 and who were behind the creation of the Oceano Azul Foundation, the Foundation held a new and longer meeting that brought together the attendees of the first Estoril meeting and other important experts in the international ocean agenda, who essentially reflected on three themes:

- I. What has changed in the ocean agenda, globally, since 2014: for the better and for the worse?
- II. What are the most important aspects of the “ocean, climate and economy” triangle?
- III. What should be the Foundation’s main focuses and means of action?

“UN Group of Friends of Oceans and Seas”

17 MAY, NEW YORK

The Oceano Azul Foundation was present at the latest meeting of the United Nations Group of Friends of Oceans and Seas, held on 17 May, at the Permanent Mission in Singapore, which issued a warning about the serious environmental and climate imbalance of the ocean, noting the importance of public-private partnerships capable of making a difference in this field.

The UN Group of Friends of Oceans and Seas was founded in 2015 and consists of 40 Member States of the United Nations that are particularly closely involved with ocean agenda, devoting themselves to ensuring its conservation and sustainable use.



United Nations Ocean Conference

5-9 JUNE, NEW YORK

The Oceano Azul Foundation attended the United Nations Ocean Conference, in New York, from 5 to 9 June. This conference, held at the highest level, reflected the growing importance of this subject in the international multilateral agenda. Its main aim was to help create conditions for implementation of the UN’s 14th Sustainable Development Goal, to conserve and sustainably use the ocean.

The Foundation considered the Ocean Conference to have been a landmark for the sustainability of the planet and demonstrated its full commitment to contributing to its success, having funded the participation at the conference of representatives from Small Island Developing States and presented a series of Voluntary Commitments, in order to make the ocean more sustainable. These commitments include actions and initiatives in Marine Protected Areas, particularly in the Azores, and

literacy programmes in line with the Oceano Azul Foundation’s mission, promoting awareness and empowerment for the sustainability of the ocean.

The Foundation also co-organised a side event alongside the Ocean Conference – together with the Global Ocean Forum, the Ocean Policy Research Institute and the Sasakawa Peace Foundation – dedicated to drawing up a joint strategy for the ocean, the climate and the blue economy. The articulation between these key issues is paramount to ensure a healthy and productive ocean in the future.

The involvement of the Foundation at this United Nations summit also included its participation in the preparatory meeting for the event, in February 2017, and the presence of the Foundation’s CEO, Tiago Pitta e Cunha, as key-note speaker at the last meeting of the Group of Friends of Oceans and Seas at the United Nations, attended by 40 Member States.

Throughout the conference, the Oceano Azul Foundation also held numerous bilateral meetings in order to strengthen its already substantial international partner network.



“The New Era of Blue Enlightenment” | Launch of “South Atlantic Flagship Initiative”

12-14 JULY, LISBON

At the invitation of the European Commissioner Carlos Moedas, the Oceano Azul Foundation took part in the conference “A New Era of Blue Enlightenment”, held in Lisbon from 12 to 14 July. The event was attended by high-level government representatives and stakeholders from 25 countries. Its aim was to celebrate the launch of the “South Atlantic Flagship Initiative”, an agreement between the European

Union, Brazil and South Africa to join forces to protect marine ecosystems and promote knowledge of the links between the ocean and climate change, the ocean and food, the ocean and energy systems, as well as the dynamics of the Atlantic Ocean and its circulation systems, from Antarctica to the Arctic. The Statement on Atlantic Ocean Research and Innovation Cooperation was signed by the European Union, Brazil and South Africa in Lisbon, at the Tower of Belém. This Statement emphasises the fundamental role that the ocean plays in developing national and regional economies, achieving sustainable development goals and addressing climate change.

The event was attended by Tiago Pitta e Cunha, CEO of the Oceano Azul Foundation, speaker at the round table on “Engaging Foundations and the Private Sector”, and also the Oceano Azul Foundation directors Emanuel Gonçalves and Andreas Kraemer.

In an age in which the health of the ocean is so fragile, there is every reason for “A New Era of Blue Enlightenment” to discuss issues such as climate, ecosystem sustainability, the monitoring and prediction of land and sea behaviour, food security, the sustainability of fisheries and aquaculture and technologies for the ocean.

“Our Ocean”

5-6 OCTOBER, MALTA

Ministers, representatives of international institutions, non-governmental organisations, scientists and business leaders met in Malta, in the centre of the Mediterranean, to analyse the current state of the ocean and to find specific responses to transform the main challenges into opportunities for ocean sustainability, promoting cooperation, innovation and entrepreneurship. More than 100 countries were present at the 2017 edition of the conference, where hundreds of commitments were made, translated into funding and measures such as the creation of marine protected areas, the fight against climate change, the promotion of more sustainability in fisheries, the fight against marine pollution, and also security and the blue economy.

José Soares dos Santos, Chairman of the Oceano Azul Foundation was one of the speakers at the Our Ocean conference. Organised since 2014 by John Kerry, as US Secretary of State, and this year by the European Commission, this conference brings together world leaders each year with a view to creating

a mechanism for global governance of the ocean and reaching global commitments for its protection.

At the session “Climate-Related Impacts on the Ocean and Announcements”, José Soares dos Santos announced to the European Union and the world three concrete actions that demonstrate the Foundation’s commitment to ocean conservation and to the sustainability of the planet.

The Oceano Azul Foundation undertook to invest 500,000 euros over the next five years in the development of conservation initiatives in the small-scale fishing sector in Portugal, in a partnership with the Environmental Defense Fund.

The Blue Azores programme, in partnership with the Waitt Foundation, aims to develop marine protected areas in the Azores, among other conservation and literacy actions in that archipelago, representing joint investment of more than 1,000,000 euros.

In addition, in partnership with the University of Aveiro, the Oceano Azul Foundation, through Oceanário de Lisboa, will contribute 100,000 euros a year to the marine animal rehabilitation unit at the ECOMARE centre.



“COP23”

13-14 NOVEMBER, BONN, GERMANY

Oceano Azul Foundation attended COP23, the UN Summit on climate change held in Bonn, Germany. The Foundation took part in the European Commission’s Ocean Day and the Ocean Action Day, which it co-organises with the Global Ocean Forum, the Sasakawa Peace Foundation, IOC UNESCO and FAO.

The Oceano Azul Foundation is proud to be one of the main financial backers of this COP21 event, in Paris, and expects that the ocean will become a central theme in future climate change negotiations. The adoption by the international community of the Ocean Pathway presented by Fiji on 16 November was a landmark in this direction.

“World Ocean Assessment” | Experts Debated the State of the Ocean at Oceanário de Lisboa

14-15 SEPTEMBER, LISBON

A workshop was held on 14 and 15 September, at Oceanário de Lisboa, under the United Nations Regular Process dedicated to the North Atlantic, Mediterranean, Baltic and Black Sea region. Organised by the Secretariat of the United Nations, this initiative was supported by the Portuguese Government and the Oceano Azul Foundation partnership. Its aim was to promote debate for the scientific work of drawing up the second “World Ocean Assessment”.

The first assessment, published in January 2016, was based on an assessment of the state of the marine environment carried out by experts from all over the world, over a period of several years. The report includes socio-economic aspects, aiming to increase knowledge of the ocean and help ensure that decisions with an impact on the ocean and its resources are based on sound scientific principles. This workshop, attended by around three dozen Portuguese and international experts, aimed to generate specialist knowledge on the North Atlantic, Mediterranean, Baltic and Black Sea regions, incorporating this into the second “World Ocean Assessment”, to be concluded in 2020.

G20 meeting

7-8 JULY, HAMBURG, GERMANY

The subject of oceans was discussed for the first time at the G20 meeting in Hamburg, in Germany.

The Oceano Azul Foundation, with contributions from R. Andreas Kraemer (coordinator), Tiago Pitta e Cunha and Miguel Heredia, took part in the “Think 20” network – comprising 23 specialists from 13 think tanks in eight countries –, which produced a policy brief that was presented at the Summit.

This policy brief, which also reflected the positioning of the Foundation with regard to the blue economy, sought to demonstrate that the ocean can boost economic growth (the ocean economy could represent between three and five per cent of the global GDP), employment and innovation, with the estimate that it may generate value of around 22 billion euros. It also noted that there are deficiencies and weaknesses in the law and certain policies that create limitations, weakening mechanisms and their development and liable to even make them unsustainable or even illegal. This is this the exhortation that “Think 20” tried to make to G20 leaders, illustrating, on the one hand, the current state of decline of the ocean and, on the other hand, its economic potential. “The ocean economy as it exists today is unsustainable and needs much better governance”, the think tank stated.

The proposals for changes in ocean-related policies include the creation of a mechanism for a global governance framework for the ocean, developed by the G20, and also a call for dialogue and regional cooperation in marine economy strategies, the group believing that this is the way to ensure that investment and growth in the use of the ocean can become sustainable and reach its full potential. The ocean is the most diverse, in biological terms, and productive system on the planet and, potentially, the greatest supplier of food, materials, energy, and other ecosystem services.

Agreements, Networks and Partnerships

The creation of the Oceano Azul Foundation has been supported from the outset by a highly qualified network of individuals and institutions with which the Foundation intends to develop programmes and activities in the fields of ocean education and conservation, as well as ocean governance, scientific research and an environmentally friendly economy of the sea.

At a national level, support and collaboration were obtained from the scientific research system for the sea and universities, as well as other foundations associated with the theme of the sea. These included BlueBio Alliance, CCMAR, CIIMAR, MARE, Cluster Oceano XXI, the Calouste Gulbenkian Foundation,

the Polytechnic Institute of Leiria, Aveiro University, the Catholic University of Portugal, as well as the municipalities of Cascais, Mafra, Nazaré and Peniche. Internationally, more than thirty directors of leading institutions showed their support for the Foundation.

“The Prince Albert II of Monaco Foundation” and “The Oceanographic Institute, Foundation Albert I, Prince of Monaco”

The Oceano Azul Foundation, the Prince Alberto II of Monaco Foundation and the Oceanographic Institute of Monaco agreed, in April 2017, to establish cooperation between the three organisations, in order to promote the fulfilment of common purposes and to increase the complementary nature and synergies of their activities, including the following aspects, among others:

/Support for projects: identify projects in common areas of intervention that can be jointly supported, including studying opportunities to co-support projects on the effects of climate change on the ocean, marine energy management and the protection of endangered marine species.

/Technical, scientific and methodological cooperation: develop technical, scientific and methodological cooperation that in order to bring together or benefit from the specific knowledge and experience of the two entities on matters of selection, monitoring and evaluation of projects.

/Communication and sharing of experiences: cooperate to jointly organise conferences, round tables and symposia on topics related to the main fields of action of these entities and to produce common tools for communication and knowledge development.

Waitt Foundation

The Oceano Azul Foundation established a partnership agreement with the Waitt Foundation that represents a contribution of 150 000 dollars to the Oceano Azul Foundation in 2018, specifically intended for implementation of the “Blue Azores” project.

The partnership established is aimed at contributions and cooperation between the two entities for the project to be implemented in the Azores, including the following activities, among others:

- /Scientific expeditions and media
- /Status report on current knowledge and marine conservation in the Azores
- /Building of a partner network
- /Assessment of the economic value of ecosystem services
- /Awareness campaigns on marine protected areas and sustainable fishing practices
- /International scientific and technical workshops with specialists

EDF – Environmental Defense Fund Europe

The Oceano Azul Foundation has established a joint collaboration agreement with the Environmental Defense Fund Europe (EDF) to boost initiatives aimed at the sustainability of small-scale coastal fishing in Portugal.

Through this collaboration between the two entities, they intend to study and evaluate the potential for implementation of a co-management system in Portugal, including identification of the resource with the most potential and the geographical area for the implementation of a pilot project.

RTP – Rádio e Televisão Portugal

As the mission of the Oceano Azul Foundation is to disseminate education and ocean literacy, as well as to promote the conservation of the marine environment, and RTP aims to develop the “Atlântida-Vozes dos Oceanos” project, under policies related to the educational and didactic components of pre-school, basic and secondary education, the two entities agreed to sign a collaboration agreement for the development of this project.

“Atlântida-Vozes dos Oceanos” is a project that aims to develop a drama series for television and digital support, as well as communication tools aimed at younger audiences, presenting in an educational and

appealing way information on threats to the ocean’s sustainability as well as on climate change (and its negative effects), mobilising target audiences, beyond the fictional plot, to adopt sustainable individual and collective behaviours.

The cooperation between Oceano Azul Foundation and RTP includes filming for the drama series for young people at the Oceanário and on the ship Santa Maria Manuela (mainland Portugal and the Azores), as well as access to scientific knowledge to ensure the credibility of the theme addressed in the series.

X-Ray of Marine Sciences in Portugal

The Oceano Azul Foundation, in partnership with the Francisco Manuel dos Santos Foundation (FFMS), commissioned from Porto University a study of the current state of marine sciences in Portugal.

This study intends to evaluate the impact of Portuguese marine sciences at all levels, placing them in an international context for a more realistic view of the areas in which we are most competitive and the main apparent gaps.

This work will lead to a report on the current situation of the marine sciences in Portugal, including geographical characterisation, current developments and prospects for the future, as well as a general strategic analysis for future development and positioning.

This study, which aims to benefit the blue economy, will be sent to government entities and made available to the general public, with a free website due to be created with all the information.

Financial Analysis for the Year 2017

Financial Analysis for the Year 2017

The Oceano Azul Foundation is a non-profit foundation under Portuguese private law, created by Sociedade Francisco Manuel dos Santos, SGPS (Founder) on 15 December 2016, with registered office at Oceanário de Lisboa.

The Foundation was recognised by Order number 1811/2017 of 10 February 2017 issued by the Bureau of the Assistant Secretary of State and of Administrative Modernisation and commenced its activity on 1 March 2017.

The mission of the Foundation is “To contribute to a healthy and productive ocean, for the benefit of our planet”, seeking to develop blue literacy and to raise society’s awareness of the challenges of ocean sustainability, to defend ocean conservation – promoting the enhancement of marine biodiversity and the development of sustainable use, to contribute to a new governance of the ocean, guided by ethical values and based on scientific knowledge, and to encourage, through empowerment actions, an innovative and environmentally sustainable blue economy.

The Foundation received, as an initial endowment in kind from its Founder, shares in the company Waterventures – Consultoria, Projectos e Investimentos, S.A. This entity was set up by Sociedade Francisco Manuel dos Santos (SFMS) in 2015 to buy the shares of Oceanário de Lisboa, S.A., given that it would not be possible to complete the process of setting up and recognition of the Foundation in good time. During 2017, in order to achieve the initial aim of the Foundation holding the shares in the Oceanário, Sociedade Francisco Manuel dos Santos and the Foundation decided to wind up the company Waterventures and, consequently, the Foundation incorporated the assets (assets and liabilities) of Waterventures, including the Oceanário shares.

The Oceano Azul Foundation Group, the subject of these consolidated financial statements, comprises the Oceano Azul Foundation and is subsidiary Oceanário de Lisboa, S.A.

It is to be noted that the activity of Oceanário de Lisboa, S.A. is conducted in the context of a public service concession contract for the operation and administration of Oceanário de Lisboa which commenced on 9 June 2015 for a period of 30 years.

An analysis of the main financial aspects of the first year of activity of the Group is presented below, including additional information to supplement the headings found in the Consolidated Financial Statements.

As this is the first year of activity of the Foundation, no comparative data are presented.

The following table contains a summary of the economic and financial situation of the Oceano Azul Foundation Group as at 31 December 2017:

Financial Situation	2017
Assets	
Oceanário concession	36.459
Oceanário goodwill	20.522
Cash and Bank Deposits	6.345
Other	5.366
Total assets	68.692
Endowment Funds	
Funds	7.172
Net profit for the year	7.453
Other	-397
Total Endowment Funds	14.228
Liabilities	
Contractual obligation to pay rent for the Oceanário concession (30 years)	29.807
Financing Obtained	20.537
Other	4.121
Total Liabilities	54.465

thousand euros

Assets include the right to the Oceanário de Lisboa concession – the amount recorded under this item refers to the current value of the purchase price that the Foundation undertook to pay to the Portuguese State, following the signing of the concession agreement (36,5 million euros).

The Endowment Funds of the Oceano Azul Foundation, amounting to a total of 14.2 million euros, include 7.5 million euros from the net profit for the period of 2017 and 7.2 million euros corresponding to endowments from the Founder Sociedade Francisco Manuel dos Santos: €6.9 million of initial endowment in kind concerning the transfer of the Waterventures shareholding and €0.25 million from the endowment in cash.

The Liabilities of the Group include the financial liability associated with the contractual obligation to pay a fixed rent during the 30 years of the concession agreement.

The total amount of Financing Obtained includes the following bank loans:

	Loan Date	Initial value	Repayments already made	Amount outstanding as at 31/12/2017
Oceanário de Lisboa	28-09-2015	10.000	1.709	8.291
Fundação Oceano Azul	28-09-2015	15.000	2.754	12.246
Total		25.000	4.463	20.537

thousand euros

The Group Oceano Azul Foundation obtained two bank loans from SantanderTotta on 28 September 2015:

1. a bank loan for an initial amount of €15,000,000, with a term of 10 years. This loan was originally entered into by Waterventures with the aim of acquiring the shares of Oceanário de Lisboa, S.A. With the winding-up of Waterventures and the incorporation of its assets and liabilities into the Oceano Azul Foundation, the latter assumed the obligation in respect of this funding.
2. a loan for an initial amount of €10,000,000, with a term of 12 years, necessary to pay the down payment, financial contribution provided for in the concession agreement entered into with the Portuguese State

The following table presents a summary of the economic performance for the year:

Results	2017
Operating Income	24.795
Operating Expenses	-14.806
EBIT	9.990
Profit before taxes	8.296
Net Profit	7.453

thousand euros

The net profit for the period reached 7.453 million euros, of which 5.499 million euros derive from the net operating income generated by Oceanário de Lisboa.

Of the total operating income, 68% corresponds to income generated by the activity of Oceanário de Lisboa.

Operating Income	2017
Revenue generated by Oceanário de Lisboa	16.864
Tickets	14.903
Shop Sales	1.140
Other provisions of services	822
Donations	7.624
Gains from stake in Telecabine	256
Other Income and Gains	51
Total Operating Income	24.795

thousand euros

Income also includes the following donations received:

Donations	2017
Endowments from the Founder (SFMS)	7.500
Waitt Foundation Donation	124
Total Donations	7.624

thousand euros

The Foundation, under the terms of the Fund Contribution agreement entered into with the Founder, has the right to receive, for 10 years, the amount of 3 million euros per year, this amount being recorded as operating income. The difference between this amount and 7.5 million euros recorded in 2017 concerns non-interest-bearing loans, in the form of shareholder loans, granted in previous years to Waterventures by Sociedade Francisco Manuel dos Santos, SGPS, SE, which waived its right to the recovery of this amount after the establishment of the Oceano Azul Foundation.

The following presents the details of the information on the main components of expenses associated with the programmes and activities developed by the Foundation and by Oceanário de Lisboa over the course of 2017.

Operating Expenses	2017
Blue Generation	709
Oceanário Educational Activities	368
Paid Programmes	230
Vaivém Oceanário	71
Marine Plasticology	67
School Sea Sports	34
Ocean Leaders	36
Communication and Public Awareness	271
Campaign "If it doesn't go in the bin it goes in the sea"	208
TV Program "Sea - The Last Frontier"	63
Blue Natural Capital	327
Algarve MPA	20
Campaign "Save the seahorses in Ria Formosa"	4
Campaign "Mariscar sem lixo" of Ocean Alive	25
Pilot Project for sustainable fisheries with EDF	70
Rehabilitation Centre ECOMARE	100
Ocean Conservation Fund	50
Support for conservation projects by Oceanário	48
"Ocean Witness" Campaign of WWF	5
Support campaigns for cleaning and awareness of plastic litter ("Brigada do Mar")	5
Blue Network	90
Support Ocean Meetings - United Nation Trust Fund	30
Support Ocean Meetings - International Coastal and Ocean Organization	50
Support Ocean Meetings - SOA - Sustainable Oceans Alliance	10
Sub-total	1.126
Operating Costs	
Oceanário de Lisboa	7.035
Oceano Azul Foundation	326
Personnel costs	2.883
Depreciation and amortisation expenses - Oceanário	2.182
Other	1.254
Total Operating Expenses	14.806

thousand euros

Some of the indicators of the economic and financial situation are summarised as follows:

Financial Structure	2017
Equity to Assets Ratio (Endowment Funds/Assets)	21%
Equity to Debt Ratio (Endowment Funds/Liabilities)	26%
Non-current asset coverage (Endowment Funds + Non-current liabilities)/Non-current assets	100%
Debt	
Borrowing Capacity (Endowment Funds/Endowment Funds + Non-current liabilities)	0,23
Cost of Borrowing (Interest paid/Borrowings)	3%
Interest Effect (Profit Before Tax/Operating Results)	83%
Liquidity	
Current ratio (Current assets/Current liabilities)	101%
Profitability	
Economic Profitability (Operating Results/Assets)	15%
Return on Equity (Net Profit/Endowment Funds)	52%

In this first year of existence, the Foundation reported costs with the development of its three key programmes totalling 1.126 million euros.

Proposal for the Allocation of Profits

The Board of Directors proposes that the net income of the Oceano Azul Foundation individual accounts in 2017, amounting to € 7,453,371.37, be transferred to Retained Earnings.

Prospects for 2018

Prospects for 2018

2018 will be the year in which the Foundation stabilises its human resources structure and starts the implementation of its Action Plan, intended to create a blue generation and to promote, protect and value our blue natural capital. The Foundation will move on from the initial, preparatory stage developed throughout 2017 to a new stage of specific development of its activities and implementation of its programmes and actions. The activity of the Foundation will thus focus on implementation of the Action Plan for 2018, as well as the measurement of its main performance indicators.

