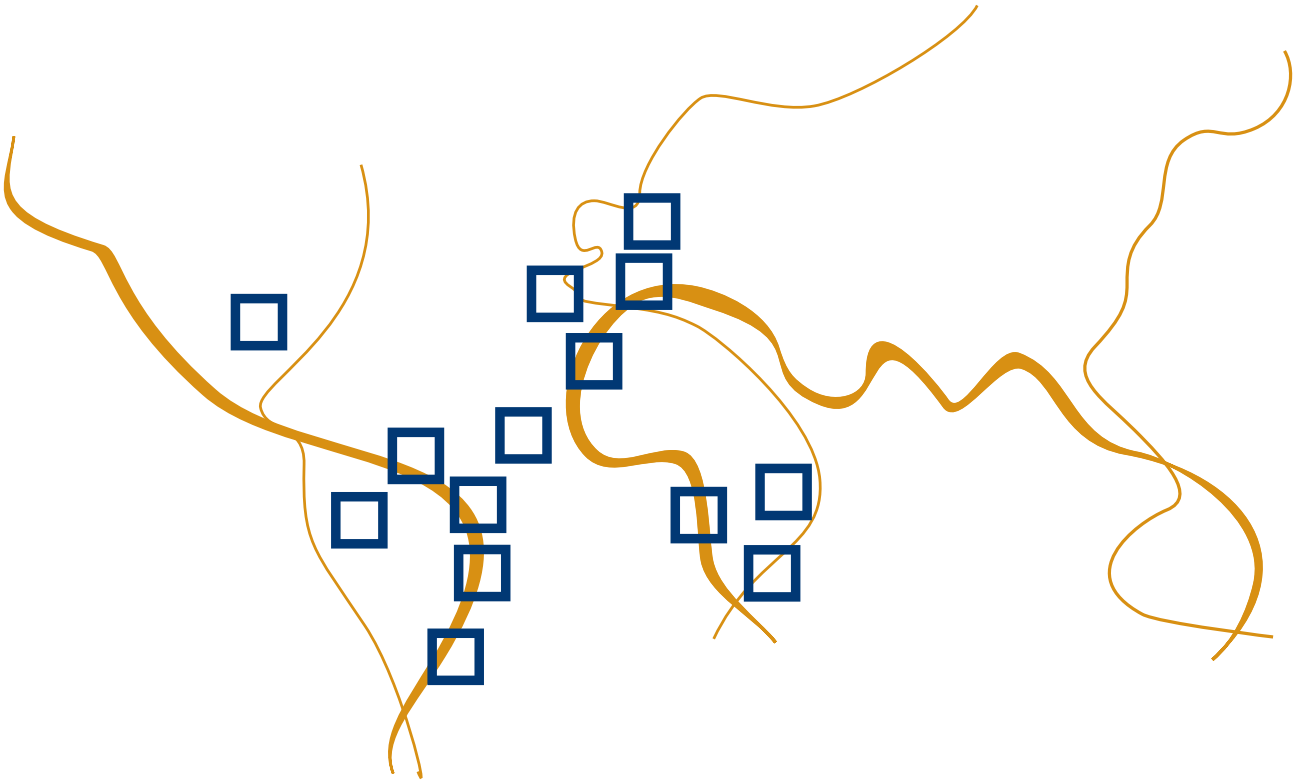
Pestana International Holdings, S.A.

Consolidated Annual Report
31 December 2013



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Consolidated management report for 2013

Dear Shareholders,

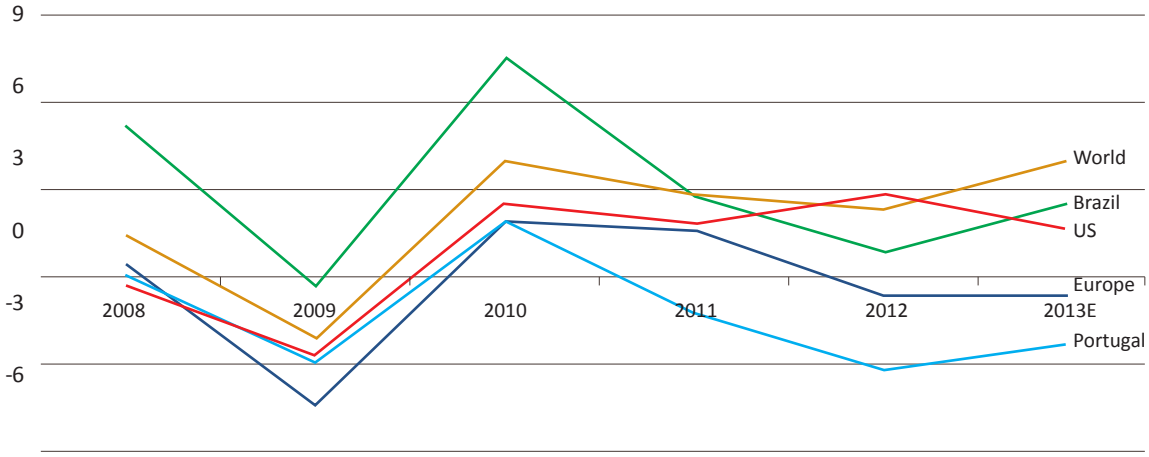
In the terms established by the Corporate Law, we have the honour to submit for your appreciation and approval the Consolidated management report and the Consolidated financial statements for the year ended as at 31 December 2013.

1. ECONOMIC BACKGROUND

1.1. GDP growth

Last year was once again challenging. After a slowdown in recent past, the world GDP projection is to grow the 4% nominal (being the real one around 1%). The uncertainty regarding the Eurozone and the fears of a European Union break up are somehow far way.

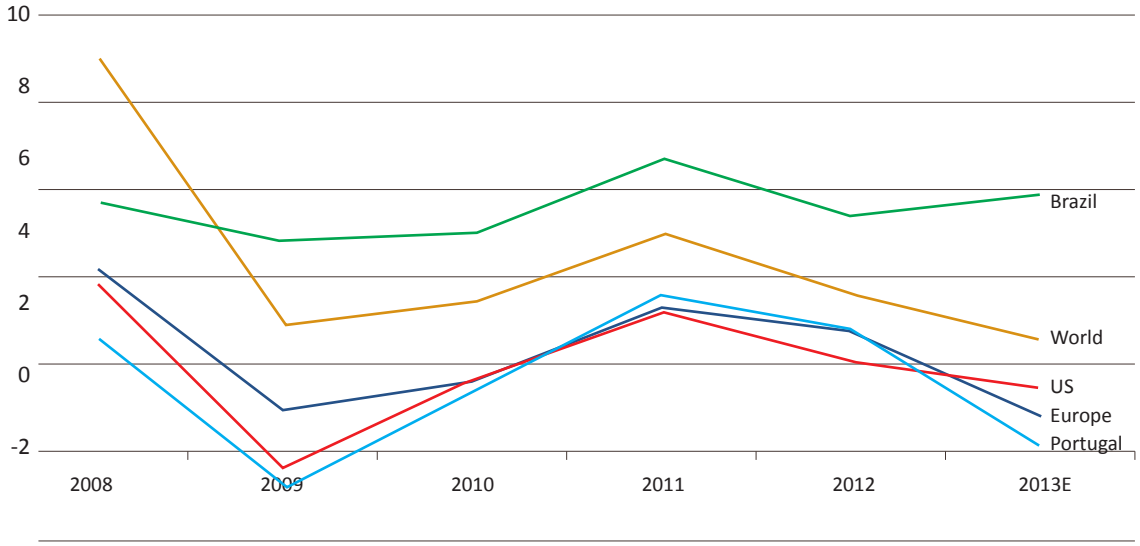
Table 1 - GDP Growth Rate (%)



Source: World Bank

Several were the stimulus implemented in the US in order to assure a future economy recovery (despite a 2013 slowdown), granting more confidence to the world biggest economy. On the other end, fast growing economies like Brazil keep struggling with several domestic issues, being inflation control one of the most important.

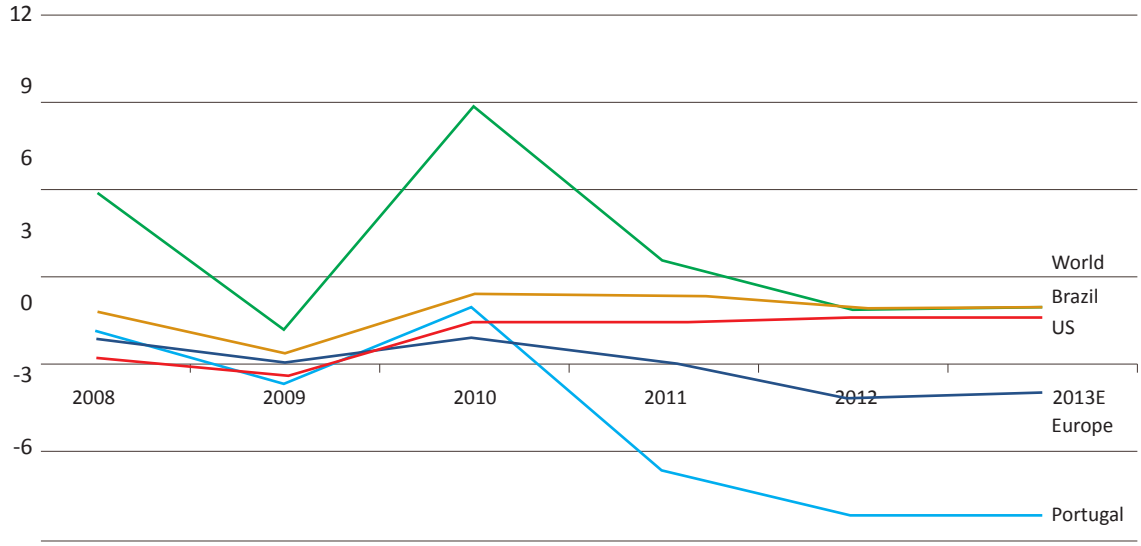
Table 2 - Inflation, consumer prices (annual %)



Source: World Bank, Trandingeconomics.com, EUROSTAT

The economic crisis increased unemployment, reduced middle class spending and increase the income difference between middle class and high net worth individuals. Final consumption as such has been also affected, despite 2013 showed a more stable environment.

Table 3 - Final consumption expenditure (annual % growth)



Source: World Bank. For 2013 same trend were applied based on indicative figures of Banco de Portugal, FMI

The economic crisis changed also the wealth pattern in the world and in 2013 this trend was consolidated. Emerging market middle class is now stronger and contributed significantly to tourism growth in western countries, including in Portugal. This movement allowed feeder markets diversification, decreasing credit risk profile of the local leisure groups.

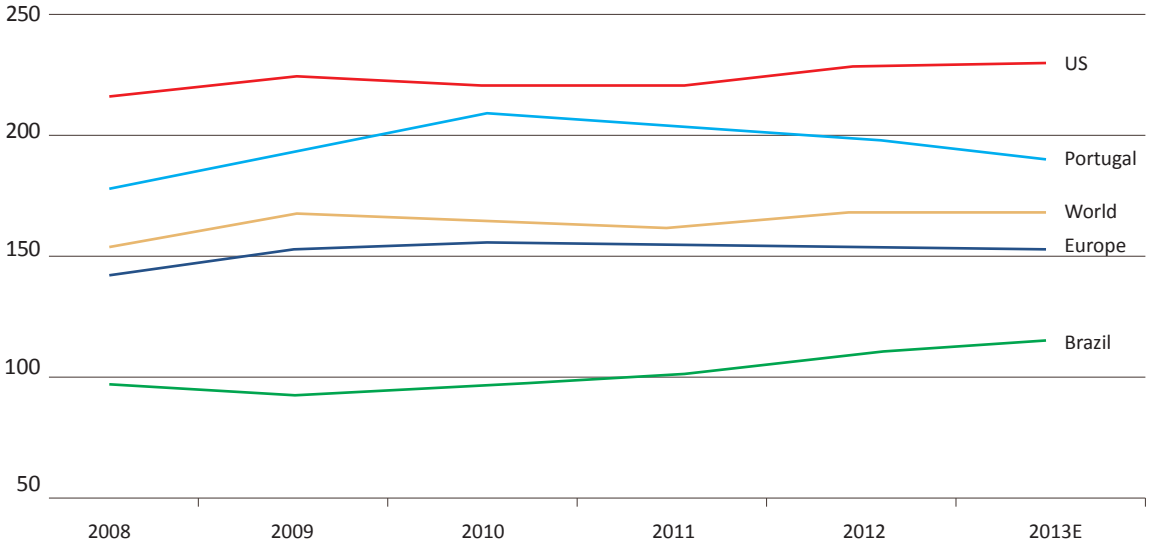
1.2. Liquidity and cost of funds

As a consequence the investment activity decreased within most of the countries in the Union although liquidity in the banking systems was no longer a problem since mid-2013. ECB together with IMF took several measures that supported short falls not only in countries like Greece, Portugal and Ireland through well-defined economic programs but also in Spain, Italy and even in France among other European countries where an important set of banks were supported by their member states.

In the US, FED implemented also several stability programs and as a consequence the system was flooded with liquidity. As such good credit risk companies increase their liquidity buffer and Pestana Group was not an exception. Although financial institutions are more capitalized and have no longer liquidity problems, monetary interbank market do not yet come back to normal. In other world zones liquidity was not an issue, with the exception of certain less undeveloped countries for specific currencies.

Domestic credit concession stabilized, with the exception of countries where recovery programs were applied, like Portugal where it decreased. In Brazil, domestic credit concession kept growing which has contributed to the rise of the industrial production.

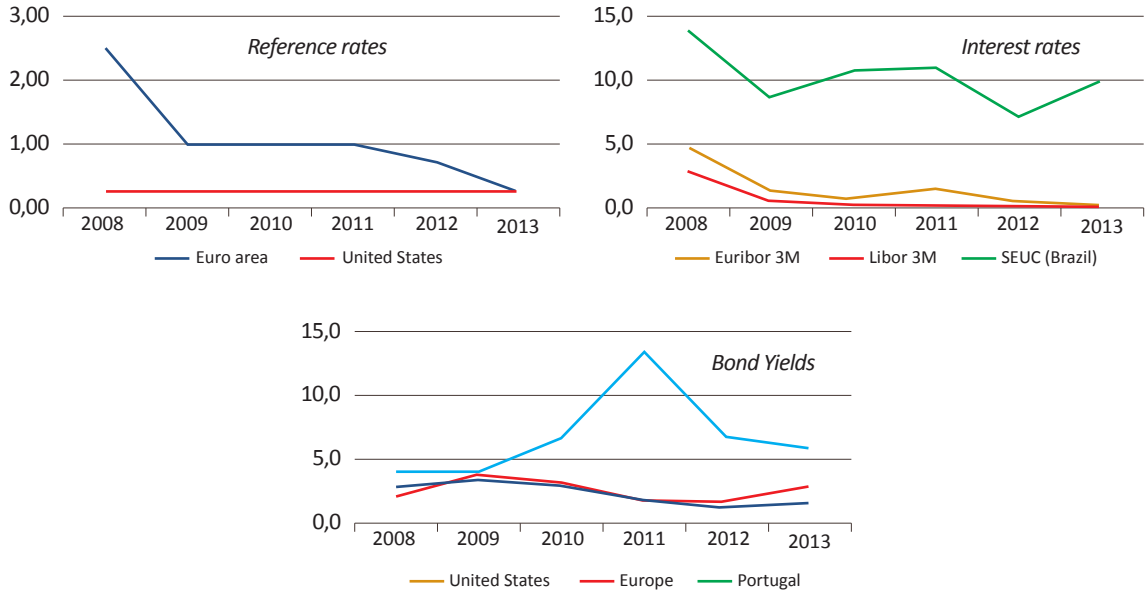
Table 4 -Domwstic credit provided by banking sector (% of GDP)



Source: World Bank. For 2013 same trend were applied based on indicative figures of Banco de Portugal, FMI

One of the main policies imposed by the central banks, both in Europe and in the US to support a possible sustainable recovery was a decrease in the interest reference rate (both 0,25%). But the overall cost of money did not decrease significantly for corporates once the fund cost is still high as well as the market risk perceived by banks mainly in countries where an economic recovery program was established.

Table 5 - Reference rates: Bond yields; Interest rates



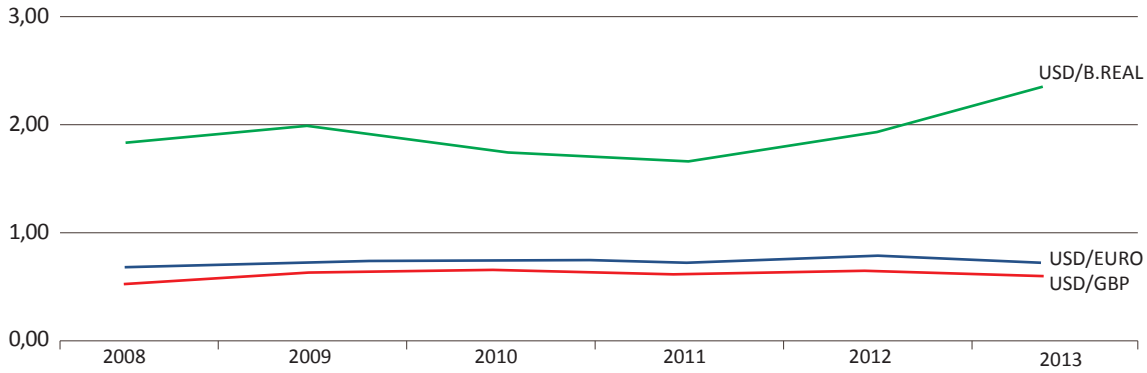
Source: World Bank, Euribor-rates.eu; BdP

Nevertheless in countries like Portugal the economic reforms allowed in the second half of 2013 a decrease in risk premiums. In this country Credit Default Swaps (CDS 5Y) dropped more than 90 bps from the beginning until the end of the year.

1.3. Exchanges rates

The Group main currencies, Euro and the GBP stabilized in 2013 against the US dollar. The Brazilian Real however, had depreciated all over the year, as well as the other Latin America currencies where we have presence (Argentina and Venezuela). This devaluation is reflected, naturally, in our consolidated EBITDA.