As it is a recently founded organisation, the main objectives of the Oceano Azul Foundation for 2018, in terms of its organisation structure, will be to:

/ Stabilise the structure, budget and procedures of the Foundation, including the definition of its models for change and project assessment procedures for the Foundation;

/ Consolidate its full integration with Oceanário de Lisboa, contributing to its expansion and growth and strengthening its reputation and infrastructure;

/ Develop the Foundation brand, at national and international levels;

/ Develop a fund-raising model that will allow the Foundation to further maximise its profits.

The key projects of the Oceano Azul Foundation for 2018 will be to:

/ Start to build a new blue generation, supporting and promoting blue literacy with children in municipalities in the Lisbon area, which have supported the Oceano Azul Foundation project from the start;

/ Participate in the development of new marine protected areas and in the protection of marine species in the Azores, the Selvagens Islands and the Algarve;

/ Launch a pilot project for a model of co-management of artisanal fisheries, developed by the EDF;

/ Support the ECOMARE Programme, led by the University of Aveiro, geared to the recovery of marine species;

/ Implement measures with a view to the development of a blue bioeconomy sector that is vibrant in Portugal, coordinating with the organisation of the BlueBio Alliance activities aimed at supporting small and medium-sized enterprises and the enterprises being set up, in acceleration programmes and intellectual property rights;

/ Structure a network of organisations focused on promoting the Foundation's models for change, in other words, the development of the concept of "blue natural capital" as a core concept of integration for the action of the Foundation.

The Board of Directors


José Soares dos Santos


Tiago Pitta e Cunha


Emanuel Gonçalves


R. Andreas Kraemer


João Falcato Pereira

Consolidated Financial Statements and Notes

Consolidated Financial Statements and Notes

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Consolidated statement of Financial Position

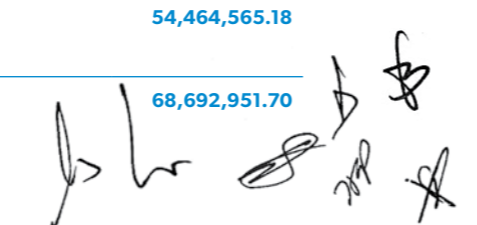
	Note	31.12.2017
Assets		
Non-current		
Property, plant and equipment	8	3,706,290.52
Intangible assets	9	36,524,002.65
Investments in associates	10	893,378.65
Goodwill	11	20,521,769.42
Other accounts receivable	14	28,889.33
		61,674,330.57
Current		
Inventories	16	185,428.74
Financial assets at fair value through profit or loss	17	3,188.86
Trade receivables	18	250,468.23
Other accounts receivable	14	178,739.01
Income tax receivable	19	55,645.91
Cash and cash equivalents	20	6,345,150.38
		7,018,621.13
Total Assets		68,692,951.70
Endowment Funds		
Funds	21	7,171,829.00
Other reserves	22	585,598.85
Other changes in endowment funds	23	(260,503.01)
Retained earnings		(721,909.37)
Net profit for the period		7,453,371.37
Total Capital Fund		14,228,386.52
Liabilities		
Non-current		
Borrowings	24	18,290,190.09
Derivatives	25	260,503.01
Other accounts payable	26	28,993,216.07
		47,543,909.17
Current		
Borrowings	24	2,246,879.49
Trade payables	27	978,999.82
Income tax payable	19	1,631.18
Other accounts payable	26	3,693,145.52
		6,920,656.01
Total Liabilities		54,464,565.18
Total Endowment Funds and Liabilities		68,692,951.70

The notes on pages 114 to 165 form an integral part of these financial statements.

Consolidated statement of profit and loss and other comprehensive income


	Note	2017
Goods sold and services rendered	28	16,864,070.25
Donations and legacies	29	7,624,436.44
Gains/losses of subsidiaries, associates and joint ventures	10	256,312.54
Cost of goods sold and materials consumed	30	(367,377.04)
External supplies and services	31	(8,254,716.01)
Personnel costs	32	(2,883,119.91)
Depreciation and amortisation expenses/reversals	8 and 9	(2,183,250.24)
Impairment of non-depreciable/amortisable investments (losses/reversals)	11	(748,514.38)
Other income	33	50,664.31
Other expenses	34	(368,934.77)
Operating profit		9,989,571.19
Financial expenses	35	(1,693,726.77)
Pre-tax profit		8,295,844.42
Income tax	36	(842,473.05)
Net profit for the period		7,453,371.37

The notes on pages 114 to 165 form an integral part of these financial statements.

Consolidated statement of changes in endowment Funds

	Note	Funds	Other reserves	Retained earnings	Other changes in endowment funds	Net profit for the period	Total
As at 1 March 2017		-	-	-	-	-	-
Net profit for the period						7,453,371.37	7,453,371.37
Funds received Founders	21	7,171,829.00	-	-	-	-	7,171,829.00
Adjustments of results from prior periods	22	-	-	(721,909.37)	-	-	(721,909.37)
Incorporation and winding-up of Waterventures	22 and 23	-	585,598.85	-	(362,928.68)	-	222,669.85
Changes in fair value of derivatives	23	-	-	-	102,425.99	-	102,425.99
As at 31 December 2017		7,171,829.00	585,598.85	(721,909.37)	(260,503.01)	7,453,371.37	14,228,386.52



The notes on pages 114 to 165 form an integral part of these financial statements.

Consolidated cash flows statements

	Note	31.12.2017
Cash flows from operating activities		
Cash receipts from customers and users		20,860,604.51
Cash payments to suppliers		(11,139,771.76)
Cash payments to personnel		(1,345,917.52)
Cash generated from operations		8,374,915.23
Income taxes paid/received		(764,275.26)
Other receipts/payments		(3,863,940.73)
Net cash from operating activities		3,746,699.24
Cash flows from investing activities		
Payments relating to		
Property, plant and equipment		(1,368,703.10)
Intangible assets		(17,035.48)
Other assets		(1,953.30)
Receipts relating to		
Property, plant and equipment		14,000.00
Dividends		224,820.64
Net cash used in investing activities		(1,148,871.24)
Cash flows from financing activities		
Receipts relating to		
Donations		3,000,000.00
Payments relating to		
Borrowings		(1,529,733.34)
Interest and similar expenses		(448,258.81)
Net cash used in investing activities		1,022,007.85
Changes in cash and equivalents		3,619,835.85
Cash and cash equivalents at the beginning of the period		2,725,314.53
Cash and cash equivalents at the end of the period	20	6,345,150.38

The notes on pages 114 to 165 form an integral part of these financial statements.



Notes to the consolidated financial statements

1. Introduction

The Oceano Azul Foundation (also referred to in this document as “Foundation” or “Entity”), is non-profit private entity, created by Sociedade Francisco Manuel dos Santos, SGPS, SE (Founder) on 15 December 2016, having its registered office at Oceanário de Lisboa, located at Esplanada D. Carlos I – Doca dos Olivais, parish of Parque das Nações, in Lisbon.

The Foundation was recognised through Order number 1811/2017 of 10 February 2017 issued by the Bureau of the Assistant Secretary of State and of Administrative Modernisation and commenced its activity on 1 March 2017. The Foundation aims to contribute to the conservation and sustainable use of the ocean, seeking, in particular: (a) To develop blue literacy and to raise society’s awareness of the challenges of ocean sustainability; (b) to defend ocean conservation, promoting the enhancement of marine biodiversity and the development of sustainable use; (c) To contribute to new governance of the ocean, guided by ethical values and based on scientific knowledge, as well as to encourage, through empowerment actions, an innovative and environmentally sustainable blue economy.

The Foundation received, as an initial endowment in kind from its Founder, shares in the entity Waterventures – Consultoria, Projectos e Investimentos, S.A. (hereinafter referred to as “Waterventures”). This entity was set up by Sociedade Francisco Manuel dos Santos (SFMS) to buy the shares of Oceanário de Lisboa, S.A. (hereinafter “Oceanário”), given that it would not be possible to complete the process of setting up and recognition of the Foundation, in good time. During 2017, in order to achieve the initial aim of the Foundation holding the shares in the Oceanário, Sociedade Francisco Manuel dos Santos (SFMS) and the Foundation decided to wind up the company Waterventures and, consequently, the Foundation incorporated the assets (assets and liabilities) of Waterventures, including the Oceanário shares.

The Group, in the consolidated financial statements now submitted, comprises the Oceano Azul Foundation and its subsidiaries and associated companies (Note 4).

The Group is engaged in the promotion of knowledge, conservation and sustainable use of the ocean as well as in the creation, maintenance and operation of a complex of oceanic aquariums.

It is to be noted that the activity of the Oceanário subsidiary is conducted in the context of a public service concession contract for the operation and administration of “Oceanário de Lisboa” (see conditions in Note 3.4) which commenced on 9 June 2015 for a period of 30 years.

These financial statements were approved by the Board of Directors, at the meeting on 12th March 2018. The Board of Directors believes that these financial statements give a true and fair view of the Group’s affairs, as well as its financial position and performance and cash flows.

The financial statements of the Group and these notes are presented in euros.

2. Accounting standards used in the preparation of the financial statements

2.1 Basis of preparation

These consolidated financial statements have been drawn up by the Group in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”), issued and in effect or issued and adopted in advance as of 1 January 2017.

The accompanying consolidated financial statements were prepared on the going-concern basis, from the ledgers and accounting records of the Group, the Group having followed the historical cost convention, modified where applicable by measuring financial assets at fair value through profit or loss.

The preparation of the consolidated financial statements in compliance with IFRS requires the use of estimates, assumptions and critical judgements in the process of determining the accounting policies to be adopted by the Group, with a significant impact on the book value of the assets and liabilities, as well as on the income and expenses of the reporting period.

Although these estimates are based on the experience of the Board of Directors and on their best expectations in relation to current and future events and actions, the current and future results may differ from these estimates. The areas that involve a greater degree of judgement or complexity, or areas in which assumptions and estimates are significant are presented in Note 7.

Standards (new and amendments) published that are mandatory for annual periods beginning on or after 1 January 2018, already endorsed by the European Union:

a. IFRS 9 (new), ‘Financial instruments’ (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) recognition of the impairment of receivables (using the expected loss model); and (iii) requirements for the recognition and classification of hedge accounting.

The Group is still calculating the possible impacts of this standard. However, no significant perspective expected.

b. IFRS 15 (new), ‘Revenue from contracts with clients’ (effective for annual periods beginning on or after January 1, 2018). This new standard applies only to contracts for the provision of goods or services and requires an entity to recognise revenue when the contractual obligation to transfer goods or provide services is met and for an amount that reflects the consideration to which an entity expects to be entitled, as provided for in the “five-step model framework”. The Group is still calculating the possible impacts of this standard. However, no significant perspective expected.

c. IFRS 16 (new), ‘Leases’ (effective for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17, with a significant impact on accounting by lessees who are now obliged to recognise a lease liability reflecting future lease payments and a “right of use” asset for all leasing contracts, except certain short-term leases and low value assets. The definition of a lease contract was also changed, being based on the “right to control the use of an identified asset”. The Group is still calculating the possible impacts of this standard. However, no significant perspective expected.

d. IFRS 4 (amendment), ‘Insurance contracts (applying IFRS 9 with IFRS 4)’ (effective for annual periods beginning on or after 1 January 2018). This amendment entitles entities that issue insurance contracts to reclassify in Other comprehensive income, instead of profit and loss, the volatility that can result from applying IFRS 9 before the new standard for insurance contracts is published. In addition, there is a temporary exemption from applying IFRS 9 until 2021 for entities whose predominant activity is issuing insurance contracts. This exemption is optional and does not apply to the consolidated financial statements that include an insurance entity.

No impact is expected regarding this standard.

e. Amendments to IFRS 15, ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after January 1, 2018). These amendments refer to additional indications to be followed to determine the obligations for contract performance, the time of recognising the revenue from an intellectual property licence, the review of indicators for classifying principal versus agent, and the new regimes envisaged for simplifying the transition. The Group is still calculating the possible impacts of this standard. However, no significant impact is expected.

Standards and interpretations (new and amendments) published that are mandatory for annual periods beginning on or after 1 January 2017, which the European Union has not yet endorsed:

Standards

a. IFRS 1 ‘First-time adoption of IFRS’ (effective for annual periods beginning on or after 1 January 2018). This cycle of improvements is still subject to endorsement by the European Union. This improvement eliminates the temporary exemptions for IFRS 7, IFRS 10 and IAS 19, since they are no longer applicable.

As first financial statements were already prepared in accordance with IFRS for which reason the amendments to IFRS 1 will not have an impact when it is adopted by the European Union.

IFRS 12, ‘Disclosure of interests in other entities’ (effective for annual periods beginning on or after January 1, 2017). This cycle of improvements is still subject to endorsement by the European Union. This improvement is to clarify that its scope includes investments classified under IFRS 5 and that the only exemption concerns disclosure of summarised financial information for these entities.

IAS 28, ‘Investments in associates and joint ventures’ (effective for annual periods beginning on or after 1 January 2018). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that investments in associates or joint ventures held by a venture capital company can be individually measured at fair value in accordance with IFRS 9. This improvement also clarifies that an entity that is not an investment entity but has investments in associates and joint ventures that are investment entities can maintain fair value measurement of the investment of the associate or joint venture in their own subsidiaries.

b. IAS 40 (amendment), ‘Transfers of investment property’ (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies that assets can only be transferred to and from investment property when there is an evident change in use. A mere change in management’s intentions is not sufficient for the transfer. The Group is still calculating the possible impacts of this standard. However, no significant perspective expected.

b. IFRS 2 (amendment), ‘Classification and measurement of share-based payment transactions’ (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. In addition, it also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. No impact is expected regarding this standard.

c. IFRS 9 (amendment), ‘Prepayment Features with Negative Compensation’ (effective for annual periods beginning on or after January 1, 2019). This amendment is still subject to endorsement by the European Union. This amendment introduces the possibility of some prepayable financial assets with negative compensation being classified at amortised cost, provided specific conditions are complied with, instead of being classified at fair value through profit or loss. The Group is still calculating the possible impacts of this standard. However, no significant perspective expected.

d. IAS 28 (amendment), ‘Long-term interests in associates and joint ventures’ (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment clarifies that long-term interests in associates and joint ventures (parts of an entity’s investment in an associate or joint venture) that are not measured using the equity method are recorded according to IFRS 9 and are subject to an impairment model based on expected losses, before testing the investment as a whole for impairment. The Group has a holding that is measured using the equity method, for which reason this amendment does not have an impact on the Group.

e. IAS 23, ‘Borrowing costs’ (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that where funds borrowed specifically are still remains pending, after the qualifying assets concerned are available for use or sale, they must be added to general loans to calculate the average interest rate of capitalisation in other qualifiable assets.

IAS 12, ‘Income taxes’ (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that the tax impacts of dividends are recognised on the date on which the entity registers responsibility for the payment of dividends, which are recognised in profit and loss for the year, in other comprehensive income or in capital, depending on the transaction or event that gave rise to the dividends.

IFRS 3, ‘Business combinations’ and IFRS 11, ‘Joint arrangements’ (to be applied in reporting periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. These improvements clarify that: i) when obtaining control over a business that is a joint operation, previously held interests in that interest are remeasured at fair value; and ii) when an investor in a joint operation that does not exercise joint control, then obtains joint control in a joint operation that is a business, the previously held interest is not remeasured.

f. IFRS 17 (new), ‘Insurance contracts’ (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary

participation features. IFRS 17 is based on current measurement of technical liabilities, on each reporting date. Current measurement can be based on a complete model (“building block approach”) or a simplified model (“premium allocation approach”). Recognition of the technical margin is different depending on whether this is positive or negative. IFRS 17 is applied retrospectively. No impact is expected regarding this standard.

Interpretations

a. IFRIC 22 (new), ‘Foreign currency transactions and advance consideration’ (to be applied to years beginning on or after 1 January 2018). This interpretation is still subject to being endorsed by the European Union. This is an interpretation of IAS 21 (The effects of changes in exchange rates’ and refers to determining the “transaction date” when an entity pays or receives an advance consideration for contracts denominated in foreign currency. The “transaction date” determines the exchange rate to be used for converting transactions in foreign currency. This interpretation may have an impact on the Group with regard to advances to suppliers, but no material impacts are expected on the financial statements of the Group.

b. IFRIC 23 (new), ‘Uncertainty over income tax treatments’ (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to being endorsed by the European Union. This is an interpretation at IAS 12 – ‘Income taxes’, referring to the measurement and recognition requirements to be applied when there are uncertainties as to the acceptance by a specific tax treatment by tax authorities concerning Income tax. When there is uncertainty over the position of Tax authorities towards a specific transaction, the entity must make its best estimate and record income tax assets and liabilities in the light of IAS 12, and not IAS 37 – “Provisions, contingent liabilities and contingent assets”, based on the expected or most probable value. The application of IFRIC 23 can be retrospective or retrospective with modifications. This standard is not expected to have an impact on the entity since the Group has a prudent attitude to tax situations with uncertainty.

3. Significant accounting policies

The main accounting policies applied in the preparation of the consolidated financial statements are those described below. Due to the fact that the Foundation commenced operations on 1 March 2017, the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of endowment Funds, the statement of cash flows and these consolidated notes do not present comparative data for the preceding period.

3.1 Consolidation basis

The consolidated financial statements now submitted reflect the assets, liabilities and results of the Foundation and its subsidiary and the equity and profit and loss attributable through the holding in its associated company on 31 December 2017.

3.1.1 Business Combinations

The changes in the Group’s holdings in already controlled companies, where not resulting in loss of control, are recorded in equity

Consequently, the Group’s interests and uncontrolled interests concerning those companies are adjusted in order to reflect changes occurring in the control of subsidiaries

Any differences between the amounts of uncontrolled interests acquired or disposed of and the fair of the acquisition or disposal, respectively, are recorded in equity.

3.1.2 Holdings in subsidiaries

Financial holdings in subsidiaries over which the group exercises control are consolidated using the full consolidation method. The method is applied from the date on which the group gains control over the financial and operational activities of the subsidiary and until the time that it relinquishes such control. The Group controls an entity when it is exposed to, or has rights over, variable returns from its involvement with the entity and has the capacity to affect these returns, by exercising authority over the entity.

The Group applies the purchase in the accounting of its business acquisitions. The amount transferred in the acquisition of the alternative is the fair value of the assets handed over, liabilities assumed with the previous owners and the equity issued by the Group. The amount transferred includes the fair value of any assets and liabilities resulting from any contingent agreements. The identifiable assets and liabilities acquired and the contingent liabilities assumed in a business acquisition are measured initially at fair value on the acquisition date. The costs directly attributable to the acquisition are recognised in the income statement when incurred.

In cases in which it does not hold 100% of the capital of subsidiaries, a non-controlling interest is recognised in respect of the portion of the profit and loss and net value of assets attributed to third parties.

When the Group loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognised and any non-controlling interests and other components of the equity. Any resulting gain or loss is recognised in profit and loss. Any interest withheld in the entity is measured at fair value when the control is lost.

3.1.3 Shares in associates

Associates are all entities over which the Group holds significant influence. The Group holds significant influence when it has the power to take part in the financial and operational decisions policy of the investee, without, however, exercising control or joint control of that policy.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities acquired, goodwill, is recognised as part of the financial investment in associates. If the acquisition cost is less than the fair value of the assets and liabilities of these entities acquired, the difference is recognised as a gain directly in the statement of profit and loss and other comprehensive income.

In the consolidated financial statements, investments in associates are measured at the value resulting from the application of the equity method. Investments in these entities are initially measured at cost in the consolidated financial statements, their carrying amount being subsequently increased or decreased, through recognition of the Group’s share in the total profit or loss recorded in the comprehensive income statement, from the date on which the significant influence starts, until the date on which it effectively ceases.

Dividends awarded by associates are reduced to the value of the investments, in the statement of financial position.

When the share of losses in these entities exceeds the investment value in the Associates, the Group recognises additional losses if it has incurred obligations, or if it has made payments for the benefit of these entities.

3.1.4 Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets and liabilities attributable to the Group at the date of acquisition or first consolidation. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly result for the period and other comprehensive income.

Goodwill is registered as an asset and is not subject to depreciation, being presented separately in the consolidated statement of financial position. Annually, or whenever there is evidence of loss in value, the amounts of goodwill are subject to impairment testing. The recognised value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment loss is reported immediately as a cost in the consolidated statement of income and other comprehensive income for the period and is not subject to subsequent reversal (Note 11).

In the disposal of a subsidiary, the corresponding goodwill is included in the determination of the gain or loss, except when the business with which that Goodwill is associated continues to generate benefits for the Group.

3.1.5 Loss of control or significant influence

When the Group ceases to have significant control or influence, any residual interest in equity is remeasured to its market value, with any changes to be recognised in the income statement. Fair value is the initial book value for purposes of subsequent accounting treatment of that investment as a financial asset.

3.1.6 Elimination of Balances

Balances and transactions between companies controlled by the Foundation, including any unrealised gains or losses arising from intra-group operations, are eliminated in the consolidation process, except in cases where unrealised losses indicate the existence of impairment that should be recognised in the consolidated accounts.

Unrealised gains resulting from transactions with associates are eliminated in proportion to the Group’s interest therein. Unrealised losses are also eliminated, but only in situations where they do not indicate impairment.

3.2 Currency conversion

I. Functional and reporting currency

The items included in the financial statements are measured using the currency of the economic environment in which the Group operates (reporting currency), the euro. The financial statements of the Group and their notes are presented in euros, unless otherwise specifically indicated, Group’s functional currency.

II. Transactions and balances

Transactions in currencies other than the euro are converted into the reporting currency using the exchange rates on the transaction date. Exchange gains or losses resulting from payments/receipts from transactions and from exchange rate conversions on the reporting date of monetary assets and liabilities denominated in foreign currency, are recorded in the statement of profit and loss and other comprehensive income under financing costs, if related to loans, or other operating expenses, for all other balances/transactions.

III. Rates used

The foreign currency rates used for conversion of balances denominated in foreign currencies were as follows:

Foreign Currency Rates	Average Rate	End of Period Rate
Currency	31.12.2017	31.12.2017
USD	1.1297	1.1993
GBP	0.8767	0.8872
JPY	126.7100	135.0100

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The acquisition cost includes the purchase price of the asset, costs directly attributable to the acquisition and charges incurred in preparing the asset for use. Financial costs incurred with borrowings for the construction of property, plant and equipment are recognised as part of the construction cost of the asset.

Subsequent costs incurred with refurbishments and major repairs, reflected in an increase in the useful life or capacity to generate economic benefits of the assets are recognised in the cost of the asset.

Repairs and maintenance are recognised as an expense in the period in which they are incurred.

Expenses incurred with the dismantling or removal of assets installed on third-party properties are considered part of the initial cost of the assets in question, when they are significant amounts.

The estimated useful lives for the most significant property, plant and equipment are as follows:

	Years
Buildings and other constructions	2.5 to 50 years
Plant and machinery	2.5 to 10 years
Transport equipment	4 to 5 years
Office furniture and fittings	3 to 8 years
Other property, plant and equipment	3 to 10 years

Given that at the end of the concession the Group is entitled to compensation for the” book value, net of subsidies, of any assets (...) created, constructed, acquired or installed in the performance of the agreement”, the useful lives attributed by the Board of Directors are conditional on the 30-year term of the concession agreement.

Whenever there is evidence of loss of value of property, plant and equipment, impairment tests are carried out, in order to estimate the recoverable value of the asset and, when necessary, record an impairment loss. The recoverable value is determined as the highest of the fair value less costs of disposal and the value in use of the

asset, the latter being calculated based on the current value of future estimated cash flows, arising from continued use and from sale of the asset at the end of its defined useful life.

Gains or losses from the sale of assets are determined by the difference between the realisable value and the book value of the asset, being recognised in the statement of profit and loss and other comprehensive income.

3.4 Intangible assets

Intangible assets are only recognised when: i) they are identifiable; ii) it is probable that they will yield future economic benefits; and iii) their cost can be reliably measured.

When acquired separately, intangible assets are recorded at cost, which includes: i) the acquisition price, including costs with intellectual rights and charges after the deduction of any discounts; and ii) any cost directly attributable to the preparation of the asset for its intended use.

After the initial calculation, the Group measures its intangible assets using the cost model.

The assets generated internally, namely internal development expenses, are registered as costs when they incurred, whenever it is not possible to distinguish the research stage from the development stage, or it is not possible to reliably determine the costs incurred in each stage or the probability economic benefits flowing to the Group.

Expenditure with studies and appraisals carried out in the course of operating activities are recorded in profit and loss for the period in which they were incurred.

The Group has recorded as intangible assets:

I. Computer software – refers to the amounts spent on the acquisition of rights over computer applications and the costs of any parameterisation incurred, to support the Foundation’s activities. Upgrades to software or the introduction of new features are also capitalised as intangible assets.

Licences and maintenance contracts are recorded as expenses in the statement of profit and loss and other comprehensive income, pro rata for the period to which they refer.

II. Concession rights – concerning the cost of acquiring the right to operate Oceanário de Lisboa, under the concession agreement entered into with the Portuguese State.

The main contractual conditions of the concession agreement are as follows:

/ The public service concession agreement shall be effective for 30 years and defines that the concession establishment comprises movable assets, property, intangible and “biological assets”;

/ The concession holder is required to carry out “all the repair and maintenance work arising from the normal use of the properties allocated under the Concession, ensuring that these properties remain in a good operating condition”;

/ All investments to replace assets assigned to the concession that are necessary or convenient according to

the useful life of such assets, good practices and compliance with the performance, quality and safety standards required under the concession agreement;

/ The concession revenues are those revenues from ticket sales, from commercial activities related to the activity of the Oceanário and shares in fees and capital interest and in financial investments;

/ Ticket prices “are freely set by the Concession holder, without prejudice to the public service obligations and the execution of the social responsibility policy”;

/ For the concession, the concession holder undertakes to pay a financial contribution, in accordance with Clause 26, consisting of: i) “an initial payment component, in the amount of 10 million”; ii) an annual component comprising a fixed part of 1.3 million euros, updated according to the Consumer Price Index (“CPI”) and payable in 12 equal instalments; and iii) a “variable component of 5% of the proceeds of the Concession”.

The Group determines the useful life and depreciation method for intangible assets based on the estimate of consumption of economic benefits associated with the asset, having defined to date the following useful lives:

	Years
Computer software	3 years
Concession rights	30 years
Other Intangible assets	3 to 30 years

3.5 Impairment of non-financial assets

Non-financial assets, such as property, plant and equipment and intangible assets with a defined useful life are subject to impairment tests, when and only when certain events or circumstances occur that indicate that the carrying amount of the assets may not be recoverable.

When the recoverable value is below the carrying amount of the asset, the corresponding impairment is recorded.

An impairment loss is recognised as the excess of the carrying amount of the asset over its recoverable value, the recoverable value being the higher of an asset’s fair value less costs to sell and its value in use. To determine the existence of impairment, assets are allocated to the lowest level for which there are separately identifiable cash flows (cash generating units).

The calculation of fair value less costs to sell can be based on: i) the agreed selling price in a transaction between unrelated third parties, less costs to sell; ii) the market price if the asset is traded in an active market; or iii) the fair value calculated as an estimate of the future cash flows that a market participant would expect to derive from the asset.

In the calculation of the value in use, the methodology of discounted cash flows is used, including the following elements:

- a. an estimate of future cash flows that the Group expects to derive from the asset;
- b. expectations of fluctuations in the amounts and timing of these cash flows;

c. the time value of the money, measured using the pre-tax discount rate, based on WACC; and

d. other factors that must be considered in this analysis, such as the lack of liquidity that market participants may reflect in future cash flows that the Group expects to derive from the asset.

An impairment test was applied to the participation in Oceanário on 30 June 2016, in which a WACC rate of 7.66% was used. The study was based on the forecasts of the 5-year Plan of Activities and Budget and the estimated cash flows after the first 5 years show an expected growth of 1% up to 2024 and 2% from 2025.

It is considered that there are no significant changes in the assumptions used in this analysis.

Non-financial assets, other than goodwill, for which impairment losses have been recorded, are valued on each reporting date, for possible reversal of impairment losses. Impairment losses recognised for goodwill cannot be reversed.

When an impairment loss or its reversal are recorded, the depreciation (amortisation) of the assets in question is recalculated prospectively according to the adjusted recoverable amount of the recorded impairment.

3.6 Inventories

Inventories include goods for sale in the Oceanário store and are initially measured at the purchase price plus expenses directly related to their acquisition.

The inventory values should be reduced to their net realisable value through the recognition of impairment losses whenever the difference between the net realisable value and the cost is negative. Impairment in inventories should be reviewed at each reporting date.

The cost is determined using the weighted average cost method and is recognised when the inventory is consumed, against “Cost of goods sold and materials consumed”. Inventory is also derecognised when it is considered obsolete by the Group. In this case, its book value is derecognised against “Other expenses”.

3.7 Financial assets

The Board of Directors determines the classification of financial assets, on the initial recognition date, according to the purpose of their acquisition.

Financial assets can be classified as:

I. Financial assets at fair value through profit or loss - these include non-derivative financial assets held for trade concerning short-term investments and fair-value assets through profit or loss at the date of initial recognition;

II. Loans made and accounts receivable – these include non-derivative financial assets with fixed or determinable payments not quoted in an active market;

III. Held-to-maturity investments – these include non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group has the intent and ability to hold until maturity

IV. Available-for-sale financial assets – these include the non-derivative financial assets designated as available for sale at the time of their initial recognition, or not covered in the categories referred to above. These are recognised as non-current assets unless management intends to dispose of the financial assets within 12 months of the reporting date.

Purchases and sales of investments in financial assets are recorded on the transaction date, in other words, on the date on which the Group undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are recorded initially at fair value, with the transaction costs recognised in profit or loss. These assets are subsequently measured at fair value and gains and losses resulting from changes in fair value are recognised in profit or loss for the period in which they occur under net financial costs, which also includes the amounts of interest income and dividends obtained.

Financial assets available for sale are initially recorded at fair value plus transaction costs. In subsequent periods, they are measured at fair value, with the change in fair value recognised in the fair value reserve in equity. Dividends and interest on available-for-sale financial assets are recognised in profit or loss for the period in which they occur, under other operating gains, when the right to receive is established.

Loans made and accounts receivable are classified in the statement of financial position as “Trade receivables” (Note 18) and “Other accounts receivable” (Note 14) and are recognised initially at fair value and subsequently at amortised cost, using the effective interest rate method, excluding any impairment loss. Adjustments to trade receivables through impairment occurs when there is objective evidence that the Group will not receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it.

On each reporting date, the Group assesses the impairment of these assets. Where there is objective evidence of impairment, the Group recognises an impairment loss in the statement of profit and loss and other comprehensive income.

Objective evidence that a financial asset or group of assets might be impaired took into account observable data that suggest the following loss events:

/ Significant financial difficulty of the debtor;

/ Breach of contract, such as non-payment or default in payment of interest or repayment of the debt;

/ The Group, for economic or legal reasons related to the financial difficulty of the debtor, offers the debtor discounts that would otherwise not be considered;

/ It becomes probable that the debtor will enter bankruptcy or other form of financial reorganisation;

/ Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition.

Significant financial assets are assessed individually for impairment.

With regard to investments in equity instruments, classified as available-for-sale financial assets, a significant or prolonged fall in their fair value below their cost is considered an indicator that the assets are impaired.

If there is evidence of impairment of available-for-sale financial assets, the accumulated loss, calculated as the difference between the acquisition cost and the current fair value, less the effect of any impairment losses, previously recognised in profit or loss, is deducted from the Trust (Fundo Patrimonial) and recognised in profit or loss for the period. Impairment losses associated with debt instruments recognised in the income statement are reversible through profit or loss. Impairment losses associated with equity instruments, recorded in the statement of profit and loss and other comprehensive income, are not reversible through profit or loss.

Financial assets are derecognised when the rights to receive the cash flows deriving from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

3.8 Fair value of assets and liabilities

When determining the fair value of an asset or liability, the approach must be based on a hypothetical transaction carried out in the most active market of the asset or liability or, in its absence, the most advantageous market (in other words, the market that maximises the value that the Group would receive by selling the asset or minimises the amount that would be paid to transfer the liability within that market, after considering transaction and transport costs, if applicable). This corresponds to Level 1 of the fair value hierarchy, provided the market prices used are not adjusted.

Assets and liabilities classified in level 2 of the fair value hierarchy do not have active markets - these items are measured using an input-based method, different from the observable level 1 inputs (e.g. interest rates, exchange rates, etc), commonly used in the market:

The Group can also have assets and/or liabilities that are classified in level 3 of the fair value hierarchy. This fair value level is characterised by the absence of observable market data - as such, the Entity applies methods based on the best available information, given the particular circumstances of each asset and liability, which may include internal data such as assumptions and estimates.

3.9 Trade receivables and other accounts receivable

These items mainly include the customer balances resulting from services rendered/ related to the Group's activities. The balances are classified as current assets when collection is estimated for within a 12-month period. The balances are classified as non-current if the collection estimated occurs 12 months after the reporting date.

"Trade receivables" and "Other accounts receivable" are measured initially at fair value, being subsequently measured at amortised cost, less impairment adjustments (if applicable). Impairment losses of trade receivables and other accounts receivable are recorded whenever there is objective evidence that the amounts are not recoverable under the initial terms of the transaction. The impairment losses identified are registered in the statement of profit and loss and other comprehensive income under "Impairment of trade receivables" being subsequently reversed through profit or loss if impairment indicators are reduced or no longer exist. Loans to shareholders and related parties through shareholders are valued at cost or amortised cost less impairment.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term, high liquidity investments with initial

maturities of up to 3 months, readily convertible into cash and subject to insignificant risk of change in value.

Bank overdrafts are shown on the statement of financial position in current liabilities under "Borrowings" and are considered in the preparation of the cash flow statement as cash and cash equivalents.

3.11 Endowment Funds

The initial endowments by the Founder, as defined in the statutes of the Foundation are recorded in the Capital Fund and recorded on the date of confirmation of their allocation.

3.12 Financial liabilities

Financial liabilities are classified in two categories:

- I. Financial liabilities at fair value through profit or loss;
- II. Other financial liabilities

Other financial liabilities include "Borrowings" (Note 24), "Derivatives" (Note 25) "Trade payables" (Note 27) and "Other accounts payable" (Note 26). Liabilities classified as "Trade payables" and "Other accounts payable" are measured initially at fair value and subsequently at amortised cost according to the effective interest rate.

Financial liabilities are derecognised where the underlying obligations are discharged, cancelled or expire.

When a financial hedging instrument expires or is sold, or when the hedge ceases to meet the requirements for hedge accounting, the changes in the fair value of the derivative accumulated in other comprehensive income are recognised in profit or loss, when the hedged transaction also affects profit or loss.

3.13 Offsetting of financial instruments

Financial assets and liabilities are offset and their net amounts reported in the statement of financial position, only when there is a legally exercisable right to offset these amounts and when there is an intention to settle on a net basis, or when the asset is realised and the liability settled simultaneously. There is a legal right to offset when it is exercisable at any time during the normal course of the activity and is not contingent on the occurrence of future events or cases of default, insolvency or bankruptcy of the Entity.

3.14 Borrowings

Borrowings are initially recorded at fair value, net of the transaction costs incurred. Borrowings are subsequently measured at amortised cost with the difference between the nominal value and the initial fair value recognised in the statement of profit and loss and other comprehensive income throughout the period of the loan, using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer the payment of liabilities for at least 12 months after the reporting date, in which case they are classified as non-current liabilities.

3.15 Trade and other accounts payable

This heading generally includes balances of suppliers of goods and services that the Group acquired, in the normal course of its activity. Its items will be classified as current liabilities if the payment is due within 12 months or less, otherwise “Trade payables” and “Other accounts payable” will be classified as non-current liabilities.

These financial liabilities are recognised initially at fair value. Subsequent to initial recognition, “Trade payables” and “Other accounts payable” are measured at amortised cost, using the effective interest method.

3.16 Borrowing costs

Interest and others costs incurred by the Group in connection with loans to support the Group’s activities, whether general or specific, directly attributable to the construction of qualifying assets (an asset substantial period of time to get ready for its intended use or sale) are added to the cost of these assets, until they are ready for use or sale.

Interest income from the temporary investments of specific loans that have not yet been applied to pay suppliers of qualifying assets are deducted from the costs of loans eligible for capitalisation.

With the exception of capitalisation in qualifying assets, all other costs with loans are recognised in profit or loss, in the periods in which they are incurred.

3.17 Derivatives

The Foundation uses cash flow hedge derivatives to manage the financial risks to which it is exposed, not using derivatives for the purpose of speculation.

Derivatives used for hedging may be classified as hedges for accounting purposes as long as they meet all the following cumulative conditions:

- a.** On the transaction start date the hedging relationship is identified and formally documented. This includes identification of the hedged item and the hedge instrument and assessment of the effectiveness of the hedge
- b.** There is expectation that the hedge relationship is highly effective, on the transaction start date (prospectively) and throughout the operation (retrospectively);
- c.** The effectiveness of the hedge can be reliably measured at the transaction start date and throughout the life of the operation.
- d.** For cash flow hedges, there must be a strong likelihood that the cash flows will occur.

For measuring the derivatives, the Foundation uses the assessments provided by counterparties as a basis for recognition of their fair value on the accounting date.

Operations that qualify as hedging instruments cash flow hedging relationship are recorded on the balance sheet by fair value and, to the extent that they are considered effective hedges, changes in the fair value of the instruments are recorded in other comprehensive income. The amounts accumulated in equity are reclassified to profit or loss

in the periods in which the items covered also affect profit or loss (for example, when a planned transaction or event that was hedged takes place). Gains or losses related to the ineffective portion are recognised immediately in profit or loss. This way and in net terms, the costs associated with hedged financing are recognised at the rate associated with the hedging operation entered into.

3.18 Corporate income tax

Corporate income tax for the period includes current taxes and deferred taxes. Corporate income tax is recorded in the statement of profit and loss and other comprehensive income, except when relating to items that are recorded directly in the Trust (Fundo Patrimonial).

Current tax - Foundation

The Foundation is a non-profit entity and for the purposes of tax law it is an entity that does not primarily engage in commercial, industrial or agricultural activity. This means that the current tax payable is determined based on its overall income adjusted according to tax regulations in force. Under current tax legislation, tax returns are subject to review and correction by the tax authorities for a period of 4 years.

The Foundation is subject to corporate income tax at the rate of 21%.

Current tax - Subsidiaries

The amount of current tax payable is determined based on the pre-tax income, adjusted according to the tax rules in force. Under current tax legislation, tax returns are subject to review and correction by the tax authorities for a period of 4 years.

Companies are subject to Income Tax at the rate of 21%, plus a municipal surcharge up to a maximum rate of 1.5% on Taxable Income. In addition, the Entity is subject to state surcharge, if its taxable profits exceed €1,500,000, as follows:

- 3% for taxable profits between €1,500,000 and €7,500,000;
- 5% for taxable profits between €7,500,000 and €35,000,000;
- 7% for taxable profits of more than €35,000,000.

Deferred taxes

Deferred taxes are recognised using the liability method based on the statement of financial position, considering temporary differences resulting from the difference between the tax base of assets and liabilities and their amounts in the financial statements.

Deferred taxes are calculated based on the tax rate in force or already officially announced on the reporting date and estimated to be applicable on the date of realisation of the deferred tax assets or on the date of payment of the deferred tax liabilities.

Deferred tax assets are recognised to the extent that it is probable there will be future taxable profits available for the use of difference temporary. Deferred tax liabilities are recognised on all taxable temporary differences, except those relating to: i) initial recognition of goodwill; or ii) initial recognition of assets and liabilities that do not derive from a business combination and which at the transaction date do not affect accounting balance or the fiscal balance.

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) for which it is probable that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated.

Whenever one of the criteria is not complied with or the existence of the obligation is dependent on the occurrence (or not) of a particular future event, the Group discloses this as contingent liabilities, in accordance with Note 38, unless the probability of an outflow of resources to settle the event it is considered remote.

Provisions are measured at the present value of the estimated costs to pay the obligation using a pre-tax interest rate that reflects the market assessment of the discount rate and the risks specific to the provision.

Judicial proceedings

Provisions related to judicial proceedings, opposing the Group to third parties, are set up in accordance with internal risk assessments by the Board, with the support and advice of its legal advisors.

Onerous contracts

The Group records a provision for onerous contracts, when it has a contractual obligation to supply a product or service, for which the cost of meeting the obligation assumed exceeds the estimated economic benefits to be received. The provision is measured at the lower of the costs of performance of the contract and any penalties or compensation that the Foundation may have to pay for non-performance of the contract.

3.20 Contingent assets

Contingent assets are “possible” assets generated by past events, whose existence derives from confirmation of the future occurrence of one or more uncertain events over which the Group does not have control.

These assets are not recognised in the Group’s financial statements, but are disclosed in the accompanying notes, when their occurrence is probable.

3.21 Leases

The Group as lessee

Leases of property, plant and equipment, where the Group assumes substantially all the risks and benefits of ownership of the asset are classified as finance leases. Contracts in which analysis of one or more matters of the contract suggest this nature are also classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum payments, each determined at the date the contract commenced. A debt arising from a finance lease is recorded net of finance charges, under “Borrowings”. Financial charges included in the instalment and the depreciation of leased assets are recognised recorded in the separate statement of income and other comprehensive income in the period to which they relate.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of

the asset and the lease term, when the Group does not have a purchase option at the end of the contract, or over the estimated useful life when the Group intends to acquire the assets at the end of the contract.

In operating leases, rental payments are recognised as a cost in the statement of profit and loss and other comprehensive income on a straight-line basis, over the lease term.

The Group as lessor

When a lease transaction is carried out under a financial lease, the leased asset must be derecognised and, at the same time, the net investment in the lease as a receivable is recognised. The difference between the gross amount receivable and the discounted value of the net investment is recognised as unrecognised income. Income from this type of finance lease is recognised over the term of the lease, using the net investment method, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are considered tangible fixed assets in the consolidated statement of financial position. These items are depreciated over their estimated useful lives. Rental income (net of any incentives granted to the lessee) is recognised on a straight line basis over the term of the lease.

3.22 Income and expenses

Income and expenses are recorded in the period to which they refer regardless of their payment or receipt, in accordance with the accruals principle. Any differences between the amounts received and paid and the corresponding income and expenses are recognised as assets or liabilities, when they qualify as such.

3.23 Revenue recognition

Revenue corresponds to the fair value of the amount received or receivable related to the sale of entrance tickets for the Group’s exhibitions, goods for sale in the Oceanário store and other services rendered during the normal course of the Group’s activity, such as rental of spaces, leases/concessions, donations received, among others. Revenue is presented net of taxes, trade discounts and financial rebates.

Revenue from the sale of products is recorded when: i) a substantial part of the risks and benefits of the goods has been transferred to the buyer; the value of the revenue can be reliably estimated; and iii) it is probable that economic benefits flow to the Group.

Revenue from the rendering of services is recognised on the date of provision of single, specific service or according to the percentage of completion or based on the contract period when the rendering of services is not associated with specific activities, but with the ongoing rendering of the service.

The Group’s Revenue mainly corresponds to tickets sold to visitors to the Oceanário and thematic exhibitions, to the rents obtained from the lease of the store and restaurant space in the Oceanário support building and from donations received. Ticket revenue is recognised on the date of the visit, revenue from leases of space is recognised throughout the contract period and donations received, in order to finance statutory purposes, are accounted for in total income for the period.