Table 6 - Official exchange rate



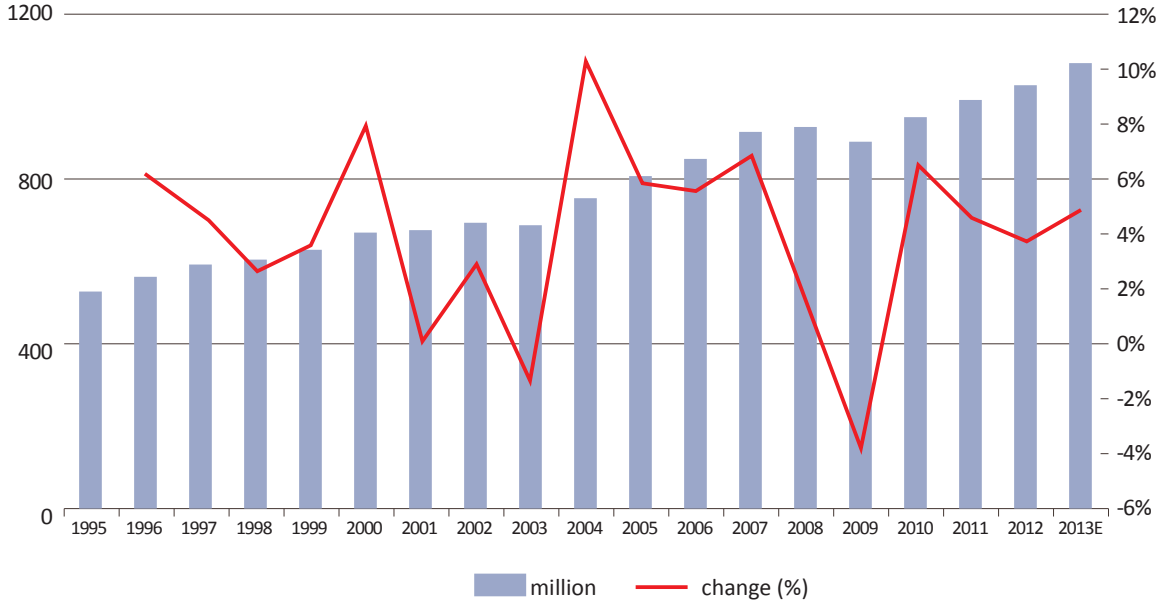
Source: World Bank

2. TOURISM

2.1. World trend

Once again in 2013 the tourism activity gave signs of strength and was important in several regions in the world to support economies including in those countries in the European Union where crisis has affected the most. International tourism arrivals are expected to grow around 5%.

Table 7 - International Tourism arrivals

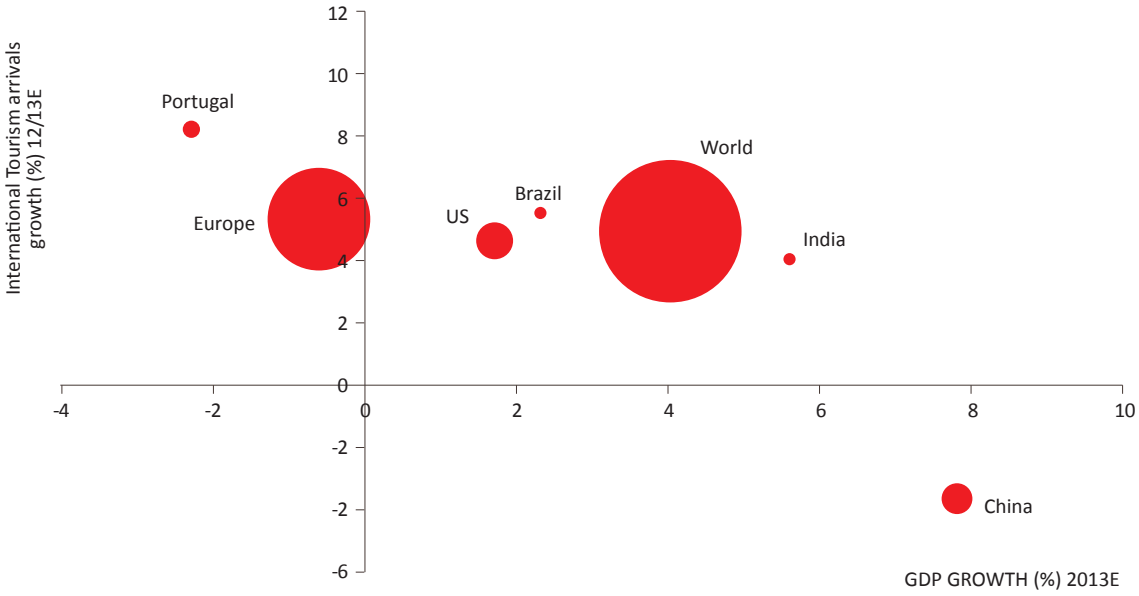


Source: World Tourism Organization (UNWTO)

International tourism receipts is expected to grow by 5,3% in 2013 (i.e. this growth confirms the strong correlation between these two key indicators – arrivals and receipts), registering a new record number of 1.169 billion USD worldwide.

At this time, Tourism sector represents 9% of the world GDP, 1/11 of employment and USD 1,4 bn of exports, equivalent value of 6% of the international trade.

Table 8 - Number of International Tourism arrivals

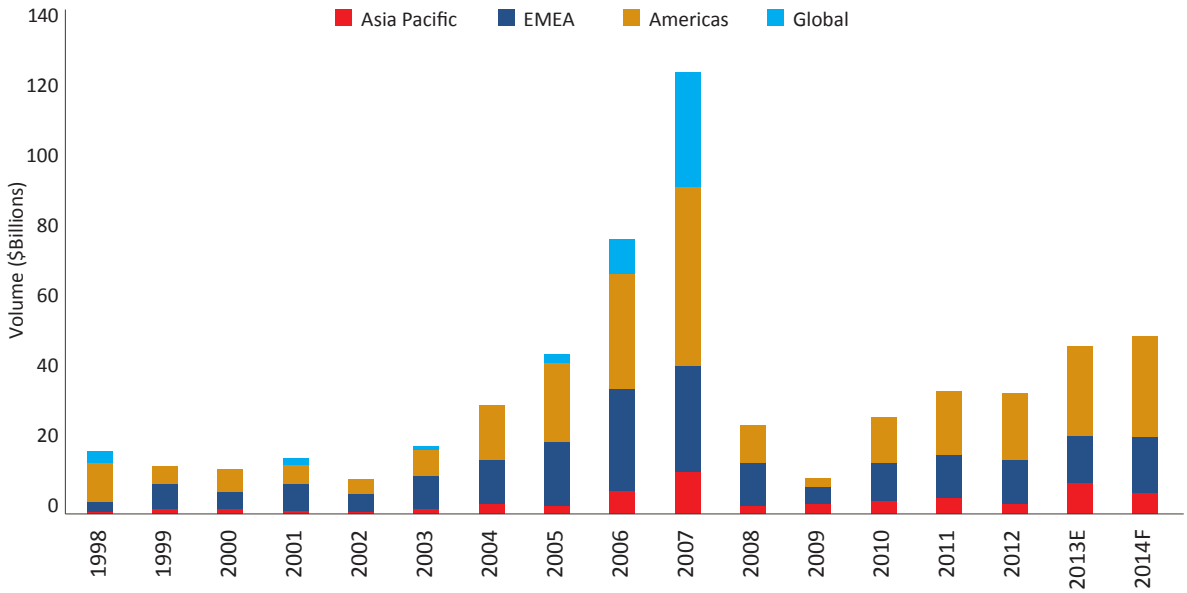


Source: World Bank (UNWTO)

Today average length of stay is higher than one year ago, mainly in recognized brands and in mature destinations where Pestana Group is focus. In 2013, tourism contributed of around 3% average to world GDP increase in 2013, according to WTTC. This contribution in Europe was of around 1% and in the US of around 2,5%.

Investment in this sector (according to the last report – Hotel Investment Outlook 2014 - produced by Jones Lang LaSalle) registered a decrease of 5% in 2012. However for 2013 is expecting a huge improvement around of 35% (representing a total investment of $46.7 billion).

Table 9 - Global hotel transaction volume 1998 - 2014F



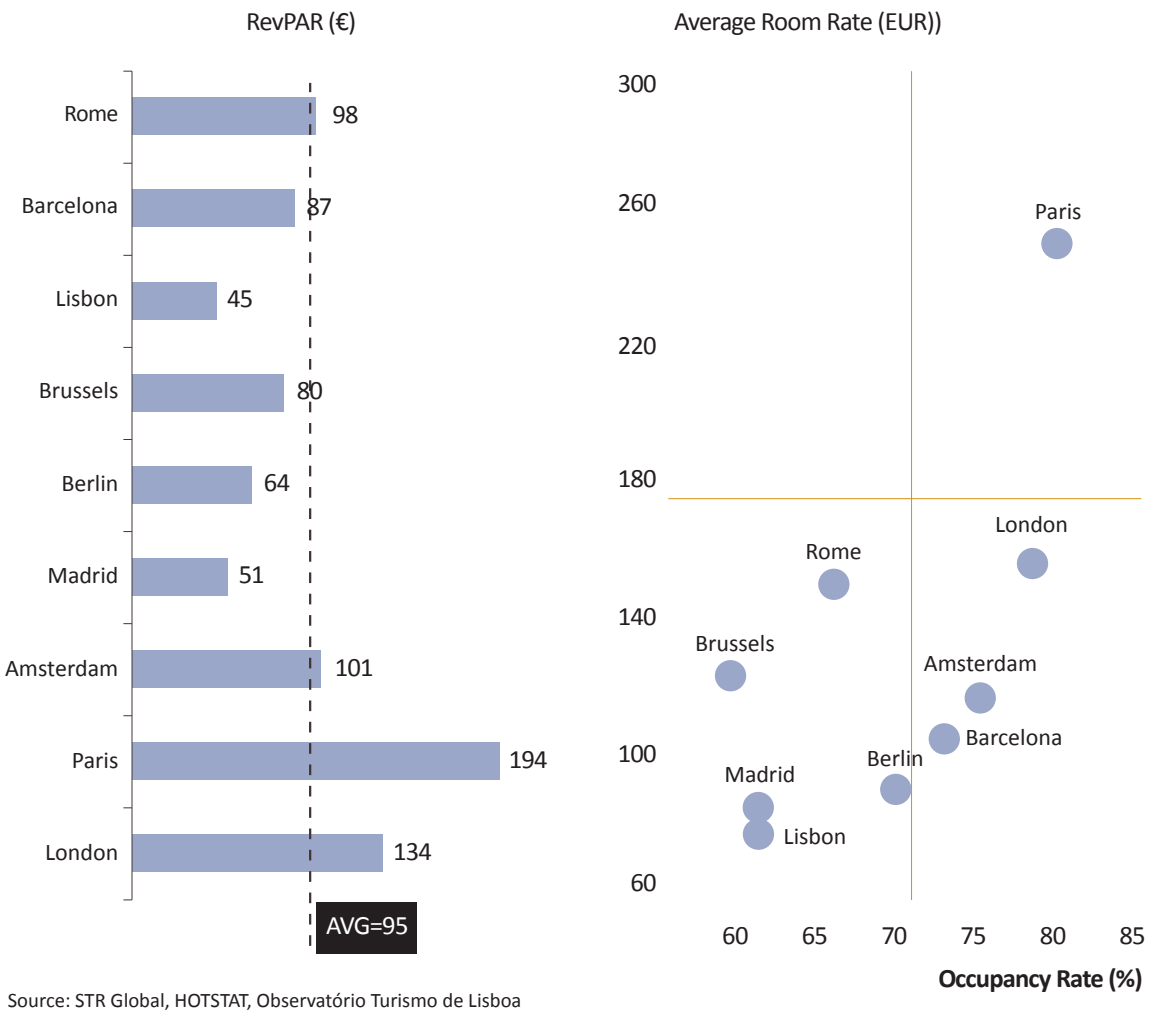
Source: Jones Lanh LaSalle in "Hotel Investment Outlook - Global 2014 - A new era"

2.2. Europe

In Europe, tourism is also expected to grow close to 5,4% in 2013, according to World Tourism Organization, mainly in the urban segment. The resort segment continued to recover slowly due to changes in destination pattern. Demand kept moving from places where persistent social distress like in several countries in north of Africa or Middle and Far East, including Turkey, focusing on destinations that offer greater safety and accessibility.

According to the European Travel Commission report of 2013 3Q, these countries and others in the south benefit also from the coordination between tourism and aviation that turned out to be crucial for the success of destinations such as Malta (+9%), Croatia (+6%), Spain (+4.5%) and Portugal (+8%).

Table 10 - Revpar, Average Room Rate and Occupancy rates 2013

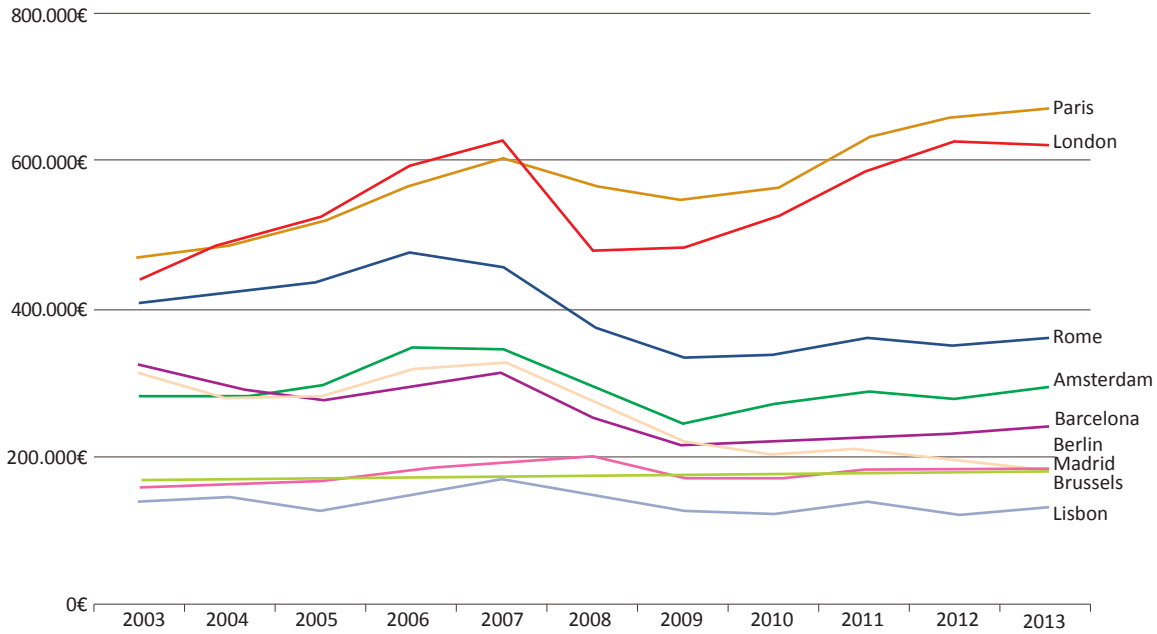


Source: STR Global, HOTSTAT, Observatório Turismo de Lisboa

The main cities in Europe, in terms of investment (value per room) were Paris and London. Regarding the cities where Pestana Group has or will have a hotel in short term, beyond London and Amsterdam, placed second and eighth in the HVS ranking, still have Barcelona (11th place), Madrid (19th place), Berlin (20th place) and Lisbon (27th place).

In these cities the evolution of the average hotel value per room was also different, increasing in Paris, London and Barcelona and decreasing in Lisbon and Amsterdam until 2012. In this city real estate prices decreased up to a point where investment is acceptable. However, during the 2013 these both markets registered a slightly increase.

Table 11 - Values per Room



Source: HVS - "European Hotel Valuation"

2.3. Portugal

Portuguese tourism grew in 2013, benefiting from both the change in Central Europe tourism destination and the emerging market strong demand. The country feeder markets are as such the following.

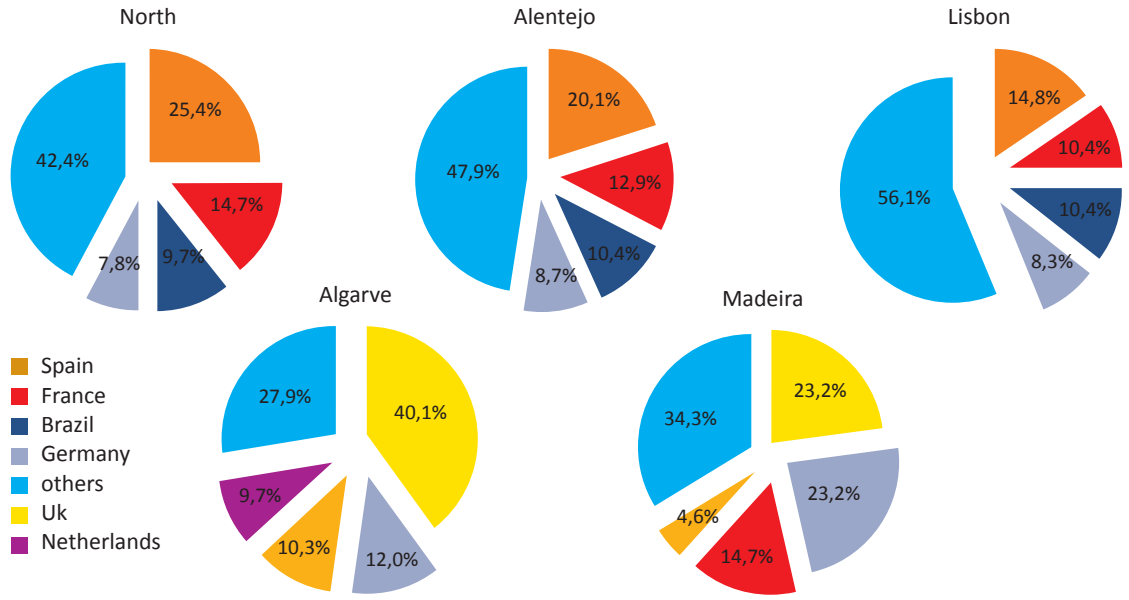
Table 12 - Portuguese tourism highlights

2013	**Value**	**Δ 13/12**
Domestic visitors ('000)	6.108	-1%
International visitors ('000)	8.324	8%
Overnights by International Visitors ('000)	29.437	8%
Revenue (millions €)	9.250	8%
RevPAR (€)	33,20	5%
Feeder Markets (by number os visitors) ('000)	Value	Weight
UK	1.388	17%
Spain	1.260	15%
Germany	907	1w1%
France	832	10%
Brazil	530	6%
Others	3.407	41%
TOTAL	**8.323**	**100%**

Source: Turismo de Portugal; INE, BdP

In 2013, the main touristic regions kept to be Algarve and Madeira in resort segment and the cities of Lisbon and Oporto (that concentrate the visitors of North region) in the urban segment. They all showed a strong demand based in foreign feeder markets, with slightly different patterns, that once again more than compensate the slowdown in the internal demand affected by the country's economic downturn. Despite that, signs of economic recovery mainly in the second half of the year (GDP slightly grew supported by a surplus in the trade balance), helped to invert the negative trend of private consumption and the spending in tourism and related touristic activities.