3.24 Subsequent events

Subsequent events refer to the accounting treatment to be given to events occurring after the reporting date and before the date of issue of the consolidated financial statements.

Events occurring after the balance sheet date and before the issuance of the financial statements, that provide additional information or confirm situations pending on the balance sheet date are adjusted in this set of consolidated financial statements.

Events occurring after the balance sheet date and before the issuance of these consolidated financial statements, that are not related to situations existing on the balance sheet date, do not give rise to adjustments in the consolidated financial statements, being disclosed if considered material.

4. Scope of consolidation

4.1 Companies included

Control of the Group is ensured by the Parent-Entity, Oceano Azul Foundation.

The companies included in the consolidation using the full consolidation method, their registered offices and proportion of capital held as at 31 December 2017, are the following:

Name	Activity	Registered Office	% Control
Oceanário de Lisboa S.A.	91041	Esplanada Dom Carlos I s/nº, 1990-005 Lisboa	100,00%

4.2 Changes in the scope of consolidation

As these are the Group’s first financial statements, there are no changes to the scope of consolidation to be reported.

5. Associated companies

Investments in associated companies are recorded using the equity method. Their registered offices and the proportion of the capital held at 31 December 2017 by the Group are as follows:

Name	Activity	Registered Office	% share capital held
Telecabine Lisboa Limitada	49310	Passeio das Tágides, Estação Norte 1990-280 Lisboa	30%

This stake in Telecabine is held by the Oceanário de Lisboa, S.A..

6. Financial risk management policies

6.1 Factors of financial risk

The Group’s activities are exposed to a variety of financial risk factors, including the effects of changes in market prices: credit risk, liquidity risk and cash flow risk associated with interest rates, among others.

The Group’s risk management is controlled by the financial department in accordance with policies approved by the Board of Directors. To this end, the Board of Directors has defined in writing the main principles of overall risk management, as well as specific policies for some areas, such as the coverage of interest rate risk, liquidity risk and credit risk.

The Board of Directors defines principles for risk management as a whole and policies that cover specific areas, such as currency risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, as well as investment of surplus liquidity.

I. Foreign exchange risk

The Group’s operating activities are mainly developed in Portugal and consequently the vast majority of its transactions are carried out in the currency of the country, the euro, which substantially reduces foreign exchange risk.

II. Credit risk

The Group’s credit risk results essentially from i) the risk of recovery of the monetary assets in the custody of third parties and (ii) the risk of recovery of claims from third parties.

The credit risk is monitored through risk assessment carried out before the application and during its evolution.

The credit quality of financial institutions, in relation to the Group’s bank deposits, classified as “Cash and cash equivalents” is as follows:

	31.12.2017
Bank deposits	
AA+	
AA-	
A-	6,287,336.79
Others without rating	57,813.59
Bank deposits (cash and cash equivalents)	6,345,150.38

(Source: Standard & Poor’s, June 2017)

As a general rule, the Group’s trade and other accounts receivable do not have a credit rating.

III. Liquidity risk

Cash requirements are managed by the Group’s finance department.

Liquidity risk may occur if sources of finance, for example operating cash flows, disinvestment, credit lines and cash flows obtained from financing operations, do not meet financing needs, such as cash outflows for operating and financing activities and investments.

The following table analyses the Group’s financial liabilities by relevant maturity group, based on the remaining period until contractual maturity, on the reporting date. The amounts presented in the table are non-discounted contractual cash flows including interest due:

	Less than 1 year	1 to 5 years	More than 5 years
31 december 2017			
borrowings:			
- bank loans	2,858,842.13	11,180,303.41	9,795,690.58
- bank overdrafts			
- other borrowings			
Trade and Other Accounts Payable	5,757,355.65	5,757,355.65	42,358,437.00
	8,616,197.79	16,900,259.48	52,154,127.58

IV. Interest rate risk

The risk associated with fluctuations in the interest rate has an impact on contracted debt servicing. Interest rate risks are essentially related to interest paid on various loans with variable interest rates.

However, for some financing obtained part of these risks are managed using fixed interest rates, which exposes the Group to fair value risk.

Analysis of the sensitivity of financial expenses to changes in the interest rate:

A sensitivity analysis was carried out based on the Group’s borrowings at variable rates, with reference to 31 December 2017.

31 December 2017

With reference to the debt related to the Group’s borrowings on 31 December 2017, a 1% increase in interest rates would result in an increase in net annual financial expenses of 455,143.99 euros.

6.2 Capital risk management

The Group’s objective in relation to capital management, which is a broader concept than the capital shown in the first page of the statement of financial position, is to maintain an optimised capital structure through the prudent use of debt.

Contracted debt is analysed periodically by weighing factors such as the cost of financing and investment needs in subsidiaries.

The gearing ratios as at 31 December 2017 were the following:

	31.12.2017
Total loans (Note 20)	20,537,069.58
Less: Cash and cash equivalents (Note 20)	6,345,150.38
Net debt	14,191,919.20
Endowment Funds	14,228,386.84
Total Assets	28,420,306.04
Gearing	50%

7. Significant estimates and judgments

Estimates and judgments with an impact on the Group’s financial statements are continually valued, representing the best estimate of the Board of Directors at each reporting date, taking into account the historical performance, accumulated experience and expectations of future events that, under the circumstances, are believed to be reasonable.

The nature of estimates means that, for financial reporting purposes, actual outcomes of the estimated situations may differ from the estimated amounts. Estimates and judgments that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

Judgements

7.1 Classification of the concession agreement

As mentioned in Note 1 and Note 3.4, the Group has Public service concession contract for the operation and administration of the “Oceanário de Lisboa”. Under IFRS, there is an interpretation, IFRIC 12 - ‘Service concession arrangements’, under which determines the accounting of investments made and liabilities assumed under the concession when certain conditions are all met:

- a. the contract is intended to provide a public service;
- b. the granting authority controls or regulates what services must be provided using the assets, to whom, and at what price; and
- c. the granting authority controls any significant residual interest in the assets.

From the evaluation carried out by the management it was concluded that: (i) although the agreement is for a public service, the operation of Oceanário de Lisboa is a recreational activity that does not correspond to the provision of a

service essential to citizens under existing social conditions, as provided for in IFRIC 12. In addition, the Portuguese State also does not exercise any direct or indirect control over the prices charged by the Group.

Management has therefore concluded that the principles underlying the application of IFRIC 12 do not apply to the concession agreement negotiated with the Portuguese State.

7.2 Contractual obligations

Under the public service concession agreement for the operation and administration of Oceanário de Lisboa, the Group is responsible for “all investments to replace assets assigned to the concession that are necessary or convenient according to the useful life of such assets, good practices and compliance with the performance, quality and safety standards required under the concession agreement. ”

The management assessed whether these contractual conditions are a contractual obligation to be recorded at the start of the concession agreement as a provision against intangible assets and concluded that concession agreement for the operation and administration does not comply with the conditions to classify it as a concession agreement under IFRIC 12 - Service concession arrangements, with the consequent underlying accounting treatment, for the following reasons in particular:

- I. Oceanário de Lisboa is free to set the prices of the service that it provides and the price it charges includes the recovery of the investment made in replacement assets;
- II. the responsibility for replacement of the concession assets occurs not only at the end of the agreement but throughout the concession and whenever it is necessary to maintain/restore the quality and safety of the service to be provided; and
- III. Oceanário de Lisboa is entitled to receive the Net Book Value of these assets at the end of the concession.

7.3 Classification of the Assets - Fish/animals

Under the concession agreement, in order to provide the public service, the Group was granted access to certain animals in accordance with Chapter IV of the concession agreement and these are assets of the Granting authority.

In the case of animals acquired by the Group after the concession date and as it is not the Group's objective to produce animals and algae for subsequent sale, but instead to exhibit them to aquariums and permanent exhibitions. Management considers that they should be classified as biological assets, but as tangible fixed assets in cases where their useful life is considered to be greater than 12 months.

Considering the amounts involved, the physical size of the animals, the types of species and their average longevity determined by the Group's biologists, based on the aquarium conditions, the average life expectancy of the species and its history since 1998, management decided to record the amounts spent as expenses for the period.

7.4 Exercise of significant influence

The Group has an interest in Telecabine de Lisboa, Lda. The Group exercises significant influence in this entity, given that its stake of 30 % enables it to appoint a director.

Estimates

7.5 Tangible and intangible assets

Determination of the useful lives of assets and the depreciation/amortisation method to be applied are essential to determine the amount of depreciation/amortisation to be recognized in the statement of profit and loss and other comprehensive income each year.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and business in question, also considering practices adopted by companies in the sector worldwide.

7.6 Fair value of financial instruments

The fair value of financial instruments not quoted in an active market is determined on the basis of valuation methods. The use of valuation methodologies requires the use of assumptions, some of which require the use of estimates. Thus, changes in these assumptions may result in a change in the fair value reported.

7.7 Impairment in investments in subsidiaries

As a general rule, impairment is recorded in an investment in accordance with IFRS when the balance sheet value of the investment exceeds the current value of future cash flows. The calculation of the estimated current value of cash flows and the decision to consider impairment involve judgements and are substantially based on management analysis of the future development of the subsidiaries. Since the concession of the right to operate the facilities that comprise the Oceanário commenced on 9 June 2015 and has duration a limited of thirty years, the company opted to consider an impairment corresponding to the proportion of the concession period elapsed. This way a total annual loss of 748,514 euros was be considered.

7.8 Corporate income tax

Reviews of tax returns by the Tax Authority may lead to the recognition of liabilities relating to additional tax payments, including interest and other penalties. These reviews may have impacts in terms of income tax and provisions for taxes in the accounting periods in which they occur.

Deferred tax assets are recognised for all recoverable losses when it is probable that taxable profits will be available against which the losses can be utilised.

Given the context of crisis and the impact this may have on future profits, the following factors must be taken into account by Directors to determine the amount of deferred tax assets that can be recognised:

/ The probable date and amount of future taxable profits; and

/ Future tax planning strategies defined by the Board of Directors

8. Property, plant and equipment

During the year ended 31 December 2017, changes observed in the property, plant and equipment items were as follows:

	Buildings and other constructions	Plant and machinery	Vehicles	Furniture, fixtures and equipment	Other property, plant and equipment	Assets in progress	Total
1 January 2017							
Acquisition cost	2,927,967.07	3,071,957.13	118,987.35	694,927.77	421,789.82	46,364.44	7,281,993.58
Purchase cost - incorporation of Waterventures	-	-	-	3,233.56	-	-	3,233.56
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(1,477,685.81)	(2,052,690.49)	(98,019.46)	(513,804.89)	(332,967.92)	-	(4,475,168.57)
Accumulated depreciation - incorporation of Waterventures	-	-	-	(1,167.64)	-	-	(628.74)
Net value	1,450,281.26	1,019,266.64	20,967.89	183,727.70	88,821.90	46,364.44	2,809,429.83
Changes in 2017							
Additions	845,338.28	182,399.57	25,771.85	74,342.69	48,605.12	552,525.36	1,728,982.87
Disposals	-	-	(38,773.58)	-	-	-	(38,773.58)
Transfers and write-offs	-	84,308.41	-	(8,939.60)	(981.62)	(90,751.91)	(16,364.72)
Depreciation - period	(298,034.12)	(406,438.80)	(17,772.56)	(79,295.37)	(23,029.88)	-	(825,109.63)
Depreciation - disposals	-	-	33,963.23	-	-	-	33,963.23
Depreciation - trans. and write-offs	-	3,179.92	-	10,000.98	981.62	-	14,162.52
Net value	1,997,585.42	882,715.74	24,156.83	179,297.50	114,397.14	508,137.89	3,706,290.52
31 December 2017							
Acquisition cost	3,773,305.35	3,338,665.11	105,985.62	763,564.42	469,413.32	508,137.89	8,959,071.71
Accumulated impairment	-	-	-	-	-	-	-
Accumulated depreciation	(1,775,719.93)	(2,455,949.37)	(81,828.79)	(584,266.92)	(355,016.18)	-	(5,252,781.19)
Net value	1,997,585.42	882,715.74	24,156.83	179,297.50	114,397.14	508,137.89	3,706,290.52

Property, plant and equipment essentially comprise work on buildings, basic equipment necessary for the operation of the Oceanário and Edifício do Mar, and administrative and transport equipment.

Part of administrative equipment (computers) were received by the Group during the merger of Waterventures assets when it was wound up.

The most significant amounts included under “Assets in progress” refer to the following:

2017

- / VEA glass façade, to close the service building atrium in the sum of 243,951 euros; and
- / Construction work and trades in the project to close the atrium in the sum of 96,881 euros.

Depreciation of property, plant and equipment is recorded under “Expenses/(reversals) with depreciation and amortisation” in the statement of profit and loss and other comprehensive income in their entirety.

In 2017, there were write-offs of property, plant and equipment amounting of €16,364.72, related to several assets that were in poor condition and could not be used. As a result of this write-off, a loss of €2,202.20 was recorded, referring to assets that had not been fully depreciated.

9. Intangible assets

Intangible assets for the period ending 31 December 2017 were detailed as follows:

	Development projects	Computer software	Concession rights	Other intangible assets	Intangible assets in progress	Total
1 January 2017						
Acquisition cost	145,964.08	145,759.30	29,803,619.41	10,139,941.01	36,338.61	40,271,622.41
Purchase cost - incorporation of Waterventures	-	9,226.00	-	-	-	9,226.00
Accumulated impairment	-	-	-	-	-	-
Accumulated depreciation	(145,964.08)	(118,187.98)	(1,490,180.97)	(659,361.11)	-	(2,413,694.14)
Accumulated depreciation - incorporation of Waterventures	-	(3,257.45)	-	-	-	(1,719.79)
Net value	-	35,077.53	28,313,438.44	9,480,579.90	36,338.61	37,865,434.48
Additions	-	3,646.63	-	11,438.75	3,700.00	18,785.38
Amortisation - period	-	(27,255.97)	(993,453.98)	(337,969.56)	-	(1,360,217.21)
Net value	-	9,930.49	27,319,984.46	9,154,049.09	40,038.61	36,524,002.65
31 December 2017						
Acquisition cost	145,964.08	158,631.93	29,803,619.41	10,151,379.76	40,038.61	40,299,633.79
Accumulated impairment	-	-	-	-	-	-
Accumulated depreciation	(145,964.08)	(148,701.44)	(2,483,634.95)	(997,330.67)	-	(3,775,631.14)
Net value	-	9,930.49	27,319,984.46	9,154,049.09	40,038.61	36,524,002.65

I. Concession right – the amount recorded under this item refers to the current value of the purchase price that the Group undertook to pay to the Portuguese State, following the signing of the concession agreement.

II. Intangible assets in progress – these refer essentially to the “Upgrade of the Technical management system” project amounting to 35,721 euros.

III. Part of the amount recorded in intangible assets, under Computer Software, corresponds to programmes received following the incorporation of the assets of Waterventures after its winding-up.

10. Investments in associates

In 2017, the details of changes recorded in investments in associates were as follows:

	2017
Opening balance	861,886.75
Acquisitions	-
Gains/(Losses) using the equity method	256,312.54
Impairment Loss	-
Dividends received	(224,820.64)
31 December	893,378.65

As at 31 December 2017, investments in associates referred to the investment in Telecabine de Lisboa, Lda., as follows:

						31.12.2017		
Name	Activity	Country of domicile and main business location	% held	Holding	Loss impairment	Supplementary capital contributions	Total Invest-ment	Goodwill included
Telecabine	49310	Passeio das Tágides, Estação Norte 1990-280 Lisboa	30%	893,378.65	-		893,378.65	291,698.38
				893,378.65	-		893,378.65	291,698.38

The assets and liabilities, income and expenses generated in the period, as recognised in the financial statements of Telecabine, are as follows:

	31.03.2017
	Telecabine
Assets	
Non-current	292,401.66
Current	1,829,233.79
	2,121,635.45
Liabilities	
Non-current	-
Current	172,233.33
	172,233.33
Equity	1,949,402.12
	1,949,402.12
	2017
	Telecabine
Activity in the year	Apr- Nov
Income	1,887,246.00
Expenses	(847,761.00)
Income tax	-
Net profit	1,039,485.00
Other comprehensive income	-
Total comprehensive income	1,039,485.00

The reconciliation of selected financial information with the carrying amount of investments in associates is as follows:

	2017
	Telecabine
Net assets on 1 January	1,200,000.00
Net profit	805,600.92
Net assets on 31 December	2,005,600.92
% interest	30.00%
Stake in associates	601,680.27
Goodwill	291,698.38
Net amount calculated	893,378.65
Net carrying amount	893,378.65
Reconciliation differences	-

The net assets presented above refer to the periods from 1 April to 30 November 2017, the last accounts made available by the associate. The net assets presented above refer to the periods from 1 April to 30 November 2017, the last accounts made available by the associate. It is not expected that there will be significant variations for the amounts as of 31 December 2017.

11. Goodwill

During 2017, movements in goodwill are broken down as follows:

	Oceanário de Lisboa
Opening balance	
Gross carrying amount - Incorporation of Waterventures	22,205,926.51
Accumulated impairment - incorporation of Waterventures	(935,642.71)
Net value	21,270,283.80
Additions	
Impairment - reporting period	(748,514.38)
Net value	20,521,769.42
31 December 2017	
Gross carrying amount	22,205,926.51
Accumulated impairment	(1,684,157.09)
Net value	20,521,769.42

The Group conducts impairment tests to assess the recoverability of goodwill resulting from acquisitions made and recorded on the balance sheet.

12. Financial assets and liabilities by category

The categories of financial assets and liabilities defined according to the categories in IAS 39 were allocated as follows:

31.12.2017	Credits and receivables	Derivatives designated as hedging instruments	Assets financial available for sale	Assets/ Liabilities at fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets							
Cash and cash equivalents	6,345,150.38	-	-	-	-	-	6,345,150.38
Trade receivables	250,468.23	-	-	-	-	-	250,468.23
Other accounts receivable	2,326,164.68	-	-	-	-	-	2,326,164.68
Financial assets at fair value through profit or loss	-	-	-	3,188.86	-	-	3,188.86
Financial assets available for sale	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total financial assets	8,921,783.29	-	-	3,188.86	-	-	8,924,972.15
Liabilities	-	-	-	-	-	-	-
Borrowings	-	-	-	-	22,637,069.58	-	22,637,069.58
Derivatives	-	260,503.01	-	-	-	-	260,503.01
Trade payables	-	-	-	-	32,395,415.80	-	32,395,415.80
Other accounts payable	-	-	-	-	3,711,681.86	-	3,711,681.86
Total financial liabilities	-	260,503.01	-	-	58,744,167.24	-	59,004,670.25

13. Fair value of assets and liabilities

Financial assets and liabilities

31 December 2017	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit or loss	3,188.86	-	-	3,188.86
	3,188.86	-	-	3,188.86
Financial liabilities				
Derivatives	-	260,503.01	-	260,503.01
	-	260,503.01	-	260,503.01

The measurement of the fair value of Derivative Financial Instruments (Swap) is based on the valuations provided by Banco Santander Totta.

14. Other accounts receivable

In the year ended 31 December 2017, the breakdown of Other accounts receivable was as follows:

	Current	Non-current	Total
Accrued earnings i)	11,365.00	-	11,365.00
State and other public entities ii)	5,870.84	-	5,870.84
Deferred assets iii)	24,447.95	28,889.33	53,337.28
Other debtors iv)	34,358.21	-	34,358.21
Advances to trade creditors	102,697.01	-	102,697.01
Other accounts receivable	178,739.01	28,889.33	207,628.34

I. Accrued income – the details of this sub-heading are the following

	Current	Non-current	Total
Interest receivable	2,625.00	-	2,625.00
Other income	8,740.00	-	8,740.00
Accrued income	11,365.00	-	11,365.00

II. State and other public entities – this heading records the balances of taxes receivable/recoverable from the State. The details of this sub-heading are as follows:

	Current
VAT	5,870.84
	5,870.84

III. Deferred assets – the breakdown of deferred assets as at 31 December 2017 is the following:

	Current	Non-current	Total
Expenses with external supplies and services	21,726.85	-	21,726.85
Personnel costs	0.01	-	0.01
Other expenses	2,721.09	-	2,721.09
Deferred assets	24,447.95	-	24,447.95

IV. Other debtors – the breakdown of Other debtors as at 31 December 2017 was the following:

	Current	Non-current	Total
Other debtors - non-group	34,358.21	-	34,358.21
Other debtors	34,358.21	-	34,358.21

As at 31 December 2017, no impairment losses were recorded over balances receivable from third parties.

For the period introduced, there are no differences between the accounting values and their fair value. The non-current balances receivable bear interest at market rates.

15. Deferred tax assets and liabilities

As at 31 December 2017, the balances recognised concerning deferred taxes are carried in the statement of financial position at the gross carrying amount.

The impact of the changes in deferred taxes for the accounting periods presented was as follows:

Impact of changes in Deferred taxes

	2017
Impact in profit and loss	
Deferred tax assets	(293,129.38)
Deferred tax liabilities	12,237.99
	(280,891.39)

Changes in deferred tax assets and liabilities for the accounting periods presented are as follows:

Deferred tax assets - Operations during the year

	IFRS Transition - Oceanário	Total
1 January 2017	293,129.38	293,129.38
Period ending 31 December		
Creation/reversal through equity	-	-
Reversal through profit/loss	(293,129.38)	(293,129.38)
Creation through profit/loss	-	-
Changes in the period	(293,129.38)	(293,129.38)
As at 31 December 2017	-	-

Deferred tax liabilities - Operations during the year

	IFRS Transition - Oceanário	Total
1 January 2017	12,237.99	12,237.99
Period ending 31 December		
Creation/reversal through equity	(12,237.99)	(12,237.99)
Creation through profit/loss	-	-
Change in tax rate	-	-
Reversal through profit/loss	-	-
Changes in the period	(12,237.99)	(12,237.99)
As at 31 December 2017	-	-

16. Inventories

The details of inventories, as at 31 December 2017, were as follows:

	31.12.2017
Goods for resale	185,428.74
Total inventory	185,428.74

Merchandise refer to articles for sale in the Oceanário de Lisboa shop.