Table 13 - Portuguese feeder markets by region



Source: Turismo de Portugal

2.4. Africa

The World Tourism Organization expects that the number of international tourists arrivals in Africa will slightly increase between of 5% to 6%. Although this continent kept struggling with social distress in several countries, not only in the north but also in Mozambique where Pestana Group is operating. In other countries like South Africa, S.Tomé e Principe, Cape Verde and Morocco, last year was not much different from 2012, that showed a marginal growth.

Table 14 - Africa international tourism arrivals

Amounts in thousands of Euros

Africa	2010	2011	2012	2013
Morocco	*9.288*	*9.342*	*9.375*	*10.046*
Subsaharan Africa	*31.181*	*32.588*	*34.484*	*36.217*
Angola	425	481	528	n.a.
Cape Verde	336	428	482	464
Mozambique	1.718	1.902	2.113	n.a.
São Tome Principe	8	12	n.a.	n.a.
South Africa	8.074	8.339	9.188	9.510

Source: UNWTO

2.5. Latin America

Over the past two decades, some of Latin American countries have reached a level of political and economic stability to justify the conviction that their moment on the global stage has arrived.

In Latin America the tourism outlook is highly unbalanced with a cross-country heterogeneity. Brazil continued to show an increase in touristic activity, mainly supported by internal demand. Foreign feeder markets are other local Latin America countries and with less expression, Europe, US and China.

This pattern in the demand is supported by a still strong currency (despite depreciation as mentioned), high cost of living and lack of international touristic demand and infrastructures as they are perceived by foreigners in the main country destinations.

Table 15 - Latin America international tourism arrivals

Amounts in thousands of Euros

South America	2010	2011	2012	2013
Argentina	5.325	5.705	5.585	5.571
Brazil	5.161	5.433	5.677	n.a.
Colombia	2.385	2.045	2.175	2.288
Venezuela	526	595	710	n.a.

Source: UNWTO

Brazil on the other end, supported by the rising of its middle class, has continued to be in 2013 one of the more dynamic sources of tourists not only in Europe but in the US, mainly in Miami where the Pestana Group opened a hotel last year.

The growth and decentralization of the Brazilian economy is reflected in the increase in hotel supply located in towns, secondary cities spread throughout the interior and northeast of the country.

3. GROUP ACTIVITY

3.1. Overall activity

Last year we consolidated our position in the World and in the European hospitality group ranking, being today the 121st and 35th respectively. The Group owns and manages 77 hotels, offering a diversified range of services in hospitality complemented by golf, casino, timesharing and real estate activities.

Since the consolidation perimeter is completely different from 2012, due to the Group's restructure driven in 2013, though it is not reasonable to compare the 2013 consolidated figures with the ones from the year before. However it is now possible to analyze the contribution of each sub-holding to the consolidated figures. Each subholding represents basically a geographical region:

- Grupo Pestana, S.G.P.S., S.A. – Europe and North America
- Djebel, S.G.P.S., S.A. – Brasil
- Pestana Inversionnes, S.L. – South America Spanish speaking countries
- Salvintur, S.G.P.S., S.A. – Africa
- Other - Holding, Atlantic Holidays, Cervejas da Madeira

Table 16 - Financial highlights – Profit & Loss

	Total 2013	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Rooms (total keys)						
of which Rooms under management contract	**9.639**	6.444	1.582	988	625	0
(keys)	**660**	0	0	660	0	0
Hotel units (Total)	**77**	57	7	5	8	0
of which Units under management contract	**3**	0	0	3	0	0
(Amounts in millions of Euros)						
Revenue	**320,8**	202,2	47,9	24,6	16,1	30,1
GOP of Touristic activity (a)	**83,7**	66,6	9,3	2,7	6,1	-1,0
EBITDAR	**91,7**	62,0	7,1	5,8	5,2	11,6
Rents paid to owners and cocessions	**-10,8**	-9,7	-0,2	-0,5	-0,3	0,0
EBITDA (b)	**80,9**	52,3	6,9	5,3	4,9	11,6
Depreciation and amortization	**-40,8**	-28,2	-4,9	-1,7	-3,1	-3,0
EBIT	**40,1**	24,1	2,0	3,6	1,9	8,6
Paid interest net	**-28,1**	-16,9	-6,8	-0,3	-1,5	-2,6
paid Income taxes (c)	**-0,4**	0,7	1,0	-2,2	-0,1	0,2
Net income including non controling interests share	**9,9**	6,7	-6,4	2,7	0,4	6,6
GOP margin (%)	**26%**	33%	19%	11%	38%	-3%
EBITDAR margin (%)	**29%**	31%	15%	24%	33%	39%
EBITDA margin (%)	**25%**	26%	14%	22%	31%	39%
EBIT margin (%)	**13%**	12%	4%	14%	12%	28%
ROE (%)	**2,1%**	2,0%	-13,5%	7,8%	1,1%	27,4%
EPS	**3,57**	N/A	N/A	N/A	N/A	N/A
EBITDA/Net interesrs (..x)	**2,9**	3,1	1,0	20,5	3,4	4,4
Average cost of debt (%)	**6,2%**	4,9%	12,3%	N/A	7,9%	7,0%

Notes:
(a) "gross operating profit" - management accounts (uniform system of accounts) only includes fully consolidated companies
(b) includes income from financial investements
(c) includes gambling tax paid by Casino

Table 17 - Financial highlights – Balance Sheet

Net Assets	2013	% TOTAL	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Investment - Fixed Assets	939,5	100%	666,5	133,6	39,7	53,0	46,7
Deferred tax liabilites	-90,3	-10%	-35,5	-37,6	-7,3	-6,9	-3,0
Total adjusted fixes assets	**849,2**	**91%**	**631,0**	**96,0**	**32,4**	**46,1**	**43,8**
Investment - Financial assets	22,6	2%	20,2	0,0	0,3	0,4	1,6
Other non-current assets	25,3	3%	15,4	8,3	0,0	0,5	1,1
Current Assets - Current liabilites	37,9	4%	16,3	-0,6	-2,0	7,6	16,6
Total Adjusted Assets	**935,0**	**100%**	**682,9**	**103,7**	**30,7**	**54,6**	**63,1**

Funding origins	2013	% TOTAL	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Equity	323,8	35%	209,1	24,5	34,0	35,2	21,0
Collected deferred revenues (a)	204,8	22%	178,7	22,9	0,0	0,1	3,1
Deferred sales cost (a)	-53,9	-6%	-53,9	0,0	0,0	0,0	0,0
Total non remunerated funding	**474,7**	**51%**	**333,9**	**47,3**	**34,0**	**35,2**	**24,1**
Long term financial debt	354,6	38%	281,4	15,1	1,5	18,4	38,2
Other non-current liabilites	9,7	1%	7,1	0,8	0,0	0,7	1,2
Total non-current funding	**839,0**	**90%**	**622,4**	**63,3**	**35,5**	**54,3**	**63,4**
Short term financial debt	162,6	17%	103,3	47,6	0,3	2,6	8,9
Cash + Financial assets available for sale	-66,7	-7%	-42,8	-7,2	-5,1	-2,3	-9,2
Net current debt	**96,0**	**10%**	**60,5**	**40,4**	**-4,8**	**0,3**	**-0,3**
Total funding origins	**935,0**	**100%**	**682,9**	**103,7**	**30,7**	**54,6**	**63,1**
Net debt	450,6		341,8	55,5	-3,3	18,7	37,8
EBITDA	80,9		52,3	6,9	5,3	4,9	11,6
Working capital	37,9		16,3	-0,6	-2,0	7,6	16,6
Capex net (b)	51,9		47,7	1,2	1,3	1,2	0,5
Net debt/EBITDA ratio	5,57		6,54	8,06	N/A	3,78	3,27
Net debt/Equity ratio	0,95		1,02	1,17	N/A	0,53	1,57
Net debt/Total Assets ratio (%)	48%		50%	54%	N/A	34%	60%
Liquidity ratio (%)	13%		11%	11%	286%	11%	19%

(a) Collectedsales of Holiday Club ("timeshare")
(b) Includes 30M repurchase of Pestana Carlton Madeira at the end of 2013 from a real estate fund

Net debt 2013:	**450,6**	**341,8**
Pestana Carlton Madeira repurchase	-30,0	-30,0
Pestana Arena Barcelona purchase	-14,0	-14,0
Adjusted net debt 2013:	**406,6**	**297,8**
Adjusted Debt/EBITDA ratio	5,1	5,7

The Group consolidated accounts shows strong patrimonial and profit and loss highlights.

3.1.1. Patrimonial highlights

The Group achieved adjusted net assets of 935 million Euros that reflect mainly the property of 37 hotels. Adjusted Equity represents 48% of the adjusted net assets, being the remaining covered by debt and other responsibilities. The leverage ratio was 5,57 (Net Debt/EBITDA), which is considered low for a company with this asset level.

Today the Group has a debt service mostly aligned with its annual cashflow. Corporate debt represents 30% of total debt and the refinanced risk is controlled. The Group has credit overdrafts available in excess of 45 million Euros in 20 financial institutions that represents 10% of the debt outstanding.

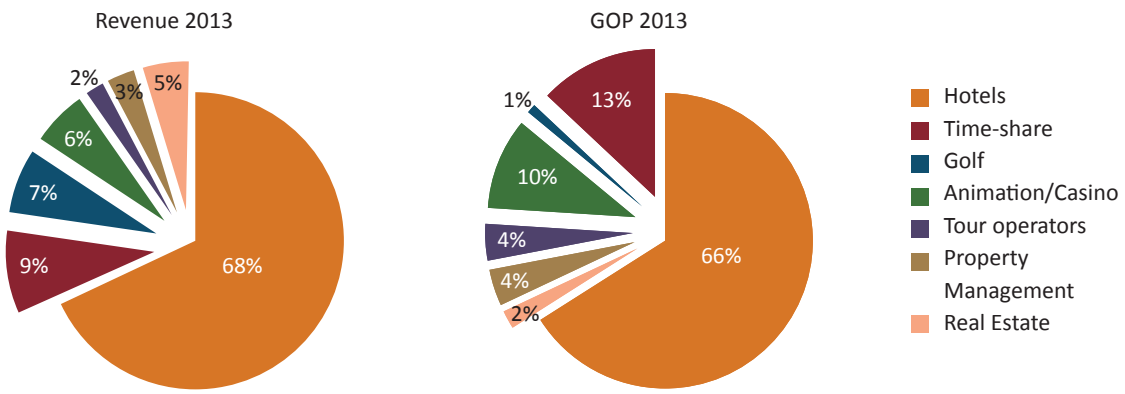
The purchase at the end of 2013 of Pestana Arena Barcelona, as well as the repurchase of Pestana Carlton Madeira from a real estate fund, has contributed to a significant increase in debt (44 million Euros), not followed by the respectively increase of EBITDA, which will happen only in 2014.

Ignoring the impact of such purchases, the Pestana Group presents a Net debt / EBITDA ratio of 5,1 which is even lower considering the 37 hotels recorded on balance sheet (6.300 rooms, including holiday club units).

3.1.2. Profit and Loss highlights

The Group revenues were 321 million Euros, for an EBITDAR of 92 million Euros and EBITDA of 81 million Euros, which represents one of the best margins in Europe. The EBITDA / interest paid ratio was 2,9, which shows a sound debt weight based on an average interest rate of 6,2% considering the several geographies where the Group is present.

Table 18 - Revenue and GOP 2013 by business area



A. Hospitality

Hospitality grew 11% on average in 2013, excluding the foreign exchange effect, although in different regions different situations occurred.

In Portugal, an increase in occupancy has been achieved with a very positive evolution of both British and German markets. Exclusivity long-term agreements with major tour operators also contributed to potentiate such growth, especially in Madeira and Algarve, although with a slight decrease of ARR. The cost control efficiency implemented in the last years has led Pestana to a significant EBITDA increase in these areas.

Pousadas recover slightly, benefiting from a different marketing approach with a feeder markets diversification (reducing dependence on Iberian market), which made it possible to improve 3% in EBITDA in 2013.

European hotels continue to present excellent results in very competitive markets, leaded by the Pestana Chelsea Bridge hotel that generated around 6 million Euros of GOP in 2013, and the sustainable growth of Pestana Berlin.

The hotels in Brasil showed different performances. While the unit in Rio de Janeiro continues to have a very positive performance after the full refurbishment in the previous year, as well as and the one in Natal benefiting a lot from its “all-inclusive” format, the ones in Bahia had worse performances.

The other hotels in South America continue its good operational performance, despite the political and currency constrains of its countries. Both Pestana Caracas and Pestana Buenos Aires present very positive results.

The Pestana Rovuma in Mozambique and Pestana Tropical in Cape Verde are the major contributors for the operational results in Africa, and continue to show very good operational results. Pestana Trópico benefited from the room increase, doubled last year.

Table 19 - ARR and Occupancy by main country

	ARR in local currency				ARR in Euros			Occupancy		
Hotel Country	**Currency**	**2013**	**2012**	**Var**	**2013**	**2012**	**Var**	**2013**	**2012**	**Var**
Portugal	EUR	73	77	-5%	73	77	-5%	58%	51%	15%
Germany	EUR	81	85	-5%	81	85	-5%	84%	77%	9%
UK	GBP	114	119	-4%	137	145	-6%	90%	79%	14%
USA	USD	159	N/A	N/A	116	N/A	N/A	66%	N/A	N/A
Argentina	ARS	617	594	4%	69	92	-25%	71%	68%	4%
Venezuela	VEF	1.797	1.235	45%	115	218	-47%	69%	73%	-5%
Brazil	BRL	294	255	15%	90	94	-4%	56%	60%	-7%
Cape Verde	EUR	97	95	2%	97	95	2%	68%	69%	-2%
Sao Tomé	EUR	73	75	-3%	73	75	-3%	38%	33%	16%
Mozambique	MZN	3.372	2.984	13%	82	77	6%	61%	64%	-5%
South Africa	ZAR	874	798	10%	60	71	-16%	48%	47%	1%
AVERAGE				**2%**	**82**	**89**	**-8%**	**59%**	**55%**	**8%**

The presence of Pestana Group in countries with high inflation and currency constrains, had negative impact in the presented consolidated profit & loss, especially in South American units, where currencies have suffered significant devaluation in 2013.

The Group growth was supported not only by existing hotels and Pousadas but also by new openings in our own real estate and by manage properties. The main facts occurred were related with the:

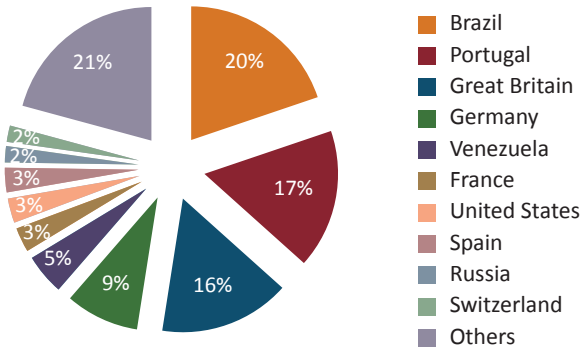
1. Opening of our Miami property in February located in South Beach, with 99 rooms;
2. Opening of the Casablanca hotel with 73 suites, supported by a lease agreement;
3. Opening Cape Verde 42 room expansion, to 93 total room;
4. Acquisition of a 5 year old existent hotel in Barcelona, with 84 rooms for approximately 14 million Euros;
5. Consolidation of the Cascais Pousada business, after the opening in May 2012;
6. Beginning of the refurbishment of Pousada do Terreiro do Paço in Lisbon with 86 rooms;
7. Acquisition of several buildings next door of Oporto hotel in order to enlarge the room number from 47 rooms to 101 rooms;
8. Consolidation of the Bogotá hotel, after the opening in September 2012 with a managing agreement;
9. Consolidation of the business in the Rio Janeiro hotel after its refurbishment in 2012;

10. Opening of Pestana Colombo's Resort, a 100 rooms hotel in Porto Santo, under a management contract;
11. SPA signature for a turn-key acquisition of a hotel in Amsterdam with 157 rooms;
12. Beginning the project development for a new hotel in Alvor with 76 rooms in front of the beach, named "Pestana Mar";
13. Repurchase of the building Pestana Carlton Madeira from a real estate fund for 30 million Euros.
14. Maintenance and capital expenses are invested on a regular basis in existing units in order to modernize them and keep them according with high standards.

Today more than 3 million people, per year, stay at one of Pestana hotels in the 15 countries were we have presence. The Group feeder markets are mainly concentrated in Europe, with a strong presence in Latin America and in some countries in Africa.

Although almost 63% of the assets are located in Portugal, the local demand do not account for more than approximately 20% in the overall hotel revenue, meaning that Pestana is one of the leading groups supporting Portuguese trade balance.

Table 20 - Hotel Group feeder markets (by country)



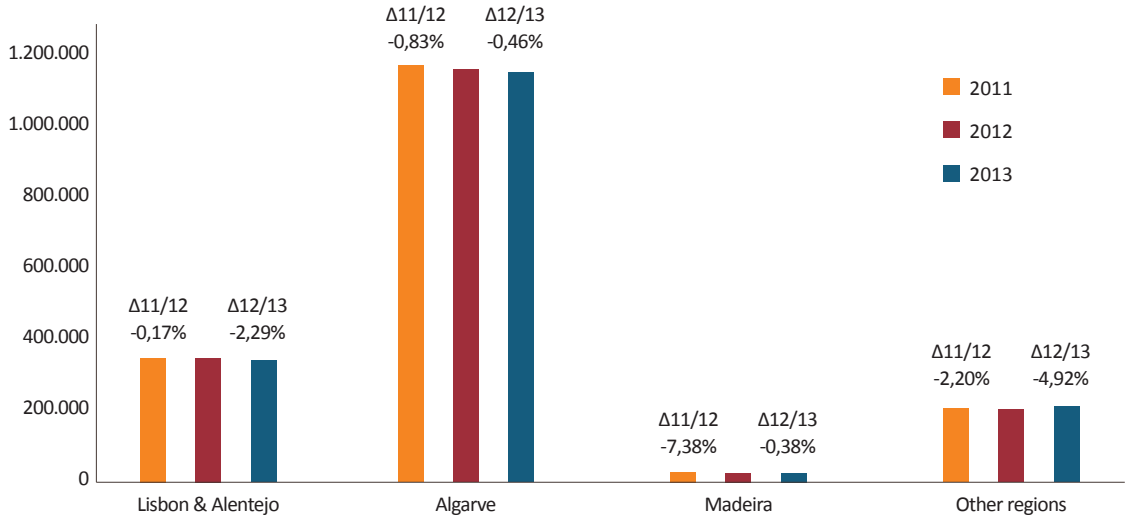
B.Golf

This activity stabilized in 2013 representing 4.6% of the total GOP of the Group, supported by six golf courses, namely Alto Golf, Pinta, Gramacho, Silves and Vila Sol in Algarve and Beloura in Lisbon.

This performance is considered good once the number of golf rounds in Portugal decreased in 2012 of around 1% and 0.2% in 2013, as a consequence of the Portuguese economic downturn and VAT increase in 2012.

In Algarve and Lisbon, the negative trend was almost the same registered in Portugal as a whole.

Table 21 - Evolution of golf rounds in Portugal

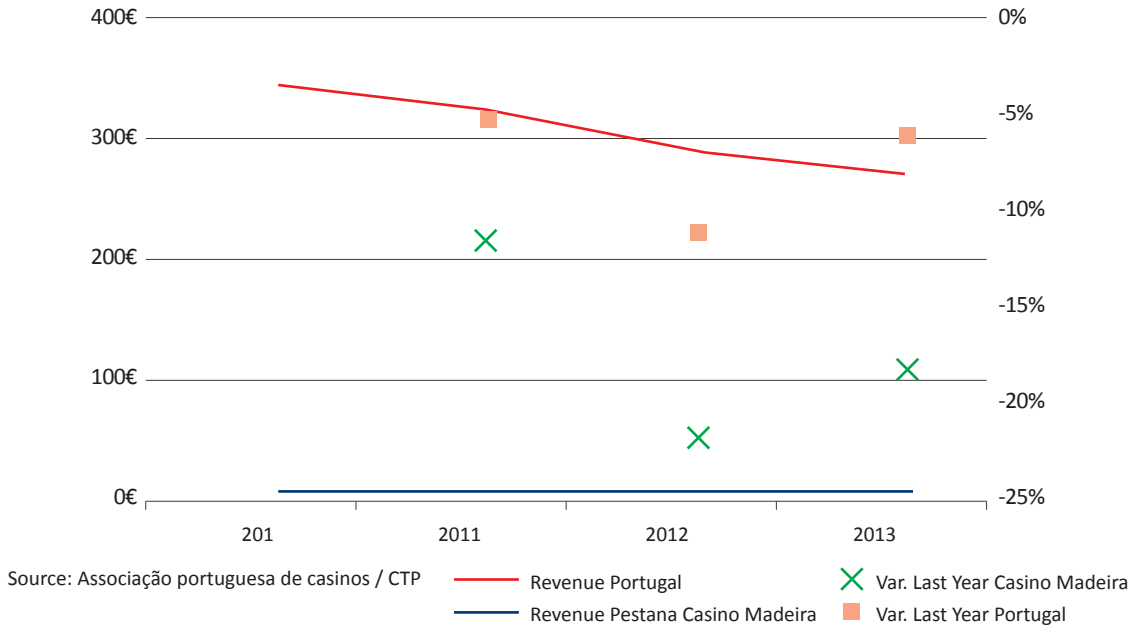


Source: CNIG

C. Casino

This activity decreased 10.93% in 2013 representing 4.7% of the total GOP of the Group, supported by two Casinos, being one in Madeira and the other in S. Tomé & Principe. The Madeira casino, as a regional business, represents the majority of the revenues of this segment. This performance was obtained despite the market breakdown.

Table 22 - Evolution of Gambling in Portugal



Source: Associação portuguesa de casinos / CTP

D. Timesharing and Pestana Vacation Club

Timesharing increased slightly in 2013 representing 13.1% of the total GOP of the Group, supported almost by 30 thousand families that keep following the Group in the last 25 years. Pestana develops also a PVC (Pestana Vacation Club) that allows guest to travel all along the Group hotels around the world. This does not give to the buyer a legal right to the property, but is also a stream of cashflow like Timesharing.

It is important to say that according to IFRS it is only accounted in the EBITDA when the guest uses its right in one of Pestana Hotels (PVC). As such the stream of cashflow is normally higher upon selling.

E. Real Estate

Real Estate is developed mainly in Portugal through our projects in Troia (near Lisbon) and in Carvoeiro (in Algarve). Last year sales were also relevant in the island of S.Tomé e Principe, Bazaruto and in Bahia (Brazil). This activity grew substantially vis-à-vis 2012, representing now-a-days 7.4% of the total GOP.

Pestana real estate concept is usually based in selling villas and apartments for tourism use, either near a Pestana golf course or a Pestana hotel unit that provide a wide range of high standard services to the owners, including maintenance, housekeeping, food & beverage and condominium management, and that represent a significant cash flow stream. Pestana's strategy for this business is to build houses only at the same rhythm they are being sold (we do not build for stock), which proved to be the right one during this economic crisis avoiding high opportunity costs.

F. Other Business

The Group develop other activities through subsidiaries:

1 ECM (produce and distribute soft drinks and beer mainly in Madeira Island) that accounted in 2013 an EBITDA of 644 thousand Euros, meaning a decrease of 66% when comparing to 2012 due to several economical constrains;

2 SDM (management of Madeira trade business center), that accounted in 2013 an EBITDA of 2,6 million Euros, representing a decrease of 32%, compared to 2012, due to the regulatory change regarding the International business center of Madeira;

3 Atlantic Holidays UK (British tour operator specialized in the Madeira destination), recorded a negative EBITDA of approximately 1,2 million Euros, due to a restructuring process in progress. It is important to understand the strategic interest of this company that is responsible for organizing flights to our own Madeira hotels.


POUSADA
CASCAIS
Cidadela Historic Hotel
CIDADELA DE CASCAIS

4. THE NEAR FUTURE (2014)

4.1. Macro major trends

The near future is expected to consolidate, even in a slightly way, the positive trend registered last year. The world GDP will probably show a small, but positive, growth similar to what is anticipated to happen in average in the US and in Europe. Portugal is expected to show a positive GDP nominal growth, being the real one close to zero.

In Brazil nominal GDP is expected to keep growing, although the real one will keep showing a negative value. In this country the inflation control will still be a problem in 2014, though we expect that a new increase in the reference rate could occur.

In western countries the reference rates are expected to keep lower values, although with a positive trend, reflecting a very challenging environment where the recovery is still facing several and important issues. Liquidity will continue to be available for good corporate risks and spreads are expected to continue to decrease following the 2013 trend.

We expect that the main Group currencies will remain stable with the exception of Real and other Latin American currencies that could once again depreciate against USD and EUR.

The progressive confidence recovery of the general market agents and of the population in general should contribute to increase private consumption in the US and in Europe, mainly in the countries where economic programs were applied.

As such hospitality is expected to grow in 2014 following last year trend. The countries that will benefit the most will be the ones with no social distress that could be able to promote themselves the best within their feeder markets. Emerging countries tourists will keep growing in the US and in Europe as well.

4.2. Group activity

We are optimistic for the near future. The Group strategy will continue to be based on cities in the US and in Europe, outside Portugal, for urban hotels with corporate and leisure demand. This will allow us to diversify feeder markets and our EBITDA structure in order to have in the medium term the majority of its cash flow spread in investment grade countries in the world.

In those cities several are the opportunities that we have looking either for acquisition or for management. In the end of last year we have signed an SPA (Sale and Purchase Agreement) for a hotel in Amsterdam. New commitments could be settled this year if projects meet our own tight standards in terms of location, price per room and cash flow expectations.

The Group also expects to benefit from opportunities that could arise for the resort segment, in specific locations, although it will not be its major focus. Our aim is to reduce also some seasonality that is still present on the Group cash flow. In Portugal and South America to grow Pestana intend to be more asset right, with a stronger component of management.

As the incumbent operator in Portugal we expect also to benefit from the growth in this country and from several opportunities that could arise within, mainly as a manager, as mentioned.

The Group also started three projects last year in excellent locations, namely: (1) Lisbon (Terreiro do Paço) 86 rooms under a concession; (2) Oporto (Cais da Ribeira) enlargement of 54 rooms in one of our own property; (3) Algarve (Alvor) in the beach a Hotel of 76 rooms.

This year the Group opened another Pousada in a portuguese small city named Covilhã, a mountain Hotel with interesting perspectives both for summer and winter for snow holidays.

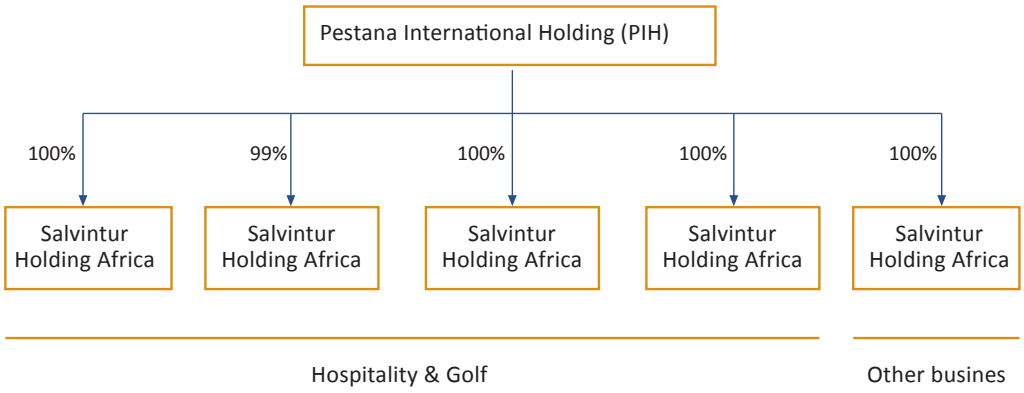
5. CORPORATE REORGANIZATION

The Group implemented in 2013 a corporate reorganization, and Pestana Luxembourg was denominated has Pestana International Holdings, S.A. in December 2013. The reorganization had three main objectives:

a) Concentrate main shareholder group stakes in Pestana International Holdings, in order to easily manage the return on equity;

b) Consolidate all the group under IFRS duly audited, allowing a more understandable credit risk profile from financial institutions and other stakeholders;

c) Empower regional holding group structure, allowing local partnership development.



Note: (1) Pestana International Holdings control of Pestana Inversions is done directly and indirectly through Grupo pestana SGPS

6. MANAGEMENT OBJECTIVES AND POLICIES REGARDING FINANCIAL RISKS

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

The Pestana Group's risk management is controlled by the finance department under policies approved by the Board of Directors. Accordingly, the Board of Directors has defined the global risk management principles as well as specific policies that mitigate those risks.

The management criteria for these policies is described in the annexes to the Consolidated Financial Statements.

7. SUBSEQUENT EVENTS

As at 1 April 2014, the "Pousada da Covilhã" was openned, with 92 rooms, complemeting the Group mountain offer in Portugal. This Pousada was designed by Eduardo Souto Moura, a very famous architect in Portugal.

8. OTHER

In accordance with our duties under Article 339 and 339 bis of the amended Law os 10 August 1915 about Comercial Companies, we inform the following:

- Pestana International Holdings, S.A. has not purchased, and does not have, own shares.
- Pestana Group did not operate any branches and there are no significant matters to report regarding research and development.

9. RECOGNITIONS

All the members of the Board of Directors of Pestana Group companies want to express once again their acknowledged thanks to all public and private entities that, directly or indirectly, have supported and worked together with our Group.

It is particularly gratifying to signal with high esteem, the trust relationship that our customers, suppliers and other business partners, namely financial institutions and qualified services providers, have honoured us.

We appreciate the support and collaboration of the other Governing Bodies of the Group companies, members of the General Assembly and Supervisory Bodies in carrying out its duties. Finally, and it is not enough to stress, that is worthy of recognition the spirit of professionalism and high sense of duty of the employees of the Pestana Group. Their effort and dedication are the reason that makes possible the creation of value that the Pestana Group is responsible for.

Luxembourg, 30 May 2014

The Board of Directors

José Alexandre Lebre Theotónio
Director

Hermanus R.W. Troskie
Director

Chiara Decegie
Director

Consolidated financial statements

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Consolidated statement of financial position

(amounts expressed in Euros)	Notes	31 December 2013	31 December 2012
Assets			
Non-current			
Property, plant and equipment	6	968.885.684	25.808.988
Intangible assets	7	15.821.720	-
Investment properties	8	8.740.453	23.401.810
Investments in associates	9	9.816.402	64.721.603
Other financial investments	10	12.821.943	9.898.894
Deferred tax assets	11	17.916.347	1.620.772
Financial assets available for sale	12	5.211.467	-
Trade and other receivables	14	7.350.329	-
		1.046.564.345	**125.452.067**
Current			
Inventories	15	62.402.186	5.937.883
Trade and other receivables	14	57.957.436	18.136.616
Current tax assets	16	2.429.005	189.636
Financial assets at fair value throught profit and loss	17	668.283	-
Cash and cash equivalents	18	60.794.912	11.453.932
		184.251.822	**35.718.066**
Total Assets		**1.230.816.167**	**161.170.134**
Equity			
Capital	19	207.669.869	35.388.363
Other reserves	20	(93.653)	4.052.132
Retained earnings	21	59.351.418	48.349.089
Profit for the year		10.840.503	2.493.366
Non-controlling interests	22	46.043.903	5.537.694
Total Equity		**323.812.040**	**95.820.645**
Liabilities			
Non-current			
Provisions	23	1.357.931	-
Loans and borrowings	24	349.115.727	29.266.838
Derivatives	25	7.388.214	992.053
Deferred tax liabilities	11	90.320.816	4.366.154
Deferred revenue	26	180.236.878	2.377.672
Trade and other payables	27	6.481.105	28.192
		634.900.671	**37.030.908**
Current			
Provisions	23	873.942	342.165
Loans and borrowings	24	161.594.306	9.132.509
Deferred revenue	26	24.530.377	187.106
Trade and other payables	27	82.997.686	18.644.065
Current tax liabilities	16	2.107.145	12.736
		272.103.456	**28.318.580**
Total Liabilities		**907.004.127**	**65.349.489**
Total Equity and Liabilities		**1.230.816.167**	**161.170.134**

The following notes form an integral part of the Consolidated statement of financial position for the year ended 31 December 2013.

Consolidated income statement

(amounts expressed in Euros)	Notes	Year 2013	Year 2012
Revenue	28;29	320.832.314	34.509.286
Cost of sales	15	(45.211.858)	(8.337.601)
External services and supplies	30	(111.189.885)	(15.249.702)
Personnel expenses	31	(87.018.758)	(6.870.345)
Charges/reversals of depreciations and amortizations	6;7;8	(44.103.148)	(3.031.546)
Reversal of impairment losses of tangible assests	6	3.284.991	-
Impairment of receivables	14	(1.166.805)	(128.143)
Impairment of inventories	15	(205.784)	(176.600)
Provisions	23	119.396	-
Other income	32	13.674.781	1.167.580
Other expenses	33	(19.492.682)	(2.224.973)
Gains and losses on Associates and Other financial investments	9;10	8.437.932	3.970.145
Profit before financial results and taxes		**37.960.494**	**3.628.099**
Finance expenses	34	(34.938.858)	(2.389.089)
Finance income	34	5.842.490	563.344
Profit before tax		**8.864.126**	**1.802.353**
Income tax	35	1.053.565	828.410
Profit for the year		**9.917.691**	**2.630.763**
Profit for the year attributable to:			
Shareholders		10.840.503	2.493.367
Non-controlling interests		(922.812)	137.397
		9.917.691	**2.630.763**
Earnings per share		7.52	63.39

The following notes form an integral part of the Co solidated income statement for the year ended 31 December 2013.

Consolidated statement of comprehensive income

(amounts expressed in Euros)	Notes	Year 2013	Year 2012
Net profit for the year		**9.917.691**	**2.630.763**
Items that are recycled to profit or loss			
Change in fair value of hedging derivatives	24	4.046.598	(992.053)
Change in fair value of Financial assets available for sale	12	(144.199)	-
Foreign currency translation differences	20	(19.384.914)	190.527
Hiperinflation effect	20	1.260.603	-
Impact of changes in tax rate (Portugal)	11	(359.889)	-
Tax impact in items booked directly in equity	11	(699.501)	148.809
Items that are recycled to profit or loss, net of income tax		**(15.281.302)**	**(652.717)**
Total comprehensive income for the year		**(5.363.611)**	**1.978.046**
Comprehensive income attributable to:			
Shareholders		(4.440.799)	1.840.650
Non-controlling interests		(922.812)	137.397
		(5.363.611)	**1.978.046**
Earnings per share:			
Basic earnings per share		(4,07)	47,66
Diluted earnings per share		(4,07)	47,66

The following notes form an integral part of the Consolidated statement of comprehensive income for the year ended 31 December 2013.