The cost of Inventories recognised in profit and loss for the period in 2017, included in “Cost of goods sold and materials consumed”, amounted to 367,377.04 euros.

17. Financial assets at fair value through profit or loss

The Group’s financial assets at fair value through profit or loss correspond to contributions made to the Work Compensation Fund (“FCT”).

Financial assets at fair value through profit or loss are recorded at fair value, subsequent variations in fair value being recorded in profit and loss for the period.

The changes recorded in financial assets at fair value through profit or loss were as follows:

	2017
As at 1 January	
Acquisitions	3,188.86
Changes in fair value	
Disposals	-
As at 31 December	3,188.86

18. Trade receivables

In the year ended 31 December 2017, the breakdown of Clients was as follows:

	31.12.2017		
	Current	Non-current	Total
Trade receivables - Non-group	250,468.23	-	250,468.23
Doubtful receivables	31,864.25	-	31,864.25
	282,332.48	-	282,332.48
Trade receivable impairments	(31,864.25)	-	(31,864.25)
Total Trade Receivables	250,468.23	-	250,468.23

The variation in impairment losses during the period of 2017 was as follows:

	31.12.2017
As at 1 January	(31,864.25)
Increases	-
Write-offs	-
Reductions	-
As at 31 December	(31,864.25)

The ageing of the balances due with impairment for the periods submitted is the following:

	31.12.2017
not yet due	-
6 to 12 months	-
12 to 18 months	-
18 to 24 months	-
more than 24 months	31,864.25
Total	31,864.25

The ageing of the balances due without impairment for the periods submitted is the following:

	2017
not yet due	29,538.67
Up to 6 months	210,566.14
6 to 12 months	10,363.42
12 to 24 months	-
more than 24 months	-
Total	250,468.23

For the periods presented, there are no differences between the accounting values and their fair value. The non-current balances receivable bear interest at market rates.

19. Income tax receivable/payable

In the year ended 31 December 2017, the balances regarding current income tax are as follows:

	31.12.2017	
	Debtor	Creditor
Corporate income tax - IRC	55,645.91	1,631.18
	55,645.91	1,631.18

For the periods presented, the balance of IRC was as follows:

	31.12.2017
Current Tax	
Minimum corporation tax	491,952.00
Withholding taxes	76,629.20
Estimate of IRC	(514,566.47)
Total	54,014.73

20. Cash and cash equivalents

As at 31 December 2017, the details of cash and cash equivalents were as follows:

	31.12.2017
Cash	57,813.59
Bank deposits	6,287,336.79
Cash and cash equivalents	6,345,150.38

The details of the amount considered as the closing balance of "Cash and cash equivalents" for the purposes of drawing up the cash flow statement for the period ended 31 December 2017 was as follows:

	31.12.2017
Cash	57,813.59
Bank deposits	6,287,336.79
Cash and cash equivalents (Assets)	6,345,150.38
Bank overdrafts	-
Cash and cash equivalents (Liabilities)	-
	6,345,150.38

21. Endowment Funds

As at 31 December 2017, the funds of the Oceano Azul Foundation, amounting to 7,171,829 euros, were totally subscribed and paid up and refer to the endowments from the Founder Sociedade Francisco Manuel dos Santos, detailed as follows:

Endowment in kind: 6,921,829 euros

Endowment in cash: 250,000 euros

The initial Endowment in kind from the Founder refers to the transfer of a financial participation of the entity Waterventures.

22. Other reserves and retained earnings

22.1 Other reserves

The items in “Other reserves” recorded the following changes during the year ended 31 December 2017:

	Other reserves
Incorporation of Waterventures	585,598.53
As at 31 December 2017	585,598.53

The Others item amounting to 585,598.53 euros refers to the amount recorded in Endowment Funds resulting from the incorporation of Waterventures.

These amounts will only be available for distribution when the originating elements or rights are sold, exercised, eliminated or settled (Art. 32.2 of the CCC.)

22.2 Retained earnings

The balance of retained earnings of €721,909.37 refers to the appropriation of results from prior years of Waterventures (€128,019.39) and the impact on retained earnings from Oceanário’s transition from the accounting standard to IFRS (€849,928.76).

23. Other changes in endowment funds

The “Other changes in endowment funds” items recorded the following changes during the year ended 31 December 2017:

	Other changes in endowment funds	Total
Liquidation and division of subsidiaries - Swap	(362,928.68)	(362,928.68)
Changes fair value Swap	102,425.67	102,425.67
As at 31 December 2017	(260,503.01)	(260,503.01)

The amount of 362,928.68 euros refers to the value of the hedging derivative on the date of incorporation of Waterventures into the Foundation. The change in fair value of the hedging derivative (swap) was 102,425.67 euros, since its value as at 31 December 2017 was 260,503.01 euros.

24. Borrowings

The classification of borrowings as regards term (current and non-current) and nature of the loan, at the end of the period, were as follows:

	31.12.2017		
	Current	Non-current	Total
Bank Loans i)			
Santander Totta	2,246,879.49	18,290,190.09	20,537,069.58
	2,246,879.49	18,290,190.09	20,537,069.58

I. The Group obtained from SantanderTotta two bank loans on 28 September 2015.

a. one bank loan for an initial amount of €15,000,000, with a term of 10 years.

For this bank financing a hedging derivative was entered into with Banco SantanderTotta in order to hedge the risk of change in the interest rate of the contracted loan and its cash flows.

This loan was originally entered into by Waterventures with the aim of acquiring the shares of Oceanário de Lisboa, S.A. With the winding-up of Waterventures and the incorporation of its assets and liabilities into the Oceano Azul Foundation, the latter assumed the obligation in respect of this funding.

b. one loan for an initial amount of €10,000,000, with a term of 12 years, necessary to pay the down payment, financial contribution provided for in the concession agreement entered into with the Portuguese State.

In addition, short-term financing of €3,000,000 was contracted, which has not yet been used.

Loans

The maturities of the Group’s borrowings are as follows:

	31.12.2017
Up to 1 year	2,246,879.49
2 to 5 years	9,316,418.88
Over 5 years	8,973,771.21
	20,537,069.58

The variation of the Foundation's borrowings is as follows:

	SantanderTotta
Opening balance	9,115,674.70
Changes in 2017	
Increases	
Incorporation of Waterventures	12,942,800.00
Decreases	
Cash flows - borrowings	(1,529,733.34)
Stamp duty amortized cost	8,328.22
31 December 2017	-
Closing balance	
	20,537,069.58

25. Derivatives

As at 31 December 2017, the details of Derivatives were as follows:

		31.12.2017		
		Liabilities		
	Notional	Current	Non- current	Total
Cash flow hedges				
Swap interest rate	12,246,400.00	-	260,503.01	260,503.01
Total derivatives designated as hedging		-	260,503.01	260,503.01
Total derivatives		-	260,503.01	260,503.01

Cash flow hedges - Interest rate swaps

The Group ensures a fixed rate for a portion of some future loan interest payments, by entering into interest rate swaps. The risk hedged is the variable reference rate associated with the loans. The aim of this hedge is to transform the variable rate loans into fixed rate loans. The credit risk of the loan is not hedged.

26. Other accounts payable

On 31 December 2017, the details of Other accounts payable were as follows:

	31.12.2017		
	Current	Non-current	Total
Investment payables i)	818,586.66	28,993,216.07	29,811,802.73
Accrued expenses ii)	2,561,728.71	-	2,561,728.71
State or other public entities iii)	260,792.33	-	260,792.33
Advances from customers	1,038.32	-	1,038.32
Deferred liabilities iv)	20,794.20	-	20,794.20
Other operations with personnel	30.50	-	30.50
Other creditors	30,174.80	-	30,174.80
Other payables	3,693,145.52	28,993,216.07	32,686,361.59

I. Investment payables – the balance of these item includes the financial liability associated with the contractual obligation to pay a fixed instalment updated by inflation for the 30 years of the concession agreement. The amount recorded corresponds to the discounted amount of rents payable considering an incremental interest rate that the Group would obtain for financing with the same term, amount and collateral.

II. Accrued expenses – the details of this under-heading as at 31 December 2017 were as follows:

	31.12.2017		
	Current	Non-current	Total
Personnel costs	783,169.09	-	783,169.09
Expenses with external supplies and services	1,716,824.35	-	1,716,824.35
Financing expenses	10,239.89	-	10,239.89
Other expenses	51,495.38	-	51,495.38
Accrued expenses	2,561,728.71	-	2,561,728.71

III. State and other public entities– the breakdown of Taxes and contributions payable as at 31 December 2017 was as follows:

	31.12.2017		
	Current	Non-current	Total
Retentions income tax	38,103.25	-	38,103.25
VAT	174,357.50	-	174,357.50
Social security contributions	48,331.58	-	48,331.58
	260,792.33	-	260,792.33

IV. Deferred liabilities– the breakdown of deferred liabilities as at 31 December 2017 is the following:

	31.12.2017		
	Current	Non-current	Total
Other income to be recognised	20,794.20	-	-
Deferred liabilities	20,794.20	-	-

27. Trade payables

As at 31 December 2017, the Trade payables was as follows:

	31.12.2017
Trade payables - Non-group	978,999.82
Trade payables - Group	-
Total balance trade payables	978,999.82

28. Goods sold and services rendered

The amount of goods sold and services rendered recognised in profit and loss and other comprehensive income in 2017 is detailed as follows:

	31.12.2017
Goods sold	
Goods for resale	1,139,996.25
Sub-total	1,139,996.25
Services rendered	
Counter	14,902,514.98
Sponsorship	187,439.02
Leases/Concessions	541,507.70
Hiring of spaces	60,015.34
ACE/Sieocean	29,400.00
Other provisions of services	3,196.96
Sub-total	15,724,074.00
Goods sold and services rendered	16,864,070.25

29. Donations and legacies

During the period ending 31 December 2017, the following re received and imputed to income:

	2017
Donations from Founders	7,500,000.00
Donations - third parties	124,436.44
	7,624,436.44

The amount of donations given by the Founder Sociedade Francisco Manuel dos Santos, SGPS, SE in the amount of 7,500,000 euros refers to the commitment mentioned under the terms of the Fund Contribution agreement entered into with the parent entity and is detailed as follows:

/ 3,000,000 euros received from the Sociedade Francisco Manuel dos Santos, SGPS, SE during the year 2017.

/ 4,500,000 euros concerns non-interest-bearing loans, in the form of shareholder loans, granted in previous years to Waterventures by Sociedade Francisco Manuel dos Santos, SGPS, SE, which waived its right to the recovery of this amount after the establishment of the Oceano Azul Foundation.

30. Cost of goods sold and materials consumed

The cost of goods sold and materials consumed recognised in profit and loss and other comprehensive income in 2017 is detailed as follows:

	2017
Opening inventory	-
Purchase	554,040.12
Stock adjustments	(1,234.34)
Closing inventory	(185,428.74)
	367,377.04

31. External supplies and services

The details of expenses with external supplies and services incurred in the period of 2017 are as follows:

	31.12.2017
Specialised work	2,004,203.33
Advertising and publicity	604,507.01
Surveillance and security	317,231.88
Professional fees	394,839.42
Commissions	109,650.62
Maintenance and repairs	1,143,963.97
Materials	77,651.18
Energy and fluids	1,252,669.63
Travel, accommodation and transport	219,733.21
Rents and leases	1,008,480.52
Communication	32,553.65
Insurance	62,679.91
Litigation and notary fees	395.00
Representation expenses	71,132.96
Cleaning, hygiene and comfort	287,429.31
Other services	667,594.41
External supplies and services	8,254,716.01

32. Personnel costs

Personnel costs incurred during 2017 were as follows:

	31.12.2017
Salaries and wages	
Statutory boards	625,391.50
Personnel	1,697,524.54
Sub-total	2,322,916.04
Other expenses	
Social welfare contributions	402,274.84
Industrial injuries insurance	18,079.49
Welfare expenses	18,344.36
Others	121,505.18
Sub-total	560,203.87
Personnel costs	2,883,119.91

The average number of employees of the Group in 2017 was 65.

As at 31 December 2017 the Group has 68 employees, two of whom are remunerated monthly, one quarterly and the other on a half-yearly basis.

Welfare expenses refers to pre-school cheques awarded to employees during this reporting period.

33. Other income

Other income in 2017 can be detailed as follows:

	31.12.2017
Exchange gains	2,471.05
Gains on the disposal of property, plant and equipment	9,002.66
Discounts received	41.54
Corrections of prior periods	23,764.93
Unspecified others	15,384.13
	50,664.31

34. Other expenses

Other expenses in 2017 can be detailed as in the following table:

	31.12.2017
Taxes	33,003.95
Write-offs of non-financial investments	2,202.20
Donations	274,768.27
Levies	24,933.28
Foreign exchange losses	4,383.82
Inventory losses	360.00
Unspecified others	29,283.25
	368,934.77

35. Financial expenses

The details of financial expenses in 2017 is as follows:

	31.12.2017
Financial expenses	
Interest paid	
Bank loans	642,170.65
Other financial expenses	1,051,556.12
	1,693,726.77

Other financial expenses refers to the financial effect of updating the financial liability in relation to the fixed component of the “Oceanário de Lisboa” public service concession contract for exploration and administration (see conditions in Note 3.4), which began on 9 June 2015 for a period of 30 years, concluded with the Portuguese State.

36. Corporate income tax

The breakdown of income tax for the period, recognised in profit or loss of 2017, is as follows:

	31.12.2017
Current income tax	561,581.66
Deferred income tax	280,891.39
Corporate income tax	842,473.05

Tax reconciliation for the year is as follows:

	31.12.2017
Overall Income	8,295,844.42
Tax Rate	21.0%
	1,742,127.33
Non-deductible expenses	91,640.77
Accounting/tax gains/losses	(123.00)
Cancellation effects equity method	(53,825.63)
Non-taxable income	(1,601,131.65)
Deductible temporary differences on deferred tax	(1,656.75)
Tax benefits	(11,795.28)
Positive changes in equity - IFRS transition	424,639.82
Negative changes in equity - IFRS transition	(663,503.00)
Differences on deferred tax	521,153.20
Autonomous taxation	17,934.42
Municipal surcharge	50,582.13
Shortfall/surplus of Corporate Income Tax estimate	45,634.42
Others	(95.12)
	561,581.66
Current income tax	561,581.66
Deferred income tax	280,891.39
Income tax	842,473.05
Tax rate	10.2%

The tax rate used to determine the amount of current income tax is as follows:

	31.12.2017
Tax rate	21.00%
Municipal surcharge	1.50%
State surcharge	3.00%
	25.50%

The parent entity being a Foundation (non-profit entity) and as mentioned in note 3.18 does not apply the rate of municipal and state surcharges, however it is applicable to its subsidiary Oceanário.

37. Commitments

The commitments assumed by the Group, on the reporting date for the period ended 31 December 2017, were as follows:

37.1 Obligations of the Group arising from the variable commitment concerning the Concession Agreement for the Operation and Administration of the Oceanário de Lisboa

Following the conclusion of the concession agreement, in addition to the payment of the intangible asset (see notes 3.4 and 9), Oceanário de Lisboa, SA assumed the contractual obligation to pay a variable financial contribution calculated on 5% of the concession revenue, namely from tickets and other commercial activities, contributions on taxes or other payments to which the Group is entitled by law and interest or remuneration of capital and financial investments made by the Group.

Due to the fact that this calculation is variable, this obligation is not recorded into the Group's financial statements.

37.2 Commitments to operating leases

Summary of the rentals due in connection with operating lease agreements in effect as at 31 December 2017:

2017	< 1 year	1 -5 years	> 5 years
Vehicles	18,437.97	48,973.67	-
	18,437.97	48,973.67	-

38. Contingencies

38.1 Contingent liabilities

The Group has the following contingent liabilities arising from bank guarantees provided, as follows:

- I. Bank guarantee, starting on 28 September 2015, in the amount of €2,000,000 to the Portuguese State, to guarantee exact and punctual compliance with its legal and contractual obligations, including those related to contractual penalties, under the concession agreement entered into with the Portuguese State.
- II. To guarantee the long-term bank loan obtained, a financial pledge was established over the right to receive the financial endowments defined by Sociedade Francisco Manuel dos Santos, SE and the balance of the parent entity's bank account and income resulting from the balance of that account.
- III. To guarantee the long-term bank loan obtained by the Group, in order to pay the Portuguese State the initial component of the concession agreement for the right to operate the Oceanário infrastructure, a financial pledge

was established in favour of Banco Santander Totta on the Oceanário shares and on any amounts it may be due from the Oceanário. With the same objective, a financial pledge was established on the bank accounts of the subsidiary Oceanário and the income from the balances thereof.

38.2 Guarantees provided by third parties

The Group has the following bank guarantees provided by third parties, as follows:

Beneficiary	Aim	Start	31-12-2017
Cerger	Contractual obligations	08-02-2011	24,000.00
Engitetra	Contractual obligations	31-01-2011	16,930.44
FCM	Contractual obligations	12-02-2015	5,127.80
2GM	Contractual obligations	23-09-2014	6,599.30
Prestibel	Contractual obligations	09-11-2016	46,425.60
Saniambiente	Contractual obligations	07-08-2012	29,773.58
Siemens	Contractual obligations	16-01-2016	15,763.13
Sogefran	Contractual obligations	17-12-2013	20,000.00
Solidecrew	Contractual obligations	01-07-2012	64,750.95
			229,370.80

38.3 Contingent assets

The parent entity, under the terms of the agreement for Contribution of Funds entered into with Sociedade Francisco Manuel dos Santos, SGPS, S.A., has the right to receive as Foundation Endowment a total of 30,000,000 euros, the amount of 7,500,000 having already been paid, the amount of 22,500,000 remaining to be paid by 2025.

39. Related parties

The Foundation was created by its Founder Sociedade Francisco Manuel dos Santos, SGPS, SE.

Remuneration of the Board of Directors

The remunerations received by the Board of Directors amounted to 358,215.86 euros during the year ended 31 December 2017.

Remuneration of the Audit Committee

The remuneration received by the Individual Auditor amounted to 21,256.73 euros during the year ended 31 December 2017.

Transactions between related parties

a. Nature of the related party relationship

Founding Shareholders

Sociedade Francisco Manuel dos Santos, SGPS, SE.

Related parties through founding shareholders

Pingo Doce

Fundação Francisco Manuel dos Santos

Unilever Fima

Associates

Telecabine de Lisboa, Lda.

Other entities – participation in complementary grouping of companies

Sieocean

b. transactions and outstanding balances

I. Founding Shareholders

Goods sold and services rendered:

During the year, the Group conducted the following transactions with the founding shareholder:

2017	
Income	
Services rendered/Other income/Donations	
Sociedade Francisco Manuel dos Santos , SGPS, SE	7,512,300.00
	7,512,300.00
2017	
Expenses	
Services rendered/Other expenses	
Sociedade Francisco Manuel dos Santos , SGPS, SE	20,600.00
	20,600.00

II. Related parties through founding shareholders:

30.12.2017	
Income	
Services rendered/Other income/Donations	
Pingo Doce	183,523.74
Fundação Francisco Manuel dos Santos	360.00
Unilever Fima	15,325.00
	199,208.74

Debit and credit balances

At the end of the period of 2017, the balances resulting from transactions with related parties were as follows:

2017	
Debit balances	
Other receivables	
Unilever Fima	14,100.00
	14,100.00

2017	
Credit balances	
Other payables	
Unilever Fima	15.10
	15.10

III. Associates

Goods sold and services rendered

During the year, the Group conducted the following transactions with associates:

2017	
Expenses	
Services rendered/Other expenses	
Telecabine	639.60
	639.60

IV. Other entities – participation in complementary grouping of companie

Goods sold and services rendered

During the year, the Group conducted the following transactions with Sieocean:

2017	
Income	
Services rendered/Other income	
Sieocean	61,830.77
	61,830.77
2017	
Expenses	
Services rendered/Other expenses	
Sieocean	901,370.22
	901,370.22

Debit and credit balances

At the end of the period of 2017, the balances resulting from transactions with related parties were as follows:

2017	
Debit balances	
Trade receivables	
Sieocean	20,949.83
	20,949.83

40. Subsequent events


Up to the date of approval of these consolidated financial statements, there have been no subsequent events since 1 January 2018 that are known to the Board of Directors and, in accordance with IAS 10, should be recorded or disclosed in these consolidated financial statements.

The Chartered Accountant

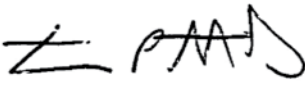


João Pedro Eloi Lopes Banza, number 37215

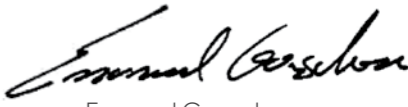
The Board of Directors




José Soares dos Santos




Tiago Pitta e Cunha



Emanuel Gonçalves



R. Andreas Kraemer



João Falcato Pereira

Separate Financial Statements and Notes

Separate Financial Statements and Notes

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Statement of Financial Position

	Note	31.12.2017
Assets		
Non-current		
Property, plant and equipment	6	988.09
Intangible assets	7	4,606.19
Investments in subsidiaries	8	27,702,404.38
		27,707,998.66
Current		
Other accounts receivable	11	25,511.32
Cash and cash equivalents	13	1,494,084.84
		1,519,596.16
Total Assets		29,227,594.82
Endowment Funds		
Funds	14	7,171.829,00
Other reserves	15	(264.330,23)
Other changes in endowment funds	16	(260.503,01)
Retained earnings	8	128.019,39
Net profit for the period		7.453.371,37
Total Capital Fund		14.228.386,52
Liabilities		
Non-current		
Borrowings	17	10,825,200.00
Derivatives	18	260,503.01
		11,085,703.01
Current		
Borrowings	17	3,521,200.00
Trade payables	20	40,595.99
Income tax payable	12	1,631.18
Other accounts payable	19	350,078.12
		3,913,505.29
Total Liabilities		14,999,208.30
Total Endowment Funds and Liabilities		29,227,594.82

The notes on pages 174 to 211 form an integral part of these financial statements.

Statement of profit and loss and other comprehensive income


	Note	2017
Donations and legacies	21	7,624,436.44
Gains/losses of subsidiaries, associates and joint ventures	8	1,037,948.46
External supplies and services	22	(325,508.76)
Personnel costs	23	(508,576.42)
Depreciation and amortisation expenses/reversals	6 and 7	(1,193.88)
Impairment of non-depreciable/amortisable investments (losses/reversals)	8	(187,128.59)
Other income	24	6.40
Other expenses	25	(43,054.83)
Operating profit		7,596,928.82
Financial expenses	26	(141,926.27)
Pre-tax profit		7,455,002.55
Corporate income tax	27	(1,631.18)
Net profit for the period		7,453,371.37
Other comprehensive income:		
Items that may be reclassified to profit or loss.		
Changes in the fair value of the cash flow hedging instruments	16	102,425.67
		102,425.67
Other comprehensive income - total		102,425.67
Total comprehensive income for the period		7,555,797.04

The notes on pages 174 to 211 form an integral part of these financial statements.




Statement of changes in Endowment Funds

	Note	Funds	Other reserves	Retained earnings	Other changes in endowment funds	Net profit for the period	Total
As at 1 March 2017		-	-	-	-	-	-
Net profit for the period						7,453,371.37	7,453,371.37
Funds received Founders	14	7,171,829.00	-	-	-	-	7,171,829.00
Other profit or loss recorded directly in endowment funds resulting from subsidiary and associated companies	15	-	(849,928.76)	-	-	-	(849,928.76)
Other gains and losses recognised in retained earnings resulting from subsidiaries		-	-	128,019.39	-	-	128,019.39
Incorporation and dissolution of subsidiaries		-	585,598.53	-	(362,928.68)	-	222,669.85
Changes in fair value of derivatives	16	-	-	-	102,425.67	-	102,425.67
As at 31 December 2017		7,171,829.00	(264,330.23)	128,019.39	(260,503.01)	7,453,371.37	14,228,386.52



The notes on pages 174 to 211 form an integral part of these financial statements.

Statement of cash flows

	Note	31.12.2017
Cash flows from operating activities		
Cash receipts from customers and users		374,436.44
Cash payments to suppliers		(239,548.79)
Cash payments to personnel		(146,348.28)
Cash generated from operations		(11,460.63)
Income taxes paid/received		(13,344.96)
Other receipts/payments		(140,520.79)
Net cash from operating activities		(165,326.38)
Cash flows from investing activities		
Payments relating to		
Intangible assets		(1,868.63)
Financial investments		(900,000.00)
Receipts relating to		
Dividends	8	465,052.30
Other assets		
Net cash used in investing activities		(436,816.33)
Cash flows from financing activities		
Receipts relating to		
Donations		3,000,000.00
Payments relating to		
Borrowings		(696,400.00)
Interest and similar expenses		(207,372.45)
Net cash used in investing activities		2,096,227.55
Changes in cash and equivalents		
Cash and cash equivalents at the beginning of the period		1,494,084.84
Cash and cash equivalents at the end of the period	13	1,494,084.84

The notes on pages 174 to 211 form an integral part of these financial statements.



Notes to the financial statements

1. Introduction

The Oceano Azul Foundation (also referred to in this document as “Foundation” or “Entity”), is non-profit private entity, created by Sociedade Francisco Manuel dos Santos, SGPS, SE (Founder) on 15 December 2016, having its registered office at Oceanário de Lisboa, located at Esplanada D. Carlos I – Doca dos Olivais, parish of Parque das Nações, in Lisbon.

The Foundation was recognised through Order number 1811/2017 of 10 February 2017 issued by the Bureau of the Assistant Secretary of State and of Administrative Modernisation and commenced its activity on 1 March 2017. The Foundation aims to contribute to the conservation and sustainable use of the ocean, seeking, in particular: (a) To develop blue literacy and to raise society’s awareness of the challenges of ocean sustainability; (b) to defend ocean conservation, promoting the enhancement of marine biodiversity and the development of sustainable use; (c) To contribute to new governance of the ocean, guided by ethical values and based on scientific knowledge, as well as to encourage, through empowerment actions, an innovative and environmentally sustainable blue economy.

The Foundation received, as an initial endowment in kind from its Founder, shares in the entity Waterventures – Consultoria, Projectos e Investimentos, S.A. (hereinafter referred to as “Waterventures”). This entity was set up by Sociedade Francisco Manuel dos Santos (SFMS) to buy the shares of Oceanário de Lisboa, S.A. (hereinafter “Oceanário”), given that it would not be possible to complete the process of setting up and recognition of the Foundation, in good time. During 2017, in order to achieve the initial aim of the Foundation holding the shares in the Oceanário, Sociedade Francisco Manuel dos Santos (SFMS) and the Foundation decided to wind up the company Waterventures and, consequently, the Foundation incorporated the assets (assets and liabilities) of Waterventures, including the Oceanário shares.

These financial statements were approved by the Board of Directors, at the meeting on 12th March 2018. The Board of Directors believes that these financial statements give a true and fair view of the Foundation’s affairs, as well as its financial position and performance and cash flows.

The financial statements of the Foundation and these notes are presented in euros.

2. Accounting standards used in the preparation of the financial statements

2.1 Basis of preparation

These financial statements were prepared by the Entity in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”), issued and in force or issued and adopted in advance as at 1 January 2017, adjusted in terms of terminology, given the nature legal of the Entity (Foundation).

The accompanying financial statements were prepared on the going-concern basis, from the ledgers and accounting records of the Foundation, the Entity having followed the historical cost convention, modified where applicable by measuring financial assets at fair value through profit or loss.

The preparation of the financial statements in compliance with IFRS requires the use of estimates, assumptions and critical judgements in the process of determining the accounting policies to be adopted by the Entity, with a significant impact on the book value of the assets and liabilities, as well as on the income and expenses of the reporting period.

Although these estimates are based on the experience of the Board of Directors and on their best expectations in relation to current and future events and actions, the current and future results may differ from these estimates. The areas that involve a greater degree of judgement or complexity, or areas in which assumptions and estimates are significant are presented in Note 5.

Standards (new and amendments) published that are mandatory for annual periods beginning on or after 1 January 2018, already endorsed by the European Union:

a. IFRS 9 (new), ‘Financial instruments’ (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) recognition of the impairment of receivables (using the expected loss model); and (iii) requirements for the recognition and classification of hedge accounting.

The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

b. IFRS 15 (new), ‘Revenue from contracts with clients’ (effective for annual periods beginning on or after January 1, 2018). This new standard applies only to contracts for the provision of goods or services and requires an entity to recognise revenue when the contractual obligation to transfer goods or provide services is met and for an amount that reflects the consideration to which an entity expects to be entitled, as provided for in the “five-step model framework”. The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

c. IFRS 16 (new), ‘Leases’ (effective for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17, with a significant impact on accounting by lessees who are now obliged to recognise a lease liability reflecting future lease payments and a “right of use” asset for all leasing contracts, except certain short-term leases and low value assets. The definition of a lease contract was also changed, being based on the “right to control the use of an identified asset”. The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

d. IFRS 4 (amendment), ‘Insurance contracts (applying IFRS 9 with IFRS 4)’ (effective for annual periods beginning on or after 1 January 2018). This amendment entitles entities that issue insurance contracts to reclassify in Other comprehensive income, instead of profit and loss, the volatility that can result from applying IFRS 9 before the new standard for insurance contracts is published. In addition, there is a temporary exemption from applying IFRS 9 until 2021 for entities whose predominant activity is issuing insurance contracts. This exemption is optional and does not apply to the consolidated financial statements that include an insurance entity.

No impact is expected regarding this standard.

e. Amendments to IFRS 15, ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after January 1, 2018). These amendments refer to additional indications to be followed to determine the obligations for contract performance, the time of recognising the revenue from an intellectual property licence, the review of indicators for classifying principal versus agent, and the new regimes envisaged for simplifying the transition. The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

Standards and interpretations (new and amendments) published that are mandatory for annual periods beginning on or after 1 January 2017, which the European Union has not yet endorsed:

Standards

a. IFRS 1 ‘First-time adoption of IFRS’ (effective for annual periods beginning on or after 1 January 2018). This cycle of improvements is still subject to endorsement by the European Union. This improvement eliminates the temporary exemptions for IFRS 7, IFRS 10 and IAS 19, since they are no longer applicable.

As first financial statements were already prepared in accordance with IFRS for which reason the amendments to IFRS 1 will not have an impact when it is adopted by the European Union.

IFRS 12, ‘Disclosure of interests in other entities’ (effective for annual periods beginning on or after January 1, 2017). This cycle of improvements is still subject to endorsement by the European Union. This improvement is to clarify that its scope includes investments classified under IFRS 5 and that the only exemption concerns disclosure of summarised financial information for these entities.

IAS 28, ‘Investments in associates and joint ventures’ (effective for annual periods beginning on or after 1 January 2018). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that investments in associates or joint ventures held by a venture capital company can be individually measured at fair value in accordance with IFRS 9. This improvement also clarifies that an entity that is not an investment entity, but has investments in associates and joint ventures that are investment entities, can maintain fair value measurement of the investment of the associate or joint venture in their own subsidiaries.

b. IAS 40 (amendment), ‘Transfers of investment property’ (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies that assets can only be transferred to and from investment property when there is an evident change in use. A mere change in management’s intentions is not sufficient for the transfer. The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

c. IFRS 2 (amendment), ‘Classification and measurement of share-based payment transactions’ (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. In addition, it also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. No impact is expected regarding this standard.

d. IFRS 9 (amendment), ‘Prepayment Features with Negative Compensation’ (effective for annual periods beginning on or after January 1, 2019). This amendment is still subject to endorsement by the European Union. This amendment introduces the possibility of some prepayable financial assets with negative compensation being classified at amortised cost, provided specific conditions are complied with, instead of being classified at fair value through profit or loss. The Entity is still calculating the possible impacts of this standard. However, no significant impacts are expected.

e. IAS 28 (amendment), ‘Long-term interests in associates and joint ventures’ (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment clarifies that long-term interests in associates and joint ventures (parts of an entity’s investment in an associate or joint venture) that are not measured using the equity method are recorded according to IFRS 9 and are subject to an impairment model based on expected losses, before testing the investment as a whole for impairment. The Foundation has a holding in a Subsidiary that is measured using the equity method, for which reason this amendment does not have an impact on the Entity.

f. IAS 23, ‘Borrowing costs’ (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that where funds borrowed specifically are still remains pending, after the qualifying assets concerned are available for use or sale, they must be added to general loans to calculate the average interest rate of capitalisation in other qualifiable assets.

IAS 12, ‘Income taxes’ (effective for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. This improvement clarifies that the tax impacts of dividends are recognised on the date on which the entity registers responsibility for the payment of dividends, which are recognised in profit and loss for the year, in other comprehensive income or in capital, depending on the transaction or event that gave rise to the dividends.

IFRS 3, ‘Business combinations’ and IFRS 11, ‘Joint arrangements’ (to be applied in reporting periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union. These improvements clarify that: i) when obtaining control over a business that is a joint operation, previously held interests in that interest are remeasured at fair value; and ii) when an investor in a joint operation that does not exercise joint control, then obtains joint control in a joint operation that is a business, the previously held interest is not remeasured.

g. IFRS 17 (new), ‘Insurance contracts’ (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 is based on current measurement of technical liabilities, on each reporting date. Current measurement can be based on a complete model (“building block approach”) or a simplified model (“premium allocation approach”). Recognition of the technical margin is different depending on whether this is positive or negative. IFRS 17 is applied retrospectively. No impact is expected regarding this standard.

Interpretations

a. IFRIC 22 (new), ‘Foreign currency transactions and advance consideration’ (to be applied to years beginning on or after 1 January 2018). This interpretation is still subject to being endorsed by the European Union. This is

an interpretation of IAS 21 (The effects of changes in exchange rates’ and refers to determining the “transaction date” when an entity pays or receives an advance consideration for contracts denominated in foreign currency. The “transaction date” determines the exchange rate to be used for converting transactions in foreign currency. This interpretation may have an impact on the Entity with regard to advances to suppliers, but no material impacts are expected on the financial statements of the Entity.

b. IFRIC 23 (new), ‘Uncertainty over income tax treatments’ (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to being endorsed by the European Union. This is an interpretation at IAS 12 – ‘Income taxes’, referring to the measurement and recognition requirements to be applied when there are uncertainties as to the acceptance by a specific tax treatment by tax authorities concerning Income tax. When there is uncertainty over the position of Tax authorities towards a specific transaction, the entity must make its best estimate and record income tax assets and liabilities in the light of IAS 12, and not IAS 37 – “Provisions, contingent liabilities and contingent assets”, based on the expected or most probable value. The application of IFRIC 23 can be retrospective or retrospective with modifications. This standard is not expected to have an impact on the entity since the Foundation has a prudent attitude to tax situations with uncertainty.

3. Significant accounting policies

The main accounting policies applied in the preparation of the financial statements are those described below. Due to the fact that the Foundation commenced operations on 1 March 2017, the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of endowment funds, the statement of cash flows and these notes do not present comparative data for the preceding period.

3.1 Holdings in subsidiaries

Subsidiaries are all entities over which the Foundation has control. The Foundation controls an entity when it is exposed to, or has rights over, variable returns from its involvement with the entity and has the capacity to affect these returns, by exercising authority over the entity.

The excess of the cost over the fair value of the identifiable assets and liabilities acquired, goodwill, is recognised as part of the financial investment in subsidiaries. If the acquisition cost is less than the fair value of the assets and liabilities of these entities acquired, the difference is recognised as a gain directly in the statement of profit and loss and other comprehensive income.

In the financial statements, investments in subsidiaries are measured at the value resulting from the application of the equity method. Investments in these entities are initially measured at cost in the financial statements, their carrying amount being subsequently increased or decreased, through recognition of the Entity’s share in the total profit or loss recorded in the comprehensive income statement, from the date on which the significant influence starts, until the date on which it effectively ceases.

Dividends awarded by subsidiaries are reduced to the value of the investments, in the statement of financial position. When the share of losses in these Entities exceeds the investment value in the Subsidiaries, the Foundation recognises additional losses if it has incurred obligations, or if it has made payments for the benefit of these entities.

3.2 Currency conversion

I. Functional and reporting currency

The items included in the financial statements are measured using the currency of the of economic environment in which the Foundation operates (reporting currency), the euro. The financial statements of the Entity and their notes are presented in euros, unless otherwise specifically indicated, the Foundation’s functional currency.

II. Transactions and balances

Transactions in currencies other than the euro are converted into the reporting currency using the exchange rates on the transaction date. Exchange gains or losses resulting from payments/receipts from transactions and from exchange rate conversions on the reporting date of monetary assets and liabilities denominated in foreign currency, are recorded in the statement of profit and loss and other comprehensive income under financing costs, if related to loans, or other operating expenses, for all other balances/transactions.

III) Rates used

The foreign currency rates used for conversion of balances denominated in foreign currencies were as follows:

Foreign Currency Rates	Average Rate	End of Period Rate
Currency	2017	31.12.2017
USD	1.1297	1.1993
GBP	0.8767	0.8872

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The acquisition cost includes the purchase price of the asset, costs directly attributable to the acquisition and charges incurred in preparing the asset for use. Financial costs incurred with borrowings for the construction of property, plant and equipment are recognised as part of the construction cost of the asset.

Subsequent costs incurred with refurbishments and major repairs, reflected in an increase in the useful life or capacity to generate economic benefits of the assets are recognised in the cost of the asset.

Repairs and maintenance are recognised as an expense in the period in which they are incurred.

Expenses incurred with the dismantling or removal of assets installed on third-party properties are considered part of the initial cost of the assets in question, when they are significant amounts.

The estimated useful lives for the most significant property, plant and equipment are as follows:

	Years
Office furniture and fittings	3 years

Whenever there is evidence of loss of value of property, plant and equipment, impairment tests are carried out, in order to estimate the recoverable value of the asset and, when necessary, record an impairment loss. The recoverable value is determined as the highest of the fair value less costs of disposal and the value in use of the asset, the latter being calculated based on the current value of future estimated cash flows, arising from continued use and from sale of the asset at the end of its defined useful life.

Gains or losses from the sale of assets are determined by the difference between the realisable value and the book value of the asset, being recognised in the statement of profit and loss and other comprehensive income.

3.4 Intangible assets

Intangible assets are only recognised when: i) they are identifiable; ii) it is probable that they will yield future economic benefits; and iii) their cost can be reliably measured.

When acquired separately, intangible assets are recorded at cost, which includes: i) the acquisition price, including costs with intellectual rights and charges after the deduction of any discounts; and ii) any cost directly attributable to the preparation of the asset for its intended use.

After the initial calculation, the Foundation measures its intangible assets using the cost model.

The assets generated internally, namely internal development expenses, are registered as costs when they incurred, whenever it is not possible to distinguish the research stage from the development stage, or it is not possible to reliably determine the costs incurred in each stage or the probability economic benefits flowing to the Foundation.

Expenditure with studies and appraisals carried out in the course of operating activities are recorded in profit and loss for the period in which they were incurred.

The Entity has recorded as intangible assets:

I. Computer software – refers to the amounts spent on the acquisition of rights over computer applications and the costs of any parameterisation incurred, to support the Foundation’s activities. Upgrades to software or the introduction of new features are also capitalised as intangible assets.

Licences and maintenance contracts are recorded as expenses in the statement of profit and loss and other comprehensive income, pro rata for the period to which they refer.

The Foundation determines the useful life and depreciation method for intangible assets based on the estimate of consumption of economic benefits associated with the asset, having defined to date the following useful lives:

	Years
Computer software	3 years

3.5 Impairment of non-financial assets

Non-financial assets, such as property, plant and equipment and intangible assets with a defined useful life are subject to impairment tests, when and only when certain events or circumstances occur that indicate that the carrying amount of the assets may not be recoverable.

When the recoverable value is below the carrying amount of the asset, the corresponding impairment is recorded.

An impairment loss is recognised as the excess of the carrying amount of the asset over its recoverable value, the recoverable value being the higher of an asset’s fair value less costs to sell and its value in use. To determine the existence of impairment, assets are allocated to the lowest level for which there are separately identifiable cash flows (cash generating units).

The calculation of fair value less costs to sell can be based on: i) the agreed selling price in a transaction between unrelated third parties, less costs to sell; ii) the market price if the asset is traded in an active market; or iii) the fair value calculated as an estimate of the future cash flows that a market participant would expect to derive from the asset.

In the calculation of the value in use, the methodology of discounted cash flows is used, including the following elements:

- a.** an estimate of future cash flows that the entity expects to derive from the asset;
- b.** expectations of fluctuations in the amounts and timing of these cash flows;
- c.** the time value of the money, measured using the pre-tax discount rate, based on WACC; and
- d.** other factors that must be considered in this analysis, such as the lack of liquidity that market participants may reflect in future cash flows that the entity expects to derive from the asset.

An impairment test was applied to the participation in Oceanário on June 30, 2016, in which a WACC rate of 7.66% was used. The study was based on the forecasts of the 5-year Plan of Activities and Budget and the estimated cash flows after the first 5 years show an expected growth of 1% up to 2024 and 2% from 2025.

It is considered that there are no significant changes in the assumptions used in this analysis.

Non-financial assets, other than goodwill, for which impairment losses have been recorded, are valued on each reporting date, for possible reversal of impairment losses. Impairment losses recognised for goodwill cannot be reversed, except in its sale.

When an impairment loss or its reversal are recorded, the depreciation (amortisation) of the assets in question is recalculated prospectively according to the adjusted recoverable amount of the recorded impairment.

3.6 Financial assets

The Board of Directors determines the classification of financial assets, on the initial recognition date, according to the purpose of their acquisition.

Financial assets can be classified as:

- I.** Financial assets at fair value through profit or loss - these include non-derivative financial assets held for trade concerning short-term investments and fair-value assets through profit or loss at the date of initial recognition;
- II.** Loans made and accounts receivable – these include non-derivative financial assets with fixed or determinable payments not quoted in an active market;
- III.** Held-to-maturity investments – these include non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Entity has the intent and ability to hold until maturity
- IV.** Available-for-sale financial assets – these include the non-derivative financial assets designated as available for sale at the time of their initial recognition, or not covered in the categories referred to above. These are recognised as non-current assets unless management intends to dispose of the financial assets within 12 months of the reporting date.

Purchases and sales of investments in financial assets are recorded on the transaction date, in other words, on the date on which the Entity undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are recorded initially at fair value, with the transaction costs recognised in profit or loss. These assets are subsequently measured at fair value and gains and losses resulting from changes in fair value are recognised in profit or loss for the period in which they occur under net financial costs, which also includes the amounts of interest income and dividends obtained.

Financial assets available for sale are initially recorded at fair value plus transaction costs. In subsequent periods, they are measured at fair value, with the change in fair value recognised in the fair value reserve in equity. Dividends and interest on available-for-sale financial assets are recognised in profit or loss for the period in which they occur, under other operating gains, when the right to receive is established.

Loans made and accounts receivable are classified in the statement of financial position as “Trade receivables” and “Other accounts receivable” (Note 11) and are recognised initially at fair value and subsequently at amortised cost, using the effective interest rate method, excluding any impairment loss. Adjustments to trade receivables through impairment occurs when there is objective evidence that the Entity will not receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it.