Consolidated statement of changes in equity

(amounts expressed in Euros)	Atributable to shareholders					Non-controlling interests	Total
	Share capital	Other equity instruments	Other reserves	Retained earnings	Profit/loss for the period		
At 1 January 2012	**5.241.868**	**22.283.441**	**21.697.758**	**29.454.400**	**4.713.429**	**4.854.988**	**88.245.884**
Changes in the period							
Net profit application	-	-	4.166	4.709.263	(4.713.429)	-	-
Changes in the consolidation perimeter	-	-	(1.181.574)	(1.532.201)	-	-	(2.713.775)
Transfers	-	-	(15.717.628)	15.717.628	-	-	-
Other changes recognized in equity	-	-	(97.872)	-	-	545.309	447.437
	-	**-**	**(16.992.908)**	**18.894.690**	**(4.713.429)**	**545.309**	**(2.266.338)**
Conversion differences			190.527	-	-	-	190.527
Change in fair value reserve (hedging derivatives)			(843.244)	-	-	-	(843.244)
Change in fair value reserve (assets held for sale)			-	-	-	-	-
Profit for the year			-	-	2.493.366	137.397	2.630.763
Comprehensive income			**(652.717)**	**-**	**2.493.366**	**137.397**	**1.978.046**
	-	**-**	**(17.645.625)**	**18.894.690**	**(2.220.063)**	**682.706**	**(288.292)**
Transactions with equity holders in the period							
Capital increase	-	7.863.054	-	-	-	-	7.863.054
Dividends	-	-	-	-	-	-	-
	-	**7.863.054**	**-**	**-**	**-**	**-**	**7.863.054**
At 1 January 2013	**5.241.868**	**30.146.495**	**4.052.133**	**48.349.090**	**2.493.366**	**5.537.694**	**95.820.646**

(amounts expressed in Euros)	Atributable to shareholders					Non-controlling interests	Total
	Share capital	Other equity instruments	Other reserves	Retained earnings	Profit/loss for the period		
Changes in the period							
Net profit application	-	-	1.770.855	722.511	(2.493.366)	-	-
Changes in the consolidation perimeter	-	-	9.364.662	10.279.817	-	44.914.050	64.558.529
Transfers	-	-	-	-	-	-	-
Other changes recognized in equity	-	-	-	-	-	-	-
	-	**-**	**11.135.517**	**11.002.328**	**(2.493.366)**	**44.914.050**	**64.558.529**
Conversion differences	-	-	(19.384.914)	-	-	-	(19.384.914)
Change in fair value reserve (hedging derivatives)	-	-	3.347.097	-	-	-	3.347.097
Change in fair value reserve (assets held for sale)	-	-	(144.199)	-	-	-	(144.199)
Impact change tax rate	-	-	(359.889)	-	-	-	(359.889)
Hyperinflation effect	-	-	1.260.603	-	-	-	1.260.603
Profit for the year	-	-	-	-	10.840.503	(922.812)	9.917.691
Comprehensive income			**(15.281.302)**	**-**	**10.840.503**	**(922.812)**	**(5.363.611)**
	-	**-**	**(4.145.785)**	**11.002.328**	**8.347.137**	**43.991.238**	**59.194.918**
Transactions with equity holders in the period			**-**				
Capital increase	161.383.370	10.898.136	-	-	-	-	172.281.506
Dividends	-	-	-	-	-	(3.485.029)	(3.485.029)
	161.383.370	**10.898.136**	**-**	**-**	**-**	**(3.485.029)**	**168.796.477**
At 31 December 2013	**166.625.238**	**41.044.631**	**(93.653)**	**59.351.418**	**10.840.503**	**46.043.903**	**323.812.040**

The following notes form an integral part of the Consolidated statement of changes in equity for the year ended 31 December 2013.

Consolidated cash flow statement

(amounts expressed in Euros)	Year 2013	Year 2012
Net profit before tax:	**8.864.126**	**1.802.353**
Add Back:		
+ Depreciation	37.579.421	3.429.525
+ Impairment of receivables	1.166.805	128.143
+ Impairment of inventories	205.784	176.600
Less:		
- Share of profit of associated companies	(8.437.932)	(3.970.145)
	39.378.204	1.566.477
- Gains other income	(13.674.781)	(1.167.580)
+ Other expenses	19.492.682	2.224.973
	45.196.105	**2.623.871**
Changes in working capital		
- Inventories - increase (decrease)	(56.464.303)	(430.058)
+ Debtors - decrease	(25.815.040)	(556.163)
- Other debtors - increase	(5.481.056)	(9.704.302)
+ Prepayments - increase	(10.707.242)	2.831
- Provisions - decrease	1.889.708	-
- Other creditors - increase	(24.861.769)	(12.002.207)
+ Trade payables - decrease	(18.271.629)	-
Cash flow from operatiing activities	**(94.515.225)**	**(20.066.029)**
Interest received	842.525	27.606
Interest paid	(28.943.939)	(1.828.730)
Income tax	(1.053.565)	770.847
	(29.154.979)	**(1.030.277)**
Net cash flow from operating activities	**(123.670.204)**	**(21.096.306)**
Cash flow from investment activities		
Sale proceeds of Fixed assets	2.176.345	176.365
Gains on disposal of assets	936.011	7.259
Losses on disposal of assets	(138.811)	(12.857)
Sale proceeds from of investments	17.479.190	4.335.196
Dividends from associates	-	3.247.895
	20.452.735	**7.753.858**
Acquisition of Fixed assets	(63.251.586)	(597.715)
Acquisition of Associates	-	-
Acquisition of Financial investments	(3.725.362)	(12.181.768)
Net cash flow from investment activities	**(46.524.213)**	**(5.025.625)**
Cash flow from financing activities		
Decreased in overdraft	(64.964.802)	985.000
Shareholders loans	10.898.136	7.863.054
Loans & borrowings	11.764.188	13.417.411
Dividends paid	(3.485.029)	-
Leases	(1.535.437)	(147.901)
Net cash flow from financing activities	**(47.322.944)**	**22.117.564**
Non-cash Investing and financing activities	161.383.370	-
Increase (decrease) in cash equivalents	(217.517.361)	(4.004.368)
Exchange differences	(188.393)	232.336
Net increase (decrease) in cash equivalents	**(56.322.384)**	**(3.772.031)**
Cash at beginning of the year	6.953.932	11.123.943
Cash - Change in the perimeter	48.142.602	-
Cash at the end of the year	(1.225.850)	6.953.932
Net increase (decrease) in cash equivalents	**(56.322.384)**	**(4.170.010)**

The following notes form an integral part of the Consolidated cash flow statement for the year ended 31 December 2013.

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Pestana International Holdings, S.A. (in this document as "Pestana Group"), previously denominated as, Pestana Luxembourg, S.A., until 13 December 2013, was incorporated in Luxembourg on 4 July 1980 and since 2005 is classified as a "Société de Participations Financières".

The Pestana Group was founded in 1972, with the establishment of M & J Pestana - Sociedade de Turismo da Madeira, S.A. to invest on the currently denominated "Pestana Carlton Madeira", and develops its activity mainly in the Hospitality sector, having also interests in Industry and Services. The Group is led by its majority shareholder Mr. Dionisio Pestana, son of the founder of the Group.

In the late 90's the Group started its internationalization efforts, primarily in Africa and then in South America.

In 2003, the Pestana Group won the tender to manage the network of "Pousadas de Portugal", taking the operation of 40 "Pousadas" in Portugal and promoting its internationalization.

Nowadays, the Pestana Group is by far the largest Portuguese group in the Hospitality sector, with an operation centered in hotels, but complemented by other activities such as timeshare, residential tourism, golf, touristic entertainment and retail.

Through the promotion of two brands (PH&R - Pestana Hotels & Resorts and "Pousadas de Portugal") it currently operates near 77 units of touristic lodging totalling approximately 9,450 rooms, which makes it the largest network with Portuguese origin, the twenty-fifth of Europe and the seventy-fifth worldwide.

In the leisure area, the Pestana Group currently holds, besides the 46 hotels (11 in Madeira, 6 in Algarve, 3 in Lisbon/Cascais/Sintra, 1 in Oporto, 8 in Brazil, 1 in Argentina, 1 in Venezuela, 3 in Mozambique, 1 in South Africa, 1 in Cape Verde, 3 in São Tomé e Príncipe, 1 in London, 1 in Berlin, 1 in Barcelona, 1 in Miami, 1 in Colombia 1 in Cuba and 1 in Maroccos) and the management of the 31 "Pousadas de Portugal" network, including the one in Cascais, 9 units of Vacation Club, 6 golf courses, 4 real estate / touristic ventures, 2 casino gambling concessions, Madeira and São Tomé e Príncipe, interests in a charter airline, 1 travel agency and 1 tour operator.

The Group implemented in 2013 a corporate reorganization in order to concentrate the main shareholder group stakes in Pestana International Holdings, S.A. (Note 39).

These consolidated financial statements were approved by the Board of Directors, on the meeting dated 30 May 2014. The Board of Directors has the opinion that such financial statements give a true and proper view of the operations of the Pestana Group, as well as its position and financial performance and cash flows, including the following business units:

Units	Location	Units	Location
Pestana Carlton Madeira (a)	Madeira	Pestana Alvor Atlantico	Algarve
Pestana Madeira Beach Club	Madeira	Pestana Porches Praia	Algarve
Pestana Casino Park Hotel	Madeira	Pestana Porches Praia Vacation Club	Algarve
Pestana Grand	Madeira	Pestana Gramacho Golf Resort	Algarve
Pestana Grand Vacation Club	Madeira	Pestana Vale da Pinta Golf Resort	Algarve
Grand Private Collection	Madeira	Pestana Silves Golfe Resort	Algarve
Pestana Porto Santo	Madeira	Pestana Alto Golfe Resort	Algarve
Pestana Colombos (b)	Madeira	Pestana Vilasol Golfe Resort (b)	Algarve
Pestana Promenade	Madeira	Pestana Vilasol Hotel Resort (b)	Algarve
Pestana Promenade Vacation Club	Madeira	Pestana Buenos Aires	Argentina
Pestana Miramar	Madeira	Pestana Convento Carmo (f)	Brazil
Pestana Miramar Vacation Club	Madeira	Pestana Bahia	Brazil
Pestana Village	Madeira	Pestana Bahia Lodge	Brazil
Pestana Village Vacation Club	Madeira	Pestana Angra	Brazil
Pestana Palms	Madeira	Pestana Curitiba	Brazil
Pestana Palms Vacation Club	Madeira	Pestana Natal	Brazil
Palms Private Collection	Madeira	Pestana Rio Atlantica	Brazil
Pestana Bay (b)	Madeira	Pestana São Luís	Brazil
Pestana Atlantic Gardens (b)	Madeira	Pestana São Paulo	Brazil
Madeira Magic (f)	Madeira	Pestana Bahia Holiday club	Brazil
Casino da Madeira (f)	Madeira	Pestana Natal Holiday club	Brazil
Centro Intern. Neg. Madeira (f)	Madeira	Pestana São Luis Holiday club	Brazil
Cervejas da Madeira	Madeira	Pestana Trópico	Cape Verde
Pestana Palace	Lisbon	Pestana Bogotá100 (g)	Colombia
Pestana Porto	Oporto	Pestana Cayo Coco (g) (e)	Cuba
Pestana Cascais (b)	Cascais	Pestana Berlim	Germany
Pestana Sintra Golf	Sintra	Pestana Casablanca (g) (c)	Morocco
Pestana Beloura Golf Resort	Sintra	Pestana Rovuma (f)	Mozambique
Pousadas de Portugal (Rede) (b) (f)	Portugal	Pestana Bazaruto (f)	Mozambique
Pousada de Cascais (f)	Cascais	Pestana Inhaca Lodge	Mozambique
Pestana Tróia Eco resort	Tróia	Pestana São Tomé	Sao Tomé and Príncipe
Pestana Alvor Park	Algarve	Miramar by Pestana	Sao Tomé and Príncipe
Pestana Alvor Park Vacation Club	Algarve	Pestana Equador	Sao Tomé and Príncipe
Pestana Alvor Praia	Algarve	Pestana Kruger Lodge	South Africa
Pestana Alvor Beach Club	Algarve	Pestana Arena Barcelona (d)	Spain
Alvor Private Collection	Algarve	Pestana Miami (c)	U.S.A.
Pestana Dom João II	Algarve	Pestana London	United Kingdom
Pestana Dom João II Beach Club	Algarve	Pestana Caracas	Venezuela
Pestana Delfim (b)	Algarve		
Pestana Viking	Algarve		
Pestana Viking Vacation Club	Algarve		

(a) Rented until September 2013
(b) Leased contract
(c) Opened in February 2013
(d) Acquisition in October 2013
(e) Opened in August 2013
(f) Concession
(g) Management

2. ACCOUNTING STANDARDS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements are prepared by the Pestana Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 31 December 2013. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Board. These Standards were adopted by Pestana Group for the first time in the year ended 31 December 2010.

The accounting policies presented were applied consistently to all periods presented in the consolidated financial statements.

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

Although, these estimates are based on the best experience of the Board of Directors and its highest expectations in relation to current and future actions and events, current and future events may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5 (Main accounting estimates and judgments).

These financial statements have been prepared at cost, except for financial assets available for sale and the derivative financial instruments, valuated at fair value.

New standards

a) The impact of the adoption of the standards and interpretations that became effective as of 1 January 2013 is as follows:

- **IAS 1** (amendment), 'Presentation of financial statements'. This amendment changes the disclosure of items presented in other comprehensive income (OCI), requiring entities to separate items in OCI on whether or not they may be recycled to profit and loss in the future and the related tax amount if OCI items presented before tax. This change had no impact on the Pestana Group consolidated financial statements.

- **IAS 12** (amendment), 'Income taxes'. This amendment requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale, except for the investment properties measured at fair value model. The amendments also incorporate into IAS 12 the guidance previously contained in SIC 21, which is accordingly withdrawn. This change had no impact on the Pestana Group consolidated financial statements.

- **IAS 19** (amendment), 'Employee benefits'. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses are recognised immediately, and only, in OCI (no corridor approach allowed). Finance cost for funded benefit plans are calculated on a net funding basis. Termination benefits qualify for recognition only when the employee has no future-service obligation. This change had no impact on the Pestana Group consolidated financial statements.

- **IAS 27** (revised 2011), 'Separate financial statements' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). IAS 27 was revised after the issuance of IFRS 10 and contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. This revised standard had no impact on the Pestana Group consolidated financial statements.

- **IAS 28** (revised 2011),'Investments in associates and joint ventures' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). IAS 28 was revised after the issuance of IFRS 11 and prescribes the accounting for investments in associates and joint ventures, and sets out the requirements for the application of equity method. This revised standard had no impact on the Pestana Group consolidated financial statements.

- **Annual improvements to IFRSs 2009 – 2011**, The 2009-2011 annual improvements affects: IFRS 1 (second adoption of IFRS 1 and exemptions), IAS 1 (presentation of additional financial statements when a change of accounting policy is mandatory or voluntary), IAS16 (classification of spare parts and servicing equipment when the definition of PP&E is met), IAS 32 (tax impact classification when related to transactions involving equity or dividends) and IAS 34 (exemption of total assets and liabilities disclosure by segment). The adoption of these amendments had no impact on the Pestana Group consolidated financial statements.

- **IFRS 7** (amendment) 'Disclosures - Offsetting Financial Assets and Financial Liabilities'. This amendment is part of the IASB offsetting project which introduces new disclosure requirements about entity's right to offset (assets and liabilities), the amounts offset, and the effects of these in the credit exposure. This change had no impact on the Pestana Group consolidated financial statements.

- **IFRS 10** (new), 'Consolidated financial statements' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). IFRS 10 replaces all the guidance on control and consolidation in IAS 27 and SIC 12, changing the definition of control and the criteria applied to determine control. The core principal that a consolidated entity presents a parent and its subsidiaries as a single entity remain unchanged. The early adoption of this standard had no impact on the Pestana Group consolidated financial statements.

- **IFRS 11 (new)**, 'Joint arrangements' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). IFRS 11, focus on the rights and obligations of the joint arrangements rather than its legal form. Joint arrangements can be joint operations (rights to the assets and obligations) or joint ventures (rights to net assets, applying equity method).Proportional consolidation of joint venture is no longer allowed. The early adoption of this standard had no impact on the Pestana Group consolidated financial statements.

- **IFRS 12** (new), 'Disclosure of interest in other entities' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). This standard sets out the required disclosures for all types of interests in other entities, such as: subsidiaries, joint arrangements, associates and structured entities, to allow the evaluation of the nature, risks and financial effects associated with entity's interests. Pestana Group made the disclosures in accordance with this new standard.

- **Amendment to IFRS 10, 11 and 12**, 'Transition guidance' (to be applied in EU at the latest in the annual periods beginning on or after 1 January 2014). This amendment clarifies that, when from the adoption of IFRS 10 results a different accounting treatment from IAS 27/SIC12 application, the comparatives must be adjusted to only the preceding comparative period, being the differences calculated recognised as at the beginning of the comparative period, in equity. The IFRS 11 amendment refers to the obligation of impairment testing over the financial investment, which results from the proportional consolidation elimination. Specific disclosures requirements are included in IFRS 12. The amendments of these standards had no impacts on the Pestana Group consolidated financial statements.

- **IFRS 13** (new), 'Fair value measurement and disclosure'. IFRS 13 aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement, and disclosure requirements for use across IFRSs The early adoption of this standard had no impact on the Pestana Group consolidated financial statements.

b) The following standards, amendments to existing standards and interpretations have been published and are mandatory for the Pestana Group accounting periods beginning on or after 1 July 2014 or later periods, but that the Group has not early adopted:

- **IAS 32** (amendment) 'Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January 2014). This amendment is part of the IASB offsetting project which clarifies the meaning of "currently has a legally enforceable right to set-off", and clarifies that some gross settlement systems (clearing houses) may be equivalent to net settlement. This change will have no impact on Pestana Group financial statements.