On each reporting date, the Entity assesses the impairment of these assets. Where there is objective evidence of impairment, the Entity recognises an impairment loss in the statement of profit and loss and other comprehensive income.

Objective evidence that a financial asset or group of assets might be impaired took into account observable data that suggest the following loss events:

- / Significant financial difficulty of the debtor;
- / Breach of contract, such as non-payment or default in payment of interest or repayment of the debt;
- / The entity, for economic or legal reasons related to the financial difficulty of the debtor, offers the debtor discounts that would otherwise not be considered;
- / It becomes probable that the debtor will enter bankruptcy or other form of financial reorganisation;
- / Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition.

Significant financial assets are assessed individually for impairment.

With regard to investments in equity instruments, classified as available-for-sale financial assets, a significant or prolonged fall in their fair value below their cost is considered an indicator that the assets are impaired.

If there is evidence of impairment of available-for-sale financial assets, the accumulated loss, calculated as the difference between the acquisition cost and the current fair value, less the effect of any impairment losses, previously recognised in profit or loss, is deducted from the Trust (Fundo Patrimonial) and recognised in profit or loss for the period. Impairment losses associated with debt instruments recognised in the income statement are reversible through profit or loss. Impairment losses associated with equity instruments, recorded in the statement of profit and loss and other comprehensive income, are not reversible through profit or loss.

Financial assets are derecognised when the rights to receive the cash flows deriving from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

3.7 Fair value of assets and liabilities

When determining the fair value of an asset or liability, the approach must be based on a hypothetical transaction carried out in the most active market of the asset or liability or, in its absence, the most advantageous market (in other words, the market that maximises the value that the Foundation would receive by selling the asset or minimises the amount that would be paid to transfer the liability within that market, after considering transaction and transport costs, if applicable). This corresponds to Level 1 of the fair value hierarchy, provided the market prices used are not adjusted.

Assets and liabilities classified in level 2 of the fair value hierarchy do not have active markets - these items are measured using an input-based method, different from the observable level 1 inputs (e.g. interest rates, exchange rates, etc), commonly used in the market.

The Foundation can also have assets and/or liabilities that are classified in level 3 of the fair value hierarchy. This fair value level is characterised by the absence of observable market data - as such, the Entity applies methods based on the best available information, given the particular circumstances of each asset and liability, which may include internal data such as assumptions and estimates.

3.8 Trade receivables and other accounts receivable

These items mainly include the customer balances resulting from services rendered/donations related to the Foundation's activities. The balances are classified as current assets when collection is estimated for within a 12-month period. The balances are classified as non-current if the collection estimated occurs 12 months after the reporting date.

"Trade receivables" and "Other accounts receivable" are measured initially at fair value, being subsequently measured at amortised cost, less impairment adjustments (if applicable). Impairment losses of trade receivables and other accounts receivable are recorded whenever there is objective evidence that the amounts are not recoverable under the initial terms of the transaction. The impairment losses identified are registered in the statement of profit and loss and other comprehensive income under "Impairment of trade receivables" being subsequently reversed through profit or loss if impairment indicators are reduced or no longer exist. Loans to shareholders and related parties through shareholders are valued at cost or amortised cost less impairment.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term, high liquidity investments with initial maturities of up to 3 months, readily convertible into cash and subject to insignificant risk of change in value.

Bank overdrafts are shown on the statement of financial position in current liabilities under "Borrowings", and are considered in the preparation of the cash flow statement as cash and cash equivalents.

3.10 Endowment Funds

The initial endowments by the Founder, as defined in the statutes of the Foundation are recorded in the Capital Fund and recorded on the date of confirmation of their allocation.

3.11 Financial liabilities

Financial liabilities are classified in two categories:

I. Financial liabilities at fair value through profit or loss;

II. Other financial liabilities

Other financial liabilities include "Borrowings" (Note 17), "Derivatives" (Note 18) "Trade payables" (Note 20) and "Other accounts payable" (Note 19). Liabilities classified as "Trade payables" and "Other accounts payable" are measured initially at fair value and subsequently at amortised cost according to the effective interest rate.

Financial liabilities are derecognised where the underlying obligations are discharged, cancelled or expire.

When a financial hedging instrument expires or is sold, or when the hedge ceases to meet the requirements for hedge accounting, the changes in the fair value of the derivative accumulated in other comprehensive income are recognised in profit or loss, when the hedged transaction also affects profit or loss.

3.12 Offsetting of financial instruments

Financial assets and liabilities are offset and their net amounts reported in the statement of financial position, only when there is a legally exercisable right to offset these amounts and when there is an intention to settle on a net basis, or when the asset is realised and the liability settled simultaneously. There is a legal right to offset when it is exercisable at any time during the normal course of the activity and is not contingent on the occurrence of future events or cases of default, insolvency or bankruptcy of the Entity.

3.13 Borrowings

Borrowings are initially recorded at fair value, net of the transaction costs incurred. Borrowings are subsequently measured at amortised cost with the difference between the nominal value and the initial fair value recognised in the statement of profit and loss and other comprehensive income throughout the period of the loan, using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Entity has an unconditional right to defer the payment of liabilities for at least 12 months after the reporting date, in which case they are classified as non-current liabilities.

3.14 Trade and other accounts payable

This heading generally includes balances of suppliers of goods and services that the Foundation acquired, in the normal course of its activity. Its items will be classified as current liabilities if the payment is due within 12 months or less, otherwise "Trade payables" and "Other accounts payable" will be classified as non-current liabilities.

These financial liabilities are recognised initially at fair value. Subsequent to initial recognition, "Trade payables" and "Other accounts payable" are measured at amortised cost, using the effective interest method.

3.15 Borrowing costs

Interest and others costs incurred by the Foundation in connection with loans to support the Foundation's activities, whether general or specific, directly attributable to the construction of qualifying assets (an asset substantial period of time to get ready for its intended use or sale) are added to the cost of these assets, until they are ready for use or sale.

Interest income from the temporary investments of specific loans that have not yet been applied to pay suppliers of qualifying assets are deducted from the costs of loans eligible for capitalisation.

With the exception of capitalisation in qualifying assets, all other costs with loans are recognised in profit or loss, in the periods in which they are incurred.

3.16 Derivatives

The Foundation uses cash flow hedge derivatives to manage the financial risks to which it is exposed, not using derivatives for the purpose of speculation.

Derivatives used for hedging may be classified as hedges for accounting purposes as long as they meet all the following cumulative conditions:

a. On the transaction start date the hedging relationship is identified and formally documented. This includes identification of the hedged item and the hedge instrument and assessment of the effectiveness of the hedge

b. There is expectation that the hedge relationship is highly effective, on the transaction start date (prospectively) and throughout the operation (retrospectively);

c. The effectiveness of the hedge can be reliably measured at the transaction start date and throughout the life of the operation.

d. For cash flow hedges, there must be a strong likelihood that the cash flows will occur.

For measuring the derivatives, the Foundation uses the assessments provided by counterparties as a basis for recognition of their fair value on the accounting date.

Operations that qualify as hedging instruments cash flow hedging relationship are recorded on the balance sheet by fair value and, to the extent that they are considered effective hedges, changes in the fair value of the instruments are recorded in other comprehensive income. The amounts accumulated in equity are reclassified to profit or loss in the periods in which the items covered also affect profit or loss (for example, when a planned transaction or event that was hedged takes place). Gains or losses related to the ineffective portion are recognised immediately in profit or loss. This way and in net terms, the costs associated with hedged financing are recognised at the rate associated with the hedging operation entered into.

3.17 Corporate income tax

Corporate income tax for the period includes current taxes and deferred taxes. Corporate income tax is recorded in the statement of profit and loss and other comprehensive income, except when relating to items that are recorded directly in the Trust (Fundo Patrimonial).

Current tax

The Foundation is a non-profit entity and for the purposes of tax law it is an entity that does not primarily engage in commercial, industrial or agricultural activity. This means that the current tax payable is determined based on its overall income adjusted according to tax regulations in force. Under current tax legislation, tax returns are subject to review and correction by the tax authorities for a period of 4 years.

The Foundation is subject to corporate income tax at the rate of 21%.

Deferred taxes

Deferred taxes are recognised using the liability method based on the statement of financial position, considering temporary differences resulting from the difference between the tax base of assets and liabilities and their amounts in the financial statements.

Deferred taxes are calculated based on the tax rate in force or already officially announced on the reporting date and estimated to be applicable on the date of realisation of the deferred tax assets or on the date of payment of the deferred tax liabilities.

Deferred tax assets are recognised to the extent that it is probable there will be future taxable profits available for the use of difference temporary. Deferred tax liabilities are recognised on all taxable temporary differences, except those relating to: i) initial recognition of goodwill; or ii) initial recognition of assets and liabilities that do not derive from a business combination and which at the transaction date do not affect accounting balance or the fiscal balance.

3.18 Provisions and contingent liabilities

Provisions are recognised when the Entity has: i) a present legal or constructive obligation as a result of past events; ii) for which it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated.

Whenever one of the criteria is not complied with or the existence of the obligation is dependent on the occurrence (or not) of a particular future event, the Entity discloses this as contingent liabilities, in accordance with Note 29, unless the probability of an outflow of resources to settle the event it is considered remote.

Provisions are measured at the present value of the estimated costs to pay the obligation using a pre-tax interest rate that reflects the market assessment of the discount rate and the risks specific to the provision.

Judicial proceedings

Provisions related to judicial proceedings, opposing the Foundation to third parties, are set up in accordance with internal risk assessments by the Board, with the support and advice of its legal advisors.

Onerous contracts

The Foundation records a provision for onerous contracts, when it has a contractual obligation to supply a product or service, for which the cost of meeting the obligation assumed exceeds the estimated economic benefits to be received. The provision is measured at the lower of the costs of performance of the contract and any penalties or compensation that the Foundation may have to pay for non-performance of the contract.

3.19 Contingent assets

Contingent assets are “possible” assets generated by past events, whose existence derives from confirmation of the future occurrence of one or more uncertain events over which the Foundation does not have control. These assets are not recognised in the Foundation’s financial statements, but are disclosed in the accompanying notes, when their occurrence is probable.

3.20 Leases

Foundation as lessee

Leases of property, plant and equipment, where the Foundation assumes substantially all the risks and benefits of ownership of the asset are classified as finance leases. Contracts in which analysis of one or more matters of the contract suggest this nature are also classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum payments, each determined at the date the contract commenced. A debt arising

from a finance lease is recorded net of finance charges, under “Borrowings”. Financial charges included in the instalment and the depreciation of leased assets are recognised recorded in the separate statement of income and other comprehensive income in the period to which they relate.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, when the Entity does not have a purchase option at the end of the contract, or over the estimated useful life when the Entity intends to acquire the assets at the end of the contract.

In operating leases, rental payments are recognised as a cost in the statement of profit and loss and other comprehensive income on a straight-line basis, over the lease term.

3.21 Income and expenses

Income and expenses are recorded in the period to which they refer regardless of their payment or receipt, in accordance with the accruals principle. Any differences between the amounts received and paid and the corresponding income and expenses are recognised as assets or liabilities, when they qualify as such.

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from the sale of goods and rendering of services in the ordinary course of the Entity’s business.

Revenue from the sale of products is recorded when: i) a substantial part of the risks and benefits of the goods has been transferred to the buyer; the value of the revenue can be reliably estimated; and iii) it is probable that economic benefits flow to the Entity.

Revenue from the rendering of services is recognised on the date of provision of single, specific service or according to the percentage of completion or based on the contract period when the rendering of services is not associated with specific activities, but with the ongoing rendering of the service.

Donations received from the Founder and/or other entities, intended to finance the performance of the statutory purposes, are recorded by total income in the period.

The Foundation’s revenue corresponds mainly to the receipt of donations from the Founder, in order to finance the Foundation’s statutory purposes.

3.23 Subsequent events

Subsequent events refer to the accounting treatment to be given to events occurring after the reporting date and before the date of issue of the financial statements.

Events occurring after the balance sheet date and before the issuance of the financial statements, that provide additional information or confirm situations pending on the balance sheet date are adjusted in this set of financial statements.

Events occurring after the balance sheet date and before the issuance of these financial statements, that are not related to situations existing on the balance sheet date, do not give rise to adjustments in the financial statements, being disclosed if considered material.

4. Financial risk management policies

4.1 Factors of financial risk

The Foundation’s activities are exposed to a variety of financial risk factors, including the effects of changes in market prices: credit risk, liquidity risk and cash flow risk associated with interest rates, among others.

The Foundation’s risk management is controlled by the financial department in accordance with policies approved by the Board of Directors. To this end, the Board of Directors has defined in writing the main principles of overall risk management, as well as specific policies for some areas, such as the coverage of interest rate risk, liquidity risk and credit risk.

The Board of Directors defines principles for risk management as a whole and policies that cover specific areas, such as currency risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, as well as investment of surplus liquidity.

I. Foreign exchange risk

The Foundation’s operating activities are mainly developed in Portugal and consequently the vast majority of its transactions are carried out in the currency of the country, the euro, which substantially reduces foreign exchange risk.

II. Credit risk

The Entity’s credit risk results essentially from i) the risk of recovery of the monetary assets in the custody of third parties and (ii) the risk of recovery of claims from third parties.
The credit risk is monitored through risk assessment carried out before the application and during its evolution.

The credit quality of financial institutions, in relation to the Foundation’s bank deposits, classified as “Cash and cash equivalents” is as follows:

	31.12.2017
Bank deposits	
AA+	
AA-	
A-	1,494,084.84
Others without rating	-
Bank deposits (cash and cash equivalents)	1,494,084.84

(Source: Standard & Poor’s, June 2017))

As a general rule, the Foundation’s trade and other accounts receivable do not have a credit rating.

III. Liquidity risk

Cash requirements are managed by the Foundation’s finance department.

Liquidity risk may occur if sources of finance, for example operating cash flows, disinvestment, credit lines and cash flows obtained from financing operations, do not meet financing needs, such as cash outflows for operating and financing activities and investments.

The following table analyses the Foundation’s financial liabilities by relevant maturity group, based on the remaining period until contractual maturity, on the reporting date. The amounts presented in the table are non-discounted contractual cash flows including interest due:

	Less than 1 year	1 to 5 years	More than 5 years
31 december 2017			
borrowings			
bank loans	3,918,897.10	7,027,145.98	5,148,625.14
bank overdrafts			
other borrowings			
Trade and Other Accounts Payable	371,265.39	-	-
	4,290,162.49	7,027,145.98	5,148,625.14

IV. Interest rate risk

The risk associated with fluctuations in the interest rate has an impact on contracted debt servicing. Interest rate risks are essentially related to the interest incurred on the contracting of various loans with reference interest rates, which exposes the Foundation to cash flow risk. Part of these risks are managed using fixed interest rates, which exposes the Foundation to fair value risk.

4.2 Capital risk management

The Entity’s objective in relation to capital management, which is a broader concept than the capital shown in the first page of the statement of financial position, is to maintain an optimised capital structure through the prudent use of debt.

Contracted debt is analysed periodically by weighing factors such as the cost of financing and investment needs in subsidiaries.

The gearing ratios as at 31 December 2017 were the following:

	31.12.2017
Total loans (Note 17)	14,346,400.00
Cash and cash equivalents (Note 13)	1,494,084.84
Net debt	12,852,315.16
Endowment Funds	14,228,386.52
Total Assets	27,080,702.00
Gearing	47%

5. Significant estimates and judgments

Estimates and judgments with an impact on the Entity’s financial statements are continually valued, representing the best estimate of the Board of Directors at each reporting date, taking into account the historical performance, accumulated experience and expectations of future events that, under the circumstances, are believed to be reasonable.

The nature of estimates means that, for financial reporting purposes, actual outcomes of the estimated situations may differ from the estimated amounts. Estimates and judgments that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

5.1 Tangible and intangible assets

Determination of the useful lives of assets and the depreciation/amortisation method to be applied are essential to determine the amount of depreciation/amortisation to be recognized in the statement of profit and loss and other comprehensive income each year.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and business in question, also considering practices adopted by companies in the sector worldwide.

5.2 Fair value of financial instruments

The fair value of financial instruments not quoted in an active market is determined on the basis of valuation methods. The use of valuation methodologies requires the use of assumptions, some of which require the use of estimates. Thus, changes in these assumptions may resulting a change in the fair value reported.

5.3 Impairment in investments in subsidiaries

As a general rule, impairment is recorded in an investment in accordance with IFRS when the balance sheet value of the investment exceeds the current value of future cash flows. The calculation of the estimated current value of cash flows and the decision to consider impairment involve judgements and are substantially based on management analysis of the future development of the subsidiaries. Since the concession of the right to operate the facilities that comprise the Oceanário commenced on 9 June 2015 and has duration a limited of thirty years, the company opted to consider an impairment corresponding to the proportion of the concession period elapsed. This way a total annual loss of 748,514 euros will be considered.

5.4 Corporate income tax

Reviews of tax returns by the Tax Authority may lead to the recognition of liabilities relating to additional tax payments, including interest and other penalties. These reviews may have impacts in terms of income tax and provisions for taxes in the accounting periods in which they occur.

Deferred tax assets are recognised for all recoverable losses when it is probable that taxable profits will be available against which the losses can be utilised.

Given the context of crisis and the impact this may have on future profits, the following factors must be taken into account by Directors to determine the amount of deferred tax assets that can be recognised:

- | The probable date and amount of future taxable profits; and
- | Future tax planning strategies defined by the Board of Directors

6. Property, plant and equipment

During the year ended 31 December 2017, changes observed in the property, plant and equipment items were as follows:

	Furniture, fixtures and equipment	Total
1 March 2017		
Acquisition cost	-	-
Accumulated impairment	-	-
Accumulated depreciation	-	-
Net value	-	-
Changes in 2017		
Additions		
Additions - incorporation Waterventures	3,233.56	3,233.56
Depreciation - period	(269.43)	(269.43)
Depreciation - incorporation Waterventures	(1,976.04)	(1,976.04)
Net value	988.09	988.09
31 December 2017		
Acquisition cost	3,233.56	3,233.56
Accumulated impairment	-	-
Accumulated depreciation	(2,245.47)	(2,245.47)
Net value	988.09	988.09

Furniture, fixtures and equipment includes the computers received by the Foundation in the incorporation of assets by Waterventures on its winding-up.

Depreciation of property, plant and equipment is recorded under “Expenses/(reversals) with depreciation and amortisation” in the statement of profit and loss and other comprehensive income in their entirety.

7. Intangible assets

The changes recorded in intangible assets for the periods presented are as follows:

	Computer software	Total
As at 1 March 2017		
Acquisition cost	-	-
Accumulated impairment	-	-
Accumulated depreciation	-	-
Net value	-	-
Additions	1,868.63	1,868.63
Additions - incorporation Waterventures	9,226.00	9,226.00
Amortisation - period	(924.45)	(924.45)
Amortisation - incorporation Waterventures	(5,563.99)	(5,563.99)
Net value	4,606.19	4,606.19
31 December 2017		
Acquisition cost	11,094.63	11,094.63
Accumulated impairment	-	-
Accumulated depreciation	(6,488.44)	(6,488.44)
Net value	4,606.19	4,606.19

The Foundation’s intangible assets refer to the acquisition of computer software, as well as software received through incorporation of the assets of Waterventures on its winding-up.

8. Investments in subsidiaries

In 2017, the details of changes recorded in investments in subsidiaries were as follows:

	2017
1 March	-
Acquisitions	-
Acquisitions/donations - initial endowment in kind founders	6,921,829.00
Acquisitions/incorporation Waterventures	30,635,924.83
Additions - Supplementary capital contributions	900,000.00
Gains/(Losses) using the equity method	1,037,948.46
Gains/(Losses) using the equity method - previous periods	128,019.39
Impairment Loss	(187,128.59)
Impairment Loss - incorporation Waterventures	(1,497,028.50)
Other changes recorded using the equity method in equity	(627,258.91)
Winding-up of the subsidiary (Waterventures)	(9,609,901.30)
31 December	27,702,404.38

As at 31 December 2017, investments in subsidiaries referred to the investment in Oceanário de Lisboa, S.A., as follows:

31.12.2017							
Name	Activity	Country of domicile and main business location	% held	Holding	Impairment loss	Total Investment	Goodwill included
Oceanário de Lisboa	91041	Esplanada Dom Carlos I s/ nº, 1990-005 Lisboa	100.00%	29,386,561.47	(1,684,157.09)	27,702,404.38	20,521,769.42
				29,386,561.47	(1,684,157.09)	27,702,404.38	20,521,769.42

The 100% holding in the subsidiary Oceanário de Lisboa was received by the Foundation through the incorporation of its subsidiary Waterventures which was wound up on 29 September 2017.

As at 31 December 2017, the holding, to the value of 29,386,561.47 euros, includes a gross amount of 22,205,926.51 euros in respect of goodwill, for which an impairment loss was recorded of 1,684,157.09 euros, resulting in net goodwill of 20,521,769.42 euros.

The assets and liabilities, income and expenses generated in the period, as recognised in the financial statements of the subsidiaries, are as follows:

	2017	
	Oceanário de Lisboa	Waterventures
Assets		
Non-current	41,146,966.87	-
Current	7,617,561.31	-
	48,764,528.18	-
Liabilities		
Non-current	36,458,206.16	-
Current	5,125,687.06	-
	41,583,893.22	-
Equity	7,180,634.96	-
	7,180,634.96	-

	2017	
	Oceanário de Lisboa	Waterventures
Activity in the year		
Income	17,207,265.70	1,915,000.00
Expenses	(13,873,465.12)	(259,348.60)
Income tax	(839,461.10)	(59.42)
Net profit	2,494,339.48	1,655,591.98
Other comprehensive income	-	(83,498.00)
Total comprehensive income	2,494,339.48	1,572,093.98

The amounts considered in the subsidiary Waterventures refer to the period from 1 July to 29 September 2017, since the subsidiary had a tax period starting on 1 July and was wound up on 29 September 2017.