- **IAS 36** (amendment) 'Recoverable amount disclosure for Non-financial assets' (effective for annual periods beginning on or after 1 January 2014). This standard addresses the disclosure of information about the recoverable amount of impaired assets when based on fair value less cost to sell model. This change will have no impact on Pestana Group financial statements.

- **IAS 39** (amendment) 'Novation of derivatives and continuation of hedge accounting' (effective for annual periods beginning on or after 1 January 2014). This amendment allow hedge accounting to continue in a situation where a derivative designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulation. This amendment is not expected to have impact on Pestana Group financial statements.

- **IAS 19** (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 July 2014). This standard is still subject to endorsement by European Union. This amendment apply to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are independent of the number of years of service. This change will have no impact on Pestana Group financial statements.

- **Annual Improvement 2012**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Pestana Group will apply 2010-2012 annual improvements in the period it becomes effective.

- **Annual Improvement 2011 – 2013**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. Pestana Group will apply 2011-2013 annual improvements in the period it becomes effective, except for IFRS 1 because the Company already reports under IFRS.

- **IFRS 9** (new), 'Financial instruments - classification and measurement' (effective date not yet defined). This standard is still subject to endorsement by European Union. IFRS 9 refers to the first part of financial instruments new standard and comprises two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. Financial instrument are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise financial instruments are measured at fair value through profit and loss. Pestana Group will apply IFRS 9 in the period it becomes effective.

- **IFRS 9** (amendment), 'Financial instruments – hedge accounting" (effective date not determined). This amendment is still subject to endorsement by European Union. This amendment is the third phase of IFRS 9 and reflects a substantial overhaul of the hedge accounting rules of IAS 39, removing the quantitative assessment of hedge effectiveness, allowing more items to be eligible as hedged items and permitting the deferral of certain impacts of hedging instruments in Other comprehensive Income. This amendment objective is to better reflect the risk management practices. Pestana Group will apply IFRS 9 in the period it becomes effective.

- **IFRIC 21** (new), 'Levies' (effective for annual periods beginning on or after 1 January 2014). This standard is still subject to endorsement by European Union. Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment. Pestana Group will apply IFRIC 21 in the period it becomes effective.

3. ACCOUNTING POLICIES

The main accounting policies applied in the preparation of the consolidated financial statements are described below. These policies were consistently applied to all years presented.

3.1. Consolidation

3.1.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Pestana Group controls an entity when it is exposed to, or has rights, the variable returns generated as a result of their involvement with the entity, and has the ability to affect those returns through variable power it exerts on the relevant activities of the entity.

Subsidiaries are consolidated from the date the control is transferred to Pestana Group and are excluded from consolidation from the date that control ceases.

The acquisition of subsidiaries is recorded under the purchase method. The cost of an acquisition is measured at fair value of assets delivered, equity instruments issued and liabilities incurred or assumed on the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, independently of the existence of non-controlling interests. The surplus of the acquisition cost over the fair value of the identifiable net assets acquired is registered as goodwill. If the acquisition cost is less than the fair value of identifiable net assets acquired, the difference is directly recognized in the consolidated income statement.

In the case of acquisitions and dilutions of non-controlled interests without loss of control, the differences resulting between the purchase price and non-controlled interests acquired / disposed are recorded against retained earnings.

Transactions, balances and unrealized gains in transactions with group companies are eliminated. Unrealised losses are also eliminated, with the exception when considered as an impairment indicator of the transferred asset.

The losses registered by the subsidiaries are attributed to non-controlled interests in proportion of their share in the capital of subsidiary company.

The accounting policies of the subsidiaries are changed, whenever needed, to ensure its consistent application by all the Group companies.

Entities qualify as subsidiaries are listed in Note 38.

3.1.2. Associates

Associates are entities which the Group owns between 20% and 50% of the voting rights or over which Pestana Group has significant influence in the definition of the financial and operating policies.

The surplus of the acquisition cost over the proportion of the fair value of identifiable net assets acquired, the goodwill, is recognized as part of the financial investment in the associate. If the acquisition cost is less than the fair value of acquired net assets, the difference is directly recognized in the consolidated income statement.

In the Consolidated financial statements, investments in associates are measured by the equity method. Under this method, the financial statements include the Pestana Group's share of the gains and losses recognized from the date that significant influence begins until the date it ends.

Dividends received from associates are deducted from the carrying amount of the investment in the statement of financial position. The accounting policies of the associates are changed, whenever needed, to ensure its consistent application by all the group companies.

When the Group's share of losses of an associate exceeds its interest in the associate, additional losses are provided for only to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the associate.

Entities that qualify as Associated are listed in Note 9 and 38.

3.1.3. Other financial investments

Other financial investments are entities in which Pestana Group holds less than 20% of the voting rights or over which the Pestana Group has no significant influence in the definition of the financial and operating policies.

The investments in these entities are measured at the acquisition cost less impairment losses, if any, and dividends are recognized as gains in the year in which they are assigned.

Entities that qualify as other financial investments are listed in Note 10 and 38.

3.2. Business combinations under common control

Pestana Group accounts the transactions of acquisition of entities / businesses between entities under common control, which configure obtaining control over a business, in accordance with the "predecessor" approach. Accordingly, Pestana Group records the acquired assets and liabilities of the acquired entity / business as they are measured in the consolidated financial statements of the entity which ultimately controls both entities / businesses (the "predecessor").

Any difference between the consideration paid and the aggregate book value of the acquiree's assets and liabilities is reflected in equity, no goodwill or gain is accounted as a result of the transaction.

Pestana Group integrates the results of the entity / business acquired since the date of acquisition, i.e., from the date when control was obtained.

3.3. Foreing currency translation

i) Functional and presentation currency

The Consolidated financial statements and related notes are presented in Euros, unless otherwise stated, the presentation currency of the Pestana Group.

ii) Transactions and balances

Transactions in currencies other than Euro are translated into the functional currency using the exchange rates at the dates of the transactions. The exchange rate gains or losses resulting from payments/receipts as well as from the conversion using the exchange rate on the balance sheet date, of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, under finance expenses if related with loans, or under other income/expenses for all other balances/ transactions.

iii) Foreign Operating Units

The results and financial position of the foreign operating units of the Pestana Group which has a functional currency other than Euro and which is not the currency of a hyperinflationary economy, are translated into the presentation currency as follows:

(a) assets and liabilities of each statement of financial position presented are translated at the closing rate at the date;

(b) income and expenses of each statement of comprehensive income are translated at the average exchange rate;

(c) All exchange rate differences are recognized as a separate component in equity.

The results and financial position of the foreign operating units of the Pestana International Holdings which have a functional currency other than Euro and which is the currency of a hyperinflationary economy are translated into the presentation currency at the closing exchange rate of the reporting period.

On the disposal of investments in foreign subsidiaries, foreigh exchange differences associated with that investment recorded in equity are recognized in profit or loss.

iv) Exchange rates used

The exchange rates used to translate balances in foreign currencies into Euros were as follows:

Currency	31-12-2013	31-12-2012
AOA - Angolan Kwanza	134.037	126.31
ARS - Argentine Peso	8.9397	6.489
AUD - Australian Dollar	1.5423	1.2712
BRL - Brazilian Real	3.2576	2.7036
CAD - Canadian Dollar	1.4671	1.3137
CHF - Swiss Franc	1.2276	1.2072
COP - Colombian Peso	2,650.78	2,332.41
CVE - Cape Verdean Escudo	110.265	110.27
DKK - Danish Krone	7.4593	7.461
GBP - British Pound	0.8337	0.8161
MAD - Moroccan Dirham	11.0939	11.13
MZN - Mozambican Metical	41.355	38.92
NOK - Norwegian Krone	8.363	7.3483
SEK - Swedish Krona	8.8591	8.582
STD - Sao Tomean Dobra	24,500.00	24,500.00
USD - American Dollar	1.3791	1.3194
UYU - Uruguayan Peso	28.677	25.17
VEF - Venezuelan Bolivar	15.583	5.67
ZAR - South African Rand	14.566	11.2

3.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. This cost includes: (a) the "deemed cost" determined at the date of transition to the IFRSs, which in the case of land and buildings allocated to the hotel business, timeshare and golf, are measured at fair value, while for all the other tangible fixed assets corresponds to the net amount carried over from previous GAAP, including legal revaluations, and (b) the acquisition cost of assets acquired or constructed after that date.

The cost of an item of property, plant and equipment comprises the purchase price of the asset, costs directly attributable to the acquisition and costs incurred in preparing the asset to be placed in its final position for being used. The financial costs incurred with loans obtained for construction of tangible assets are recognized as part of the construction cost of the asset.

For buildings assigned in part or in whole to the timeshare business, initial direct costs incurred in negotiating and accepting these contracts, such as commissions paid to salesmen, were added to the carrying amount of the leased asset in accordance with IAS 17 - Leases.

Subsequent costs incurred with renovations and major repairs which result in increased lifetime or in the ability to generate further economic benefits are recognized in the carrying amount of the asset.

The cost of repairs and maintenance of current nature are recognized in the profit or loss as incurred.

The depreciations are calculated on a straight line basis, using estimated useful lives. The most significant are as follows:

	Year
Buildings and other constructions:	
Hotels and timeshare	40 years
Golf	20 years
Other	From 40 to 50 years
Basic equipment	From 10 to 20 years
Transport equipment	From 4 to 8 years
Tools	From 4 to 10 years
Administrative equipment	From 3 to 10 years
Other intangible assets	From 10 to 20 years

Initial direct costs incurred in negotiating and arranging timeshare contracts, added to buildings leased, are recognized as an expense over the lease term on the same basis as the lease income, as required by in IAS 17, and this period varies between 3 - 30 years.

Pestana Group estimates the residual value of tangible fixed assets at zero, since the expectation of management is to use all the assets over all of its economic life.

The subsidiaries Grupo Pestana Pousadas, S.A. and I.T.I. – Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A. tangible fixed assets associated with the concession of the Pousadas de Portugal and gambling (Casino da Madeira), respectively, are reversible at the end of the contract free of charge. Therefore, its useful life corresponds to the economic life of the assets or the concession term, whichever is lower.

Useful lives of assets are reviewed at each financial reporting date, so that depreciation is charged in accordance with the consumption patterns of the assets. Changes to the useful lives, if any, are treated as a change in accounting estimate and are applied prospectively.

3.5. Intangible assets

The Intangible assets are recognized only when: i) are identifiable, ii) it is probable that economic benefits arising from the same future, and iii) the cost can be reliably measured.

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

When purchased as part of a business combination, separate from goodwill, intangible assets are valued at fair value, determined in applying the purchase method as provided by IFRS 3 - Business Combinations.

Internally generated assets, including internal development costs are recorded as an expense when incurred if it is not possible to distinguish the research phase of the development phase, or is not possible to determine reliably the costs incurred in each phase or the probability flow of economic benefits to the Pestana Group.

Expenditures on research and evaluations conducted during the course of operational activities are recognized in the income statement in which they are incurred.

Intangible assets of the Pestana Group are fundamentally related with concessions, software and websites.

Concession rights are related to the amounts paid for the acquisition of the right to explore the hotel units of “Pousadas de Portugal” and the gambling licence in Madeira.

Goodwill relates to the difference between the acquisition cost of the investments in subsidiaries businesses and the fair value of the acquired assets and liabilities of those companies or businesses at the date of purchase. Goodwill is a residual amount and, therefore, it has no useful life, and corresponds to the net value of the goodwill carried

out over from the previous GAAP and subjected to impairment tests at the transition date and at the subsequent annual periods, and (b) the goodwill resulting from acquisitions occurred after the transition date, subject to annual impairment tests.

Goodwill is allocated to the cash generating units to which it belongs, for the purpose of carrying out the impairment tests, which are made at least once a year and during the month of December. The losses of goodwill are not reversible.

The Website refers to the expenditures incurred the development of internet sites to carry out the bookings / services sales. The capitalized amount refers to costs incurred with the development of the application infrastructures, graphical design and base contents.

Subsequent expenditures on the development of contents to promote the Pestana Group and its services are registered in the profit or loss as incurred.

The amortizations are calculated on a straight line basis, using estimated useful lives. The most significant are as follows:

	Year
Concessions	From 20 to 70 years
Website	6 years

3.6. Investment properties

Investment properties are real estate (land, buildings or parts of buildings) held for the purpose of capitalization value, obtain income, or both, and therefore not used in operational activity of the Pestana Group. On the date of transition to IFRS, Investment properties were valued at fair value or at the net value carried from the previous standards and subsequently valued under the cost model, which is applied to all assets classified as investment properties.

Properties that are still under construction or development and which are intended to be used as investment properties are also registered under this caption.

The depreciations are calculated on a straight line basis, using estimated useful lifes. These useful lifes are similar to the ones applied in Property, plant and equipment.

3.7. Impairment of non-financial assets

The Pestana Group performs the annual impairment tests during December and whenever events or changes in surrounding conditions indicate that the book value may not be recoverable.

When the recoverable amount is less than the book value of assets, an impairment is recorded.

An impairment loss is recognized by the excess of the book value of the asset over its recoverable amount, being the recoverable amount, the higher between the fair value of an asset less costs to sell and the value in use. For the determination of impairment, assets are allocated to the lowest level for which there are separately identifiable cash flows (cash generating units).

The non-financial assets other than goodwill, for which have been recognized impairment losses are assessed, at each reporting date, on the possible reversal of impairment losses.

When there is a place to record an impairment loss or its reversal, the depreciation/ amortization of its assets are recalculated prospectively in accordance with the recoverable amount of impairment recognized.

3.8. Income tax

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

Income tax is calculated in accordance with the law and criteria established at year-end in the country of the correspondent subsidiary.

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

Deferred taxes are calculated based on the enacted tax rate, or already officially announced on the financial reporting date, that is expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit are available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from: i) the initial recognition of goodwill, or ii) the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (loss). However, for taxable temporary differences associated with investments in equity interests, deferred tax liabilities should not be recognized to the extent that: i) the parent is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future.

3.9. Financial assets

The Board of Directors determines the classification of financial assets on the date of initial recognition, according to the purpose of its acquisition, re-evaluating this classification at each reporting date.

Financial assets can be classified as:

i) Financial assets at fair value through profit or loss - include non-derivative financial assets held for trading with respect to short-term investments and assets at fair value through profit or loss at the time of initial recognition;

ii) Loans and receivables - includes non-derivative financial assets with fixed or determinable payments not listed in an active market;

iii) Investments held to maturity - include non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the intention and ability to hold to maturity;

iv) Financial assets available for sale - include non-derivative financial assets that are designated as available for sale at initial recognition or do not fit the above categories. They are recognized as non-current assets unless there is intent to sell them within 12 months following the balance sheet date.

Purchases and sales of investments in financial assets are recorded at trade date, in other words, the date on which Pestana Group commits to purchase or sell the asset.

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

Financial assets available for sale are initially recognized at fair value plus transaction costs. In subsequent periods are measured at fair value and the change in fair value recognized in the fair value reserve in equity. Dividends and interest earned on financial assets available for sale are recognized in the income of the period during which, under other operating gains, when the right to receive payment is established.

Loans granted and receivables are classified in the statement of financial position as Trade and other receivables and are recognized at amortized cost using the effective interest method, less any impairment loss. The impairment loss of receivables is registered when there is objective evidence that the Pestana Group will not receive the amounts due under the original terms of transactions that originated them.

Pestana Group considers at each reporting date whether there is objective evidence that financial assets are impaired. In the case of equity investments classified as financial assets available for sale, a significant or continued decline in fair value (+ 20%) below its cost is considered as an indicator that the financial asset is impaired. If there is evidence of impairment for financial assets available for sale, the cumulative loss - calculated as the difference between the acquisition cost and current fair value, less any impairment loss previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses of equity instruments recognized in the profit or loss are not reversed through profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows expire or are transferred, as well as all risks and rewards of ownership of the financial asset.

3.10. Fair value of assets and liabilities

In determining the fair value of an asset or financial liability, if there is an active market, the market price is applied. This is the first level of the hierarchy of fair value.

In case there is no active market are used generally accepted valuation techniques in the market, based on market assumptions. This is the second level of the hierarchy of fair value.

The Pestana Group applies valuation techniques for financial instruments not listed, such as derivatives and financial assets available for sale. The valuation models that are used most often are models of discounted cash flows and option valuation models that incorporate, for example, the curves of interest rate and market volatility.

For some types of assets and liabilities are used valuation models and assumptions and data that are not directly observable in the market, for which the Pestana Group uses estimates and internal assumptions. This is the third level of the hierarchy of fair value.

3.11. Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment adjustments, where applicable. Impairment losses of customers and accounts receivable are recorded, whenever there is objective evidence that they are not recoverable under the terms of the initial transaction. Impairment losses identified are recorded in the consolidated income statement under Impairment of receivables and are subsequently reversed by the results, when indicators of impairment to reduce or cease to exist.

3.12. Inventories

Inventories refer to goods, to finished goods and work in progress and the materials used in the activities of service and construction.

Inventories are valued at acquisition cost, which includes all direct expenditure incurred for the purchase. Subsequently, inventories are valued at lower of cost and net realizable value.

Acquisition cost refers to all costs of purchase and other direct costs incurred in bringing inventories to their present location and present condition. On the other hand, the net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

As part of construction activities, finished goods are relate to developed land for future sale and houses built for sale. Land and villas, apartments and townhouses are valued at the lower of cost of acquisition / construction and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the cost to complete the work and selling expenses.

The products under construction refer to land under development (in process of approval and allotment), villas, apartments and townhouses under construction, measured the cost of construction. The construction cost includes land acquisition costs incurred in obtaining permits and licenses and in the case of housing, the costs of materials and labor incorporated in construction works.

Inventories also include materials, raw materials and consumables initially measured by the purchase price of the added costs directly related to the acquisition.

The costing method used for registering the consumption / sale of inventories is the weighted average cost. However, in the case of land and housing are recognized at their specific cost.

3.13. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity and with original maturities up to 3 months.

Bank overdrafts are shown in the consolidated statement of financial position as current liabilities, under the heading Loans and are considered in the preparation of financial statements of cash flows as cash and cash equivalents.

3.14. Capital

Ordinary shares are classified as equity. Costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of taxes, to the amount resulting from the issuance.

3.15. Provisions

Provisions are recognized when Pestana Group has: i) a present legal or constructive obligation resulting from past events, ii) to which is more probable than not that a necessary expense of internal resources to pay this obligation, and iii) the amount can be reasonably estimated. Whenever one of the criteria is not met or the existence of the obligation is conditional on the occurrence (or non occurrence) of a certain future event, the Pestana Group discloses this fact as a contingent liability, unless the assessment of the requirement of output funds for the payment thereof is considered remote.

Pestana Group recognizes a provision for onerous contracts, on the date for which contracts in progress to determine that the cost of meeting the obligation exceeds the assumed economic benefits estimated. This analysis is performed for each individual contract in accordance with the information provided by the responsible for projects.

Pestana Group recognizes a provision for estimated costs to be incurred in the future with the assurance given on the construction of villas and apartments sold. This provision is recorded on the date of sale, affecting the gain obtained there. At the end of the legal warranty period, the remaining amount of the provision is reversed to the income statement.

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

3.16. Financial liabilities

Financial liabilities are classified into two categories:

(i) Financial liabilities at fair value through profit or loss;

(ii) Other financial liabilities.

Other financial liabilities include the Loans and borrowings and Trade and other payables. Liabilities classified as Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost in accordance with the effective interest rate.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are canceled or expire

3.17. Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost is the difference between nominal value and the initial fair value recognized in consolidated income statement during the period of the loan, using the effective interest rate.

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

3.18. Derivatives

Derivative financial instruments are initially recorded at fair value on the transaction date being subsequently measured at fair value. The method for recognizing gains and losses in fair value depends on the designation of the derivatives. When dealing with trading derivatives, gains and losses in fair value are recognized in the profit or loss for the period as finance income or finance cost. When designated as hedging derivatives, the recognition of gains and losses in fair value depends on the nature of the hedged item, which may correspond to a fair value hedge or a cash flow hedge.

In hedging the fair value of an asset or liability (fair value hedge), the value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in fair value attributable to the hedged risk. Changes in fair value of hedging derivatives are recognized in profit or loss, together with the changes in fair value of the hedged assets or liabilities attributable to the hedged risk.

In hedging the exposure to variability in future highly probable cash flows (cash flow hedge), the effective portion of changes in fair value of the hedging derivative are recognized in hedging reserves in equity, being transferred to profit or loss when the hedged item affects profit or loss. The ineffective portion of the hedging relationship is recorded in profit or loss.

3.19. Government grants and incentives

Pestana Group recognizes the grants of the States, the European Union or similar establishments ("Government") at fair value when there is reasonable certainty that the grant will be received.

Operating subsidies are recognized as income in the income statement in the same period in which the costs are incurred and recorded.

The support of the Government in the form of assignment reimbursable funding allocation of subsidized rate, are discounted on the date of initial recognition based on market interest rate at grant date being the discount value of the subsidy to be amortized over the period of financing or the acquisition whose assets aims to finance.

The subsidies granted to the Pestana Group not reimbursed to finance tangible fixed assets are recorded in the statement of financial position as deferred income and recognize in the consolidated income statement as in proportion to the depreciation of tangible assets subsidized.

3.20. Leases

Leases of fixed assets, for which the Pestana Group owns substantially all the risks and benefits incidental to ownership of the asset are classified as finance leases. They are also classified as finance leases agreements that the analysis of one or more particular situations that point to the contract nature. All other leases are classified as operating leases.

The finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments, each determined at the date of commencement of the contract. The debt resulting from a financial lease is recorded net of finance charges, under the heading "Trade and other payables". Financial charges included in the rent and depreciation of leased assets, are recognized in the consolidated income statement in the period to which they relate.

In operating leases, the rents payable are amortized in the consolidated income statement on a straight-line basis over the lease period.

3.21. Costs and Revenues

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

3.22. Revenue

Revenue is the fair value of the amount received or receivable on the sale of products and / or services in the ordinary course of business of the Pestana Group. Revenue is recorded net of any taxes, trade discounts and assigned financial discounts.

Revenue from product sales is recognized when: i) the amount of revenue can be reliably estimated, ii) it is probable that economic benefits will flow to the Pestana Group, and iii) a significant part of the risks and benefits have been transferred to the buyer.

Revenue from services is recognized in accordance with the percentage of completion or based on the length of the contract when the service is not associated with the implementation of specific activities, but to the continuing provision of the service.

i) Hotel business

In the hotel business, the revenue corresponds mainly to housing services, and sales related to the consumption of food and drinks in bars, restaurants and mini-bars, which are recorded on the date of consumption. For other hotel services the revenue is recorded on the day of the service.

The Pestana Group has in force a points program, called PPG - "Pestana Priority Guest," according to which frequent customers can enjoy discounts and offers services in future. In the recording of transactions qualifying for points, it performs the segregation of the amount invoiced to the client between the revenue of the product or service and the value of points awarded, based on the fair value of each element. Thus, the revenue of the product sold or service rendered is recognized immediately in the profit or loss, and the value assigned to the points is deferred until the date that the customer uses the points on the purchase of a product / service, as agreed in the loyalty program, or when the points expire.

ii) Timeshare

The Pestana Group recognizes revenue from the timeshare contracts sale, depending on the transmission of risks and benefits associated to each contract.

As a rule, the sale of timeshare contract gives the buyer the right to use a building or part of a property during a defined period (weeks), which is repeated annually over a number of years, ranging from 3 to 30 years.

In this case, the revenue from the sale of the timeshare contract is deferred for a period of the contract linearly, since the Pestana Group retains all the risks and benefits associated with the underlying asset (the building) in addition to maintaining the active management of the same (possibility of lease to third parties during the period that the timeshare is not sold).

When the timeshare sale is made with credit granted to the customers, and there shall be no interest charge, the amount of revenue to differ is calculated based on the present value of receivables. When interest is charged to customers, the amount of revenue is recorded by it's nominal value.

Maintenance costs on timeshare periods sold are charged to buyers of the timeshare, regardless of the use of assets during the period established, being revenue recognized annually.

In cases of sale of Options contracts or in the Brazilian "Pestana Holiday Club", in which the customer acquires the right to use the accommodation without having to determine at that time which specific hotel to use, this right is represented in points. The revenue associated with these points is recognized by usage or at its expiration date.

iii) Touristic Real Estate Business

The revenue refers primarily to the sale of land and apartments, there are, as well, recognition of revenue related to revenues from property investment and management services for condominiums and businesses.

The revenue from the sale of land and apartments is recognized when: i) the amount of revenue can be reliably estimated, ii) it is probable that economic benefits will flow to the Pestana Group, and iii) a significant part of the risks and benefits have been transferred to the buyer.

In the case of lands, the sales revenue is recognized, as a general rule, on the date that the deed of sale is signed. However, when certain conditions are met, revenue can be recognized at the date of signing the promissory contract sale, such as: i) revenue received is significant, which by rule must exceed 50% of the total value ii) the buyer starts the construction works contracted to the Company, evidencing a commitment to purchase, and iii) the costs and revenues can be estimated reliably.

In the case of villas, built at the risk of the Pestana Group for sale to third parties, revenue is recognized only when the deed is done on the property, even if the full payment have been previously made, date on which are considered transferred all the risks and benefits to the buyer.

Revenue from management services for condominiums is recognized in the period corresponding to the service. Deferred revenue corresponds to the conditions negotiated, not including the amount of the costs that are recharged of building management / enterprise to the owners.

iv) Touristic Entertainment

The revenues from gaming are cleared daily games, in both table games and gaming machines, are recognized as revenue in the income statement under Services rendered for the difference between the bets placed and the prizes won less the estimated premiums payable and accrued gambling tax.

v) Management contracts

Management services represent fees received for managing hotels owned by third parties managed by the Pestana Group, usually agreed under long-term contracts. Revenue corresponds ordinarily to a percentage of revenues from the hotel plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) of the income and/or on the gross operating profits of the hotel (G.O.P.).

3.23. Construction contracts

The Pestana Group companies engaged in real estate activity negotiate contracts with clients to build assets (for example, housing), whose duration spans more than a year. The revenue of these contracts do not constitute the sale of an asset and is recognized based on percentage of completion over the duration of the construction.

The percentage of completion is determined based on costs incurred in each period versus the budgeted total cost of the contract, with the recognition of the place estimated margin for the contract. In rare cases where it is not possible to estimate the margin of the contract, the Pestana Group has recorded an amount of revenue equal to the cost incurred, not recognizing any margin.

The price adjustments are only considered as revenue when they have been accepted by the customer.

Whenever it is estimated that the costs associated with the services rendered exceeds the revenue building contractors, the Pestana Group recognizes a provision for onerous contracts.

As regards the guarantee of service construction, potential estimated liability is recorded during the construction phase of the contract, constituting a component of the budgeted costs for the purposes of determining the percentage of completion of the contract. The calculation of this responsibility is carried out contract by contract, any remaining amount should be reversed at the end of warranty period of each contract.

3.24. Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at that date (adjusting events or events after the statement of financial position date that give rise to adjustments) are reflected in the consolidated financial statements. Events after the statement of financial position date that provide information on conditions occurring after that date (non-adjusting events or events after the statement of financial position date that lead to no adjustments) are disclosed in the consolidated financial statements, if considered to be material.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1. Financial risk factors

Pestana Group's operations 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 rate, among others.

Pestana Group's risk management is controlled by the finance department under policies approved by the Board of Directors. Accordingly, the Board of Directors has defined the global risk management principles as well as specific policies for some areas.

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

i) Exchange rate risk

The exchange rate risk refers to assets or liabilities denominated in other currencies than in the Pestana Group's functional currency, the Euro.

Pestana Group's operating activity is mainly developed in the country in which it operates and therefore the vast majority of its transactions are made in Euros. The policy covering this specific risk is to avoid, when possible, contracts expressed in foreign currencies.

In the case of the investments in foreign countries, the cash flows are generated mainly in the currency of each subsidiary country, having the respective funding also been obtained in that currency. Thus, a natural hedge to exchange rate risk over cash flows is obtained. The Pestana Group's financial statements, expressed in Euros, are subject to exchange rate impact caused by the periodic revaluation of its debts, which will tend to faint in the long run.

ii) Credit risk

The supervision of credit risk is made centrally by the finance department of the Pestana Group, overseen by the Board of Directors, by proper risk assessment conducted prior to the acceptance and the regular monitoring of credit limits assigned to each customer against the amounts due.

There are considered indicators of impairment in receivable accounts balances when the balances are overdue by more than six months, when debtors financial difficulties are observed and in the case of bankruptcy, each situation being assessed on case by case.

iii) Liquidity risk

The cash requirements are managed centrally by the finance department of Pestana Group, overseen by the Board of Directors, managing the liquidity surpluses and deficits of each of the Group companies. The specific needs of cash are covered, first by the existing funds available in other Group companies and then by maintaining lines of credit negotiated with financial institutions.

The liquidity risk can occur if the sources of financing, such as operating cash flows, disinvestment cash flows and cash flows from funding operations, do not meet the liquidity needs, such as the cash outflows for operating and financing activities, for investments, for shareholders remuneration and debt repayment.

Regular reviews are carried out to estimated cash flows both in the short term and in the medium and long term, so as to adjust the forms and volumes of appropriate financing.

The following table analyzes the financial liabilities of the Pestana Group by relevant maturity groupings, based on the remaining period to the contractual maturity at the date of financial reporting. The amounts in the table are undiscounted contractual cash flows:

31 December 2013	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
Total Loans and borrowings:	161.645.669	246.743.755	105.037.559
- bank loans	71.827.049	185.848.644	105.037.559
- bond loans	23.498.774	33.544.623	-
- commercial paper	-	27.000.000	-
- bank overdrafts	62.020.762	-	-
- interest payable - accrual	4.299.084	350.488	-
Trade and other payables - non group	28.910.088	3.169.190	3.273.231
Derivatives financial instruments	2.722.661	4.164.536	152.148

31 December 2012	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
Total Loans and borrowings:	9.152.397	26.641.838	2.625.000
- bank loans	4.236.093	26.641.838	2.625.000
- bank overdrafts	4.500.000	-	-
- interest payable - accrual	416.304	-	-
Trade and other payables - non group	8.719.065	28.192	-
Derivatives financial instruments	225.893	749.372	95.751

iv. Interest rate risk

The risk associated with fluctuating interest rate impacts the debt service. The interest rate risks are primarily related with the interest charges incurred with several loans with variable interest rates.

For long-term loans and as a way to cover a possible change in long term interest rate, the Pestana Group entities contracts, whenever appropriate, derivative financial instruments to hedge the respective cash flows (interest rate swaps). It represents the hedge of those long-term loans and has the possibility to equally choose to fix the interest rate in the first years of those loans and analyze later the possibility to engage interest rate swaps to cover the cash flows of the remaining period of those funding contracts.

Sensitivity analysis of the finance expenses to changes in interest rate:

It was performed a sensitivity analysis based on Pestana Group's total debt deducted of the cash and cash equivalents as at 31 December 2013 and 2012.

Considering Pestana Group's net debt as at 31 December 2013, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 1.100.00 Euros (31 December 2012: approximately 70.000 Euros).

4.2. Capital risk management

The goal of the Pestana Group in relation to capital management, which is a broader concept than the capital reflected in the face of the Statement of financial position, is to maintain an optimal capital structure, through the prudent use of debt.

The hiring of debt is periodically analyzed through the weighting of such factors as the cost of financing and the needs for investment.

As a rule, the loans are obtained in order to leverage the investments, being directly allocated to them. However, there is always a concern to ensure that the estimated investment cash flows ensure its sustainability in the long run, being sufficient to meet the debt service and compensate the capital invested by the Shareholder.

Before the start of each year, detailed budgets are prepared by business unit which, after being approved will guide its operational management during the year. The results generated by operations are monitored on a regular and detailed basis to ensure that the expected results are met or exceeded.

The gearing ratios as at 31 December 2013 and 2012 were as follows:

	31-12-2013	31-12-2012
Total Loans and borrowings	510.710.033	38.399.346
Less: Cash and cash equivalents	60.794.912	11.453.932
Net debt	449.915.121	26.945.414
Equity	323.812.040	95.820.645
Total Capital	773.727.161	122.766.059
Gearing	**58%**	**22%**

If we considered the deferred revenue from timeshare sales (Note 26) as a component of equity and not as liability, since they do not represent future cash payments, the gearing would be as follows:

	31-12-2013	31-12-2012
Total Loans and borrowings	510.710.033	38.399.346
Less: Cash and cash equivalents	60.794.912	11.453.932
Net debt	449.915.121	26.945.414
Equity adjusted	469.062.153	95.820.645
Total adjusted Capital	918.977.274	122.766.059
Gearing	**49%**	**22%**

4.3. Accounting for derivative financial instruments

As at 31 December 2013 and 2012 the Pestana Group has hedged its economic exposure to cash flows from existing borrowings and loans through interest rate swaps.

If a derivative financial instrument is not assigned as hedging is classified as trading.

The loans subject to hedged instrument have implicit spreads much more reduced to the ones that are being currently praticed in the market. Consequently, the total cost of these loans that are being penalised with this derivatives do not have a total cost higher to the ones being currently praticed in the moment.

5. MAIN ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates and judgments that have an impact on the Pestana Group's consolidated financial statements are continuously assessed, representing at each reporting date the best estimate of the Board of Directors, taking into account the historical performance, the accumulated experience and the expectations about future events considered reasonable under the circumstances.

The intrinsic nature of estimates may lead to the actual impact of situations under estimation, for financial reporting purposes, be different from the estimated amounts. The key estimates and judgments that have a significant risk of causing a material adjustment to the financial statements of the following year are as follows:

5.1. Tangible assets

The determination of the useful lives of assets, as well as the depreciation method to apply is crucial to determine the amount of depreciations to be recognized in the consolidated income statement of each year.

These two parameters are defined in accordance with the best judgment of the Board of Directors for the specific assets and businesses, also considering the practices adopted by other companies in the same sector abroad.

5.2. Impairment

The determination of whether a potential impairment loss may be triggered by the occurrence of various events, many of which are beyond Pestana Group's control, such as: the future availability of financing, the cost of capital, as well as for any other changes, either internal or external to the Group.

The identification of impairment indicators, the estimate of future cash flows and the computation of the fair value of assets imply a high degree of judgement by the Board of Directors regarding the identification and evaluation of different impairment triggers, expected cash flows, applicable discount rates, useful lives and residual values. Pestana Group results obtained during the last 40 years in this sector are, however, a good indicator to assess the estimates that are been used.

5.3. Provisions

Pestana Group periodically reviews potential liabilities arising from past events and that should be recognized or disclosed on the financial statements.

The subjectivity inherent in determining the probability and amount of economic benefits necessary to settle the obligations may lead to adjustments, either by changes in assumptions or future recognition of provisions previously disclosed as contingent liabilities.