The reconciliation of selected financial information with the carrying amount of investments in subsidiaries is as follows:

	2017	
	Oceanário de Lisboa	Waterventures
Net assets on 1 January	5,536,224.24	6,921,829.00
Net profit	2,494,339.48	1,437,719.60
Net income previous years	-	127,682.85
Other comprehensive income	-	222,669.85
Other changes in equity	(849,928.76)	900,000.00
Exchange differences	-	-
Net assets on 31 December	7,180,634.96	9,609,901.30
% interest	100%	100%
Stake in subsidiaries	7,180,634.96	9,609,901.30
Goodwill	20,521,769.42	-
Net amount calculated	27,702,404.38	9,609,901.30
Winding-up of the subsidiary	-	(9,609,901.30)
Net carrying amount	27,702,404.38	-
Reconciliation differences	-	-

The initial net assets of Waterventures presented in the table above refers to 30 June 2016, these amounts being considered for calculation of the fair value of Waterventures on the date of establishment of the Foundation.

In addition, the amount presented in net profit of the subsidiary Waterventures of 1,437,383.06 euros refers to the income from the periods from 1 January to 30 June 2017 and from 1 July to 29 September 2017. The net profit from prior years amounting to 128,019.39 euros refers to the results of the subsidiary Waterventures for the period from 1 July 2016 to 31 December 2016 that were appropriated (on retained earnings) by the Foundation on 2017, since the Waterventures shares received by the Founder were valued at the value of their Equity as at 30 June 2016.

The Gains/Losses of subsidiaries, associates and joint ventures presented in the statement of income and other comprehensive income for the period of 2017 are presented as follows:

	2017		
	Oceanário de Lisboa	Waterventures	Total
Net profit	2,494,339.48	1,437,383.06	3,931,722.54
Net profit already considered in the MEP in Waterventures as at 29.09.2017	(2,893,774.08)	-	(2,893,774.08)
Gains/losses of subsidiaries, associates and joint ventures	(399,434.60)	1,437,383.06	1,038,285.00

The net carrying amount of the holding concerning the subsidiary Waterventures as at 31 December 2017 has no balance, since it was wound up on 29 September 2017 and the Foundation received as a result of the incorporation of its assets and liabilities, detailed as follows:

	Assets			Liabilities		
	Current	Non-current	Total	Current	Non-current	Total
Property, plant and equipment	1,258.00	-	1,258.00	-	-	-
Intangible assets	3,662.00	-	3,662.00	-	-	-
Holding - Oceanário de Lisboa	29,138,896.00	-	29,138,896.00	-	-	-
Cash and cash equivalents	465,068.00	-	465,068.00	-	-	-
Borrowings	-	-	-	3,507,000.00	16,035,800.00	19,542,800.00
Derivatives	-	-	-	-	362,929.00	362,929.00
Other accounts payable	-	-	-	93,254.00	-	93,254.00
	29,608,884.00	-	29,608,884.00	3,600,254.00	16,398,729.00	19,998,983.00

9. Financial assets and liabilities by category

The categories of financial assets and liabilities defined according to the categories in IAS 39 were allocated as follows:

31.12.2017	Derivatives designated as hedging instruments	Credits and receivables	Other financial liabilities	Non-financial assets/liabilities	Total
Assets					
Cash and cash equivalents	-	1,494,084.84	-	-	1,494,084.84
Trade receivables	-	-	-	-	-
Other accounts receivable	-	25,511.32	-	-	25,511.32
Financial assets at fair value through profit or loss	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-
Total financial assets	-	1,519,596.16	-	-	1,519,596.16
Other non-financial assets				27,707,998.66	27,707,998.66
Total assets	-	1,519,596.16	-	27,707,998.66	29,227,594.82
Liabilities					
Borrowings	-	-	14,346,400.00	-	14,346,400.00
Derivatives	260,503.01	-	-	-	260,503.01
Trade payables	-	-	40,595.99	-	40,595.99
Other accounts payable	-	-	350,078.12	-	350,078.12
Total financial liabilities	260,503.01	-	14,737,074.11	-	14,997,577.12
Other non-financial liabilities				1,631.18	1,631.18
Total liabilities	260,503.01	-	14,737,074.11	1,631.18	14,999,208.30

10. Fair value of assets and liabilities

Financial liabilities

31 December 2017	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivatives	-	260,503.01	-	260,503.01
	-	260,503.01	-	260,503.01

The measurement of the fair value of Derivative Financial Instruments (Swap) is based on the valuations provided by Banco Santander Totta.

11. Other accounts receivable

In the year ended 31 December 2017, the breakdown of Other accounts receivable was as follows:

31.12.2017			
	Current	Non-current	Total
Deferred assets i)	1,083.81		1,083.81
Advances to trade creditors	24,427.51		24,427.51
	25,511.32	-	25,511.32
Impairment	-	-	-
Other accounts receivable	25,511.32	-	25,511.32

i) Deferred assets – the breakdown of deferred assets as at 31 December 2017 is the following:

31.12.2017			
	Current	Non-current	Total
Expenses with external supplies and services	690.35	-	690.35
Other expenses	393.46	-	393.46
Deferred assets	1,083.81	-	1,083.81

As at 31 December 2017, no impairment losses were recorded over balances receivable from third parties.

For the period introduced, there are no differences between the accounting values and their fair value.

12. Income tax receivable/payable

In the year ended 31 December 2017, the balances regarding current income tax are as follows:

31.12.2017	
Debtor	Creditor
Corporate income tax - IRC	1,631.18
	1,631.18

For the periods presented, the balance of IRC was as follows:

	2017
Current Tax	
Minimum corporation tax	-
Withholding taxes	-
Estimate of IRC	1,631.18
Total	1,631.18

13. Cash and cash equivalents

As at 31 December 2017, the details of cash and cash equivalents were as follows:

	31.12.2017
Bank deposits	1,494,084.84
Cash and cash equivalents	1,494,084.84

The details of the amount considered as the closing balance of “Cash and cash equivalents” for the purposes of drawing up the cash flow statement for the period ended 31 December 2017 was as follows:

	31.12.2017
Cash	-
Bank deposits	1,494,084.84
Cash and cash equivalents (Assets)	1,494,084.84
Bank overdrafts	-
Cash and cash equivalents (Liabilities)	-
	1,494,084.84

14. Endowment Funds

As at 31 December 2017, the funds of the Oceano Azul Foundation, amounting to 7,171,829 euros, were totally subscribed and paid up and refer to the endowments from the Founder Sociedade Francisco Manuel dos Santos, detailed as follows:

Endowment in kind: 6,921,829 euros

Endowment in cash: 250,000 euros

The initial Endowment in kind from the Founder refers to the transfer of a financial participation of Waterventures.

15. Other reserves

The items in “Other reserves” recorded the following changes during the year ended 31 December 2017:

	Adjustments in financial assets	Others	Total
Adjustments related to the equity method	(849,928.76)	-	(849,928.76)
Incorporation of Waterventures	-	585,598.53	585,598.53
As at 31 December 2017	(849,928.76)	585,598.53	(264,330.23)

“Adjustments in financial assets” reflects differences originated by the application of the equity method, namely those related to appropriation in the equity of the subsidiary companies.

The Others item amounting to 585,598.53 euros refers to the amount recorded in Endowment Funds resulting from the incorporation of Waterventures.

These amounts will only be available for distribution when the originating elements or rights are sold, exercised, eliminated or settled (Art. 32.2 of the CCC).

16. Other changes in endowment funds

The “Other changes in endowment funds” items recorded the following changes during the year ended 31 December 2017:

	Other changes in endowment funds	Total
Incorporation of Waterventures - Swap	(362,928.68)	(362,928.68)
Changes fair value Swap	102,425.99	102,425.99
As at 31 December 2017	(260,503.01)	(260,503.01)

The amount of 362,928.68 euros refers to the value of the hedging derivative on the date of incorporation of Waterventures into the Foundation. The change in fair value of the hedging derivative (swap) was 102,425.67 euros, since its value as at 31 December 2017 was 260,503.01 euros.

17. Borrowings

The classification of borrowings as regards term (current and non-current) and nature of the loan, at the end of the period, were as follows:

31.12.2017			
	Current	Non-current	Total
Bank Loans i)			
Santander Totta	1,421,200.00	10,825,200.00	12,246,400.00
Borrowings between group companies ii)			
Oceanário de Lisboa	2,100,000.00	-	2,100,000.00
	3,521,200.00	10,825,200.00	14,346,400.00

I. The bank loan was obtained from SantanderTotta, on 28 September 2015, for an initial amount of €15,000,000, with a term of 10 years.

For this bank financing a hedging derivative was entered into with Banco SantanderTotta in order to hedge the risk of change in the interest rate of the contracted loan and its cash flows.

This loan was originally entered into by Waterventures with the aim of acquiring the shares of Oceanário de Lisboa, S.A. With the winding-up of Waterventures and the incorporation of its assets and liabilities into the Oceano Azul Foundation, the latter assumed the obligation in respect of this funding.

The amount of 2,100,000 euros of borrowings between group companies, as at 31 December 2017, concerns a loan originally obtained by Waterventures from Oceanário de Lisboa, S.A., in July 2016, and during the incorporation of Waterventures this liability was transferred to the Foundation. The loan bears interest at 12M Euribor + 1.25% and has a maturity of 2 years.

Loans

The maturities of the Foundation's borrowings are as follows:

2017	
Up to 1 year	3,521,200.00
2 to 5 years	5,959,600.00
Over 5 years	4,865,600.00
	14,346,400.00

The variation of the Foundation's borrowings is as follows:

	SantanderTotta	Oceanário
1 March 2017		
Opening balance	-	-
Changes in 2017		
Increases		
Incorporation of Waterventures	12,942,800.00	2,100,000.00
Decreases		
Cash flows - borrowings	(696,400.00)	-
31 December 2017		
Closing balance	12,246,400.00	2,100,000.00

18. Derivatives

As at 31 December 2017, the details of Derivatives were as follows:

31.12.2017			
Liabilities			
	Notional	Current	Non-current
Cash flow hedges			
Swap Interest rate	12,246,400.00	-	260,503.01
Total derivatives designated as hedging		-	260,503.01
Total derivatives		-	260,503.01

Cash flow hedges - Interest rate swaps

The Foundation ensures a fixed rate for a portion of future loan interest payments, by entering into interest rate swaps. The risk hedged is the variable reference rate associated with the loans. The aim of this hedge is to transform the variable rate loans into fixed rate loans. The credit risk of the loan is not hedged.

19. Other accounts payable

On 31 December 2017, the details of Other accounts payable were as follows:

	31.12.2017		
	Current	Non-current	Total
Accrued expenses i)	327,221.70	-	327,221.70
Taxes and contributions payable ii)	19,408.72	-	19,408.72
Other creditors	3,447.70	-	3,447.70
Other payables	350,078.12	-	350,078.12

I. Accrued expenses – the details of this sub-heading are as follows:

	31.12.2017		
	Current	Non-current	Total
Personnel costs	200,870.32	-	200,870.32
Expenses with external supplies and services	99,423.99	-	99,423.99
Financing expenses	26,427.39	-	26,427.39
Other expenses	500.00	-	500.00
Accrued expenses	327,221.70	-	327,221.70

II. Taxes and contributions payable – the breakdown of Taxes and contributions payable as at 31 December 2017 was as follows:

	31.12.2017	
	Current	Non-current
Retentions income tax	11,548.00	-
Social security contributions	7,860.72	-
	19,408.72	-

20. Trade payables

As at 31 December 2017, the ‘Trade payables’ was as follows:

	2017
Trade payables - Non-group	40,595.99
Trade payables - Group	-
Total balance trade payables	40,595.99

21. Donations and legacies

During the period ending December 31 2017, the following donations were imputed to income:

	2017
Donations from Founders	7,500,000.00
Donations - third parties	124,436.44
	7,624,436.44

The amount of donations given by the Founder Sociedade Francisco Manuel dos Santos, SGPS, SE in the amount of 7,500,000 euros refers to the commitment mentioned under the terms of the Fund Contribution agreement entered into with the parent entity and is detailed as follows:

/ 3,000,000 euros received from the Sociedade Francisco Manuel dos Santos, SGPS, SE during the year 2017.

/ 4,500,000 euros concerns non-interest-bearing loans, in the form of shareholder loans, granted in previous years to Waterventures by Sociedade Francisco Manuel dos Santos, SGPS, SE, which waived its right to the recovery of this amount after the establishment of the Oceano Azul Foundation.

22. External supplies and services

The details of expenses with external supplies and services incurred in the period of 2017 are as follows:

	2017
Specialised work	185,591.53
Advertising and publicity	62,999.88
Professional fees	150.00
Materials	1,021.52
Energy and fluids	1,519.58
Travel, accommodation and transport	44,717.43
Rents and leases	11,421.92
Communication	324.26
Insurance	561.16
Litigation and notary fees	160.00
Representation expenses	16,311.77
Other services	729.71
External supplies and services	325,508.76

23. Personnel costs

Personnel costs incurred during 2017 were as follows:

	2017
Salaries and wages	
Statutory boards	450.686,12
Personnel	-
Sub-total	450.686,12
Other expenses	
Social welfare contributions	56.627,77
Industrial injuries insurance	1,202.53
Others	60.00
Sub-total	57,890.30
Personnel costs	508,576.42

The average number of employees of the Foundation in 2017 was 3.

As at 31 December 2017 the Foundation has 4 employees, two of whom are remunerated monthly, one quarterly and the other on a half-yearly basis.

24. Other income

Other income in 2017, amounting to 6.40 euros, refers to foreign exchange gains.

25. Other expenses

Other expenses in 2017 can be detailed as in the following table:

	2017
Taxes	12,238.32
Donations	30,000.00
Levies	600.00
Foreign exchange losses	59.18
Unspecified others	157.33
	43,054.83

26. Financial expenses

The details of financial expenses in 2017 is as follows:

	2017
Financial expenses	
Interest paid	
Bank loans	133,876.27
Loans group companies	8,050.00
	141,926.27

27. Income tax

The breakdown of income tax for the period, recognised in profit or loss of 2017, is as follows:

	2017
Current income tax	1,631.18
Deferred income tax	-
Income tax	1,631.18

Tax reconciliation for the year is as follows:

	2017
Overall Income	7,455,002.55
Tax corrections	
Non-deductible expenses	187,285.75
Cancellation effects equity method	(1,037,948.46)
Non-taxable income	(7,624,436.44)
	(1,020,096.60)
Autonomous taxation	1,631.18
Current income tax	1,631.18
Deferred income tax	
Income tax	1,631.18
Effective tax rate	0.02%

For income tax expenses, only the value of the autonomous taxation was considered, since the entity records a tax loss. No deferred taxes were recorded given the uncertainty of their recoverability.

The tax rate used to determine the amount of current income tax is as follows:

	2017
Tax rate	21.00%
	21.00%

28. Commitments

The commitments assumed by the Entity, on the reporting date for the period ended 31 December 2017, were as follows:

28.1 Commitments to operating leases

Summary of the rentals due in connection with operating lease agreements in effect as at 31 December 2017:

2017	< 1 year	1 -5 years	> 5 years
Vehicles	11,969.88	34,912.15	
	11,969.88	34,912.15	-

29. Contingencies

29.1 Contingent liabilities

To guarantee the long-term bank loan obtained, the Foundation established a financial pledge over the right to receive the financial endowments defined by Sociedade Francisco Manuel dos Santos, SE and the balance of its bank account and income resulting from the balance of that account.

To guarantee the long-term bank loan obtained by its subsidiary Oceanário de Lisboa S.A. in order to pay the Portuguese State the initial component of the concession agreement for the right to operate the Oceanário infrastructure, the Foundation established a financial pledge in favour of Banco Santander Totta on the Oceanário shares and on any amounts it may be due from the Oceanário. With the same objective, the Oceanário established a financial pledge of its bank accounts and the income resulting from their balances.

29.2 Guarantees provided by third parties

As at 31 December 2017, the Foundation did not have any guarantees provided by third parties.

29.3 Contingent assets

The Foundation, under the terms of the agreement for Contribution of Funds entered into with Sociedade Francisco Manuel dos Santos, SGPS, S.A., has the right to receive as Foundation Endowment a total of 30,000,000 euros, the amount of 7,500,000 having already been paid, the amount of 22,500,000 remaining to be paid by 2025.

The difference between the amount received by the Oceano Azul Foundation (3,000,000 euros) and the 7,500,000 euros were paid to Waterventures as non-interest-bearing shareholder loans and SFMS SE renounced the repayment of this amount.

30. Related parties

The Foundation was created by its Founder Sociedade Francisco Manuel dos Santos, SGPS, SE.

Remuneration of the Board of Directors

The remunerations received by the Board of Directors of the Foundation amounted to 197,142.96 euros during the year ended 31 December 2017.

Remuneration of the Audit Committee

The remuneration received by the Individual Auditor amounted to 8,456.25 euros during the year ended 31 December 2017.

Transactions between related parties

a. Nature of the related party relationship:

Founding Shareholders

Sociedade Francisco Manuel dos Santos, SGPS, SE.

Subsidiaries

Oceanário de Lisboa, S.A.;

Waterventures, S.A.

b. transactions and outstanding balances

I. Founding Shareholders

Goods sold and services rendered:

During the year, the Group conducted the following transactions with the founding shareholder:

2017	
Income	
Services rendered/Other income/Donations	
Sociedade Francisco Manuel dos Santos, SGPS, SE	7.500.000
	7.500.000

II. Subsidiaries

Goods sold and services rendered:

During the period, the Entity conducted the following transactions with Oceanário de Lisboa, S.A:

2017	
Expenses	
Financial expenses	
Oceanário de Lisboa, S.A	32,893.00
	32,893.00

The amount of 32,893.00 euros of financial expenses refers to interest on the loans granted by Oceanário de Lisboa to the subsidiary Waterventures of 2,100,000 euros, which the Foundation assumed responsibility for as a result of the incorporation of Waterventures. In view of the above, the Foundation's financial expenses item recorded expenses for the period from October to December 2017, amounting to 8,050.00 euros. The remaining amount was recorded in the Waterventures accounts.

Debit and credit balances

At the end of the period of 2017, the balances resulting from transactions with related parties were as follows:

2017	
Credit balances	
Other payables	
Oceanário de Lisboa, S.A	2,348.84
	2,348.84
Borrowings	
Group Companies	
Oceanário de Lisboa, S.A	2,100,000.00
	2,100,000.00
Interest payable	
Oceanário de Lisboa, S.A	14,525.00
	14,525.00

31. Subsequent events

Up to the date of approval of these financial statements, there have been no subsequent events since 1 January 2018 that are known to the Board of Directors and, in accordance with IAS 10, should be recorded or disclosed in these financial statements.

The Chartered Accountant



João Pedro Eloi Lopes Banza, number 37215

The Board of Directors



José Soares dos Santos



Tiago Pitta e Cunha



Emanuel Gonçalves



R. Andreas Kraemer



João Falcato Pereira

Statutory Auditors Reports



(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Fundação Oceano Azul (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2017 (showing a total of 68.692.951,70 euros and a total Capital Fund of 14.228.386,52 euros, including a net profit for the year of 7.453.371,37 euros), the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Endowment Funds and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the ABC Company as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Annual Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the Annual Report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Annual Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

Lisbon, 12 March 2018

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves (ROC nº 896)
Registered with the Portuguese Securities Market Commission under license nr. 20160515

(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Fundação Oceano Azul (the Entity), which comprise the Statement of Financial Position as at 31 December 2017 (showing a total of 29.227.594,82 euros and a total capital fund of 14.228.386,52 euros, including a net profit for the year of 7.453.371,37 euros), the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Endowment Funds and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Fundação Oceano Azul as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Annual Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the Annual Report is consistent with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Annual Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

Lisbon, 12 March 2018

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves (ROC nº 896)
Registered with the Portuguese Securities Market Commission under license nr. 20160515

Report and Opinion of the Audit Committee



REPORT AND OPINION OF THE AUDIT COMMITTEE

To the Board of Trustees,

Under the terms of the legal and statutory provisions and in the course of our duties, we hereby present the report on our supervisory activities and present our opinion on the accounting documents submitted by the Board of Directors of the **Oceano Azul Foundation** (hereinafter Foundation), for the period ended 31 December 2017.

We supervised the development of the Foundation's activities, checking their accounting records and supporting documents, having always obtained any explanations, information and documents that we requested from the Board of Directors.

We verified that the financial statements, included among the accounting documents, were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"), thus accurately reflecting the net worth of the Foundation.

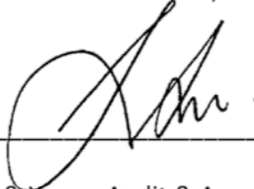
We also analysed the Management Report which describes the most significant aspects of the activities and actions that were and will be carried out by the Foundation.

We emphasise that our opinion is supported by the opinion issued (appended) on the financial statements referred to above by the auditor, Ernst & Young Audit & Associados – SROC, S.A., in accordance with the responsibilities attributed considering the required technical expertise.

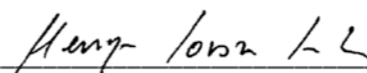
In view of the above, it is our opinion that the Annual Report issued by the Board of Directors and the financial statements for the period ended 31 December 2017 should be approved.

Lisbon, 12 March 2018

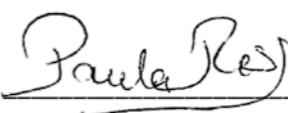
THE AUDIT COMMITTEE,



Ernst & Young Audit & Associados – SROC, S.A.
Represented by João Carlos Miguel Alves
Chairman



Henrique Soares dos Santos
Member



Paula Prado Rosa
Member



*From the ocean's
point of view*

Annual Report 2017



OCEANO AZUL
foundation