6. PROPERTY PLANT AND EQUIPMENT

During the year ended as at 2013 the movements occurred in Property, plant and equipment are as follows:

	Land	Buildings and other construction	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Assets under construction	Total
1 January 2013								
Acquisition cost	792	12.278.794	23.968.658	2.043.150	2.547.024	7.557.284	5.946.982	54.342.682
Accumulated depreciation	-	(7.010.899)	(11.472.228)	(1.890.881)	(2.077.285)	(6.082.402)	-	(28.533.695)
Accumulated impairment	-	-	-	-	-	-	-	-
Net book value	**792**	**5.267.895**	**12.496.430**	**152.269**	**469.739**	**1.474.882**	**5.946.982**	**25.808.988**
Changes in 2013								
Changes in the perimeter - aquisition cost (Note 39)	218.007.990	1.049.339.119	227.694.430	5.116.772	31.517.530	1.097.580	58.406.515	1.591.179.936
Changes in the perimeter - depreciation (Note 39)	-	(395.303.097)	(143.430.773)	(3.778.275)	(25.853.007)	(1.280.734)	-	(569.645.886)
Changes in the perimeter - impairment (Note 39)	(27.290.377)	(26.682.315)	(60.742)	(716)	(141.548)	-	(344.049)	(54.519.747)
Transfer investment properties - aquisition cost (Note 8)	7.242.033	19.000.100	-	-	-	1.049.197	-	27.291.330
Transfer investment properties - depreciation (Note 8)	-	(788.655)	-	-	-	(598.752)	-	(1.387.407)
Transfer investment properties - impairment (Note 8)	(4.500)	(2.497.613)	-	-	-		-	(2.502.113)
Additions	7.500.000	40.341.241	1.908.399	83.111	1.089.065	362.702	4.611.412	55.895.930
Transfers	7.230.628	9.784.984	1.172.860	(247.187)	(740.039)	1.295.658	(18.496.904)	-
Disposals - aquisition cost	-	(1.380.390)	(1.425.152)	(207.611)	(225.140)	(73.136)	(724.412)	(4.035.841)
Disposals - depreciations	-	342.585	1.096.972	187.031	198.819	34.089	-	1.859.496
Depreciation	-	(28.561.381)	(11.445.000)	(366.236)	(1.903.540)	(538.284)	-	(42.814.441)
Impairment - charge	-	(1.498.480)	(23.172)	-	(1.300)	-	-	(1.522.952)
Impairment - reversal	-	4.815.119	-	-	-	-	-	4.815.119
Exchange differences - acquisition cost	(12.489.440)	(61.344.719)	(3.237.102)	(111.464)	(2.099.489)	(133.499)	-	(79.415.713)
Exchange differences - depreciation	-	9.304.060	2.642.762	85.968	1.606.204	46.518	-	13.685.512
Exchange differences - impairment	2.639.933	1.529.417	7.358	87	16.679	-	-	4.193.474
Net book value	**202.837.059**	**621.667.870**	**87.397.270**	**913.749**	**3.933.973**	**2.736.221**	**49.399.544**	**968.885.684**
31 December 2013								
Acquisition cost	227.492.003	1.068.019.129	250.082.093	6.676.771	32.088.951	11.155.786	49.743.593	1.645.258.324
Accumulated depreciation	-	(422.017.387)	(162.608.267)	(5.762.393)	(28.028.809)	(8.419.565)	-	(626.836.421)
Accumulated impairment	(24.654.944)	(24.333.872)	(76.556)	(629)	(126.169)	-	(344.049)	(49.536.219)
Net book value	**202.837.059**	**621.667.870**	**87.397.270**	**913.749**	**3.933.973**	**2.736.221**	**49.399.544**	**968.885.684**

During the year ended as at 2012 the movements occurred in Property plant, and equipment are as follows:

	Land	Buildings and other construction	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Assets under construction	Total
1 January 2012								
Acquisition cost	35.304	14.242.701	28.730.763	2.205.268	3.916.672	7.568.622	6.494.306	63.193.635
Accumulated depreciation	-	(7.537.141)	(12.129.610)	(1.950.167)	(3.001.348)	(5.752.736)	-	(30.371.002)
Accumulated impairment	-	-	-	-	-	-	-	-
Net book value	**35.304**	**6.705.561**	**16.601.152**	**255.100**	**915.324**	**1.815.886**	**6.494.306**	**32.822.633**
Changes in 2012								
Changes in the perimeter - aquisitions cost	(34.512)	(1.963.908)	(4.797.941)	(94.064)	(1.481.462)	(77.345)	(696.224)	(9.145.455)
Changes in the perimeter - depreciation	-	1.157.016	1.873.011	60.055	965.317	40.821	-	4.096.221
Additions	-	-	52.939	14.283	227.584	154.010	148.900	597.715
Disposals	-	-	-	(82.337)	(74.598)	(19.431)	-	(176.365)
Transfers e regularizations	-	-	(17.102)	-	(41.173)	(68.572)	-	(126.848)
Depreciation	-	(630.775)	(1.229.739)	(60.738)	(156.850)	(443.189)	-	(2.521.291)
Disposals depreciations	-	-	-	59.969	74.598	6.439	-	141.006
Depreciation - transfers and writte-off	-	-	14.109	-	40.999	66.263	-	121.371
Net book value	**792**	**5.267.895**	**12.496.430**	**152.269**	**469.739**	**1.474.882**	**5.946.982**	**25.808.988**
31 December 2012								
Acquisition cost	792	12.278.794	23.968.658	2.043.150	2.547.024	7.557.284	5.946.982	54.342.682
Accumulated depreciation	-	(7.010.899)	(11.472.228)	(1.890.881)	(2.077.285)	(6.082.402)	-	(28.533.695)
Accumulated impairment	-	-	-	-	-	-	-	-
Net book value	**792**	**5.267.895**	**12.496.430**	**152.269**	**469.739**	**1.474.882**	**5.946.982**	**25.808.988**

With the exception of Cervejas da Madeira and Pestana Berlim, the changes in the consolidation perimeter concerns to all business units described in Note 1 of these consolidated notes.

The 2013 additions include the acquisition, in September 2013, of the Pestana Carlton Madeira Hotel building, in the amount of 30.000.000 Euros. Until this date, this building was rented as an operational lease.

Also, in September 2013, through the acquisition of the subsidiary Desarollos Hoteleros Barcelona 2004, S.A., additions include the Pestana Arena Barcelona in the amount of 14.106.243 Euros.

The additions also respect to refurbishment and replacements in hotels, and initial direct costs incurred in negotiating and accepting timeshare contracts, such as commissions paid to salesmen (Note 3.4).

Transfers mainly refer to the Pestana Miami Hotel, openned in February 2013.

The depreciation of the hotel units that openned in 2013, namely Pestana Miami, Pestana Marrocos and Pestana Arena Barcelona amounted to 436.127 Euros, 33.912 Euros and 274.028 Euros, respectivaly.

The charge of the impairment loss for the year 2013 in the amount of 1.522.952 Euros mainly respects to Madeira Magic complex because it has not been generating sufficient cash flows to ensure it's carrying amount. The correspondent impairment test was made with reference to 31 December 2013 resulting that the recoverable value was lower when compared to it's net book value. The recoverable amount was calculated with reference to the usage value of the asset, based on the estimated gross operating profits between 2014 and 2018, using the hotel group w.a.c.c., with zero growth in the perpetuity.

The reverse of the impairment loss, occurred in 2013, in the amount of 4.815.119 Euros, is related to Pestana Porto Santo Hotel as a result of the excellent performance that this hotel unit has demonstrated, by generating higher cash flows than the estimated and foresee improvement in the near future. Thus, considering the estimated future cash flows and the w.a.c.c. rate applied, it was verified that the fair value of the asset is greater than its current net book value.

The Pestana Group has been recognizing in its financial statements assets which are reversible to the State at the end of the respective concessions without any amount involved. The useful life of these assets corresponds to the respective economical life or the concession period, whichever is lower. The majority of the assets where the concession period is lower than their economical life are related with gambling business and with the concession of the network "Pousadas de Portugal", with a net book value of 7.767.125 Euros as at 31 December 2013.

The most significant items included in Assets under construction are related to the following projects:

	2013	2012
Quinta da Amoreira Project (Algarve)	15.981.106	-
Tróia Project	11.408.792	-
Turistic Project (Algarve)	5.290.600	5.253.100
Lisbon downtown building	3.612.439	-
Extension of Pestana Porto hotel	2.166.585	-
D. Fernando land (Algarve)	1.926.288	-
North of Gramacho golf course (Algarve)	1.873.825	-
Project Golfe course (Algarve)	1.236.445	-
Project in Silves area (Algarve)	1.215.396	-
Pestana Mar project (Algarve)	867.495	-
Project Golf course (Algarve)	582.482	582.482
Pestana Atlantic Gardens/Bay - Hotel improvements (Madeira)	389.611	-
Land at Vale da Pinta golf course (Algarve)	354.900	-
Land at Quinta S. Pedro (Algarve)	298.886	-
Others	2.194.694	111.400
	49.399.544	**5.946.982**

The Quinta da Amoreira Project in Algarve is characterized by a 4-star tourist resort in the area of Alvor, Algarve. This is a project with a low density of construction, consisting of a block of flats and a set of villas and bungalows, in a total of 860 beds.

The Tróia Project consists of one aparthotel, one shopping mall, services and management and also a touristic village, with the first stage of the project already concluded.

The Turistic project in Algarve relates to a 4 star Aparthotel and a 9 holes golfe course, located in Silves.

The Lisbon downtown building relates to a project started with a building acquired in the city center of Lisbon with a capacity for building a 4-star hotel.

The Extension of Pestana Porto relates to the aquisitions of 2 buildings next to the current Pestana Porto Hotel in order to expand it, doubling the rooms capacity.

The project “Terrenos D. Fernando” is being developed in a land with a total area of 30 hectares in Algarve, where is projected one hotel and a golf course of 9 holes.

The project North of Gramacho golf course in Algarve, with a total area of 100 hectares, also known as Quinta de S. Pedro, is an early stage of development where a golf course of 18 holes and a real state area are projected.

The Project Golfe course is in a land of 20 hectares surrounding the Hotel Pestana Alvor Praia and Pestana Delfim. Given its location near to the beach of Alvor, Algarve, and towards the diversification of services supplied, in future it is intended to build a golf course of 9 holes.

The Project in Silves area, Algarve, concerns land in which will be developed for a tourism project to enhance the nature, with walking paths, bird watching areas and specific zones for hunting, and for which the Pestana Group is developing a series of actions, together with the City Hall of Silves.

Pestana Mar is a future hotel to be built in Alvor, Algarve, being characterized by its location, on the 1st line of the coast. It is another project which has as its low density differentiation factor, with approximately 152 beds.

As at 31 December 2013, the Pestana Group capitalized financial expenses in the amount of 220.463 Euros.

In the year ended 31 December 2013, the net book value of Property, plant and equipment acquired through financial leasing was as follows:

	2013	**2012**
Acquisition cost	15.310.881	1.019.621
Accumulated depreciation	(6.150.890)	(270.095)
	9.159.991	**749.526**

7. INTANGIBLE ASSETS

Intangible assets are presented as follows:

	Concessions	Website	Software	Total
1 January 2013				
Acquisition cost	-	-	-	-
Accumulated amortization	-	-	-	-
Accumulated impairment	-	-	-	-
Net book value	**-**	**-**	**-**	**-**
Changes in the perimeter - acquisition cost (Note 39)	28.880.787	421.105	2.080.572	31.382.464
Changes in the perimeter - impairment (Note 39)	(634.423)	-	-	(634.423)
Changes in the perimeter - amortization (Note 39)	(12.692.487)	(153.078)	(710.378)	(13.555.943)
Additions	-	21.216	43.927	65.143
Disposals	-	-	-	-
Amortization	(769.356)	(107.346)	(119.233)	(995.935)
Impairment - charge	-	-	-	-
Impairment - reversal	-	-	-	-
Exchange differences - acquisition cost	-	(30)	(482.356)	(482.386)
Exchange differences - amortization	-	6	42.795	42.801
Net book value	**14.784.521**	**181.873**	**855.327**	**15.821.721**
31 December 2013				
Acquisition cost	28.880.787	442.291	1.642.143	30.965.221
Accumulated amortization	(13.461.843)	(260.418)	(786.816)	(14.509.077)
Accumulated impairment	(634.423)	-	-	(634.423)
Net book value	**14.784.521**	**181.873**	**855.327**	**15.821.720**

	Concessions	Goodwill	Total
1 January 2012			
Acquisition cost	197.279	2.492.633	2.689.912
Accumulated amortization	(170.000)	-	(170.000)
Accumulated impairment	-	-	-
Net book value	**27.279**	**2.492.633**	**2.519.912**
Changes in the perimeter - acquisition cost	(197.279)	(2.492.633)	(2.689.912)
Changes in the perimeter - amortization	170.000	-	170.000
Additions	-	-	-
Disposals	-	-	-
Amortization	-	-	-
Impairment - charge	-	-	-
Impairment - reversal	-	-	-
Net book value	**-**	**-**	**-**
31 December 2012			
Acquisition cost	-	-	-
Accumulated amortization	**-**	**-**	**-**
Accumulated impairment	**-**	**-**	**-**
Net book value	**-**	**-**	**-**

The balance of concessions in the amount of 14.784.521 Euros relates to:

- The right to operate the Pousadas in Portugal until 2023 inclusive, obtained under the contract for Assignment of Exploitation of "Rede de Pousadas", concluded on 8 August 2003 with Enatur - Empresa Nacional de Turismo, S. A..

- The law gambling license, including the operation of games of chance in the permanent area of Funchal (Portugal) continuing until 2023 inclusive, representing the amount paid to the Regional Government of Madeira.

- The concession right of "Cidadela de Cascais", in Portugal, during 70 years, through a contract signed in 26 November 2009 with Fortaleza de Cascais, E.M., where the Pousada of Cascais exists since March 2012.

- The concession right of "Palácio do Freixo", in Portugal, for a period of 50 years, obtained through a contract with the City Council of Oporto, where operates the Pousada of Porto.

The acquisition cost of concessions includes the amount of 4.250.000 Euros for the grant of gambling business in the permanent area of Funchal, for the period between 2014 to 2023 inclusive. Consequently, this asset has not been subject to amortization in the year 2013.

In the year 2012, Pestana Group sold to Salvintur, S.G.P.S., S.A. (Associated company at that time) the financial interest held in the subsidiary Capegreen for the amount of 3.850.000 Euros. With this operation the Goodwill was written-off.

8. INVESTMENT PROPERTIES

Investment properties presented the following movements:

	2013	2012
1 January		
Acquisition costs	27.291.330	6.078.634
Accumulated depreciation	(1.387.407)	(713.002)
Accumulated impairment	(2.502.113)	(2.502.113)
Net book value	**23.401.810**	**2.863.519**
Changes in the perimeter - acquisition cost (Note 39)	12.817.722	21.212.697
Changes in the perimeter - depreciation (Note 39)	(3.328.761)	(164.150)
Changes in the perimeter - impairment (Note 39)	(634.216)	-
Transfer to Property, plant and equipment - acquisition cost (Note 6)	(27.291.330)	-
Transfer to Property, plant and equipment - depreciation (Note 6)	1.387.407	-
Transfer to Property, plant and equipment - impairment (Note 6)	2.502.113	-
Additions	-	-
Sale	-	-
Depreciation	(107.116)	(510.256)
Impairment - charge	(7.176)	-
Impairment - reversal	-	-
	(14.661.357)	**20.538.291**
31 December		
Acquisition costs	12.817.722	27.291.330
Accumulated depreciation	(3.435.877)	(1.387.407)
Accumulated impairment	(641.392)	(2.502.113)
Net book value	**8.740.453**	**23.401.810**

The Investment properties are mainly leased or intended to be leased and are detailed as follows as at 31 December 2013:

	2013	2012
Spaces rented to third parties, Algarve	2.221.060	-
Offices rented to third parties, San Tome and Principe	2.118.093	-
Property in S. Gonçalo, Madeira	1.263.034	-
Land in Angra dos Reis, Brazil	962.902	-
Property in Lumiar, Lisbon	684.432	-
Property in Mouraria, Lisbon	134.009	-
Others	1.356.923	-
Pestana Berlin Tiergarten, Berlin	-	20.650.568
Silves Golf Course, Algarve	-	2.751.242
	8.740.453	**23.401.810**

Pestana Berlin Hotel and Silves Golf course, owned by Hotel Rauchstrasse 22, S.àr.l. and Eurogolfe, S.A., subsidiaries that were already consolidated in 2012, were classified as Investment properties as at 31 December 2012 since the group companies that explored these two assets were not consolidated at that date. With the 2013 change in the consolidation perimeter, Pestana Berlin, S.àr.l. and Carvoeiro Golfe, S.A., subsidiaries that exploit Pestana Berlin Hotel and the Silves Golf course, respectively, are now consolidated and consequently these two assets have been reclassified to Property, plant and equipment.

As at balance sheet date, the fair value of each of the assets classified as Investment properties is not less than its carrying amount.

9. INVESTMENTS IN ASSOCIATES

The movement during the years 2013 and 2012 in Investments in associates is as follows:

	2013	2012
1 January	64.721.603	65.503.645
Acquisitions	-	-
Loans granted / (Reimbursed)	-	-
Changes in perimeter - exits	(57.444.462)	-
Changes in perimeter - entrances	10.071.080	
Disposals	(7.277.141)	-
Profit/(losses) of the equity method	(254.678)	2.563.236
Other changes in equity	-	(97.383)
Dividends	-	(3.247.895)
Impairment losses	-	-
31 December	**9.816.402**	**64.721.603**

With the 2013 change in consolidation perimeter (Note 38 and 39), Grupo Pestana, S.G.P.S., S.A. and Salvintur, S.G.P.S., S.A. became subsidiaries of Pestana Group, now fully consolidated, and desrecognized from Associates, in the total amount of 57.444.462 Euros. This change also implies that the following Associates of these two subsidiaries are now added to this caption: Enatur, S.A.; SDEM, S.A.; Albar, S.A.; Soheotur, S.A. and Fantasy Land, Ltd., in total amount of 10.071.080 Euros.

During 2013, the Pestana Group sold to Pestana Atlantic, S.àr.l. 21.250 shares of Quanlux, S.àr.l., equivalent to 84,99% of the total share capital, subsidiary that owned 46,75% of Euro Atlantic Airways – Transportes Aéreos, S.A., with a gain of 10.202.049 Euros.

In 2013, the loss of the equity method mainly concerns to SDEM, S.A.. In 2012, the profit from the equity method respects to Grupo Pestana, S.G.P.S., S.A. and EuroAtlantic, S.A..

In 2012, the total amount of dividends refers to EuroAtlantic Airways, S.A..

As at 31 December 2013, the Investments in associates refers to the following entities:

Name	Owned %	Acquisition cost			Loans granted			Investment value	Goodwill included
		Equity method	Impairment loss	Total	Gross value	Impairment loss	Total		
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	7.514.349	-	7.514.349	477.598	-	477.598	7.991.947	-
SDEM - Soc. de Desenv.Empresarial da Madeira, S.A.	3,75% i)	819.563	-	819.563	-	-	-	819.563	-
Albar - Soc. Imobiliária do Barlavento, S.A.	49,81%	584.153	-	584.153	-	-	-	584.153	-
Soheotur, S.A.	25,00%	-	-	-	420.739	-	420.739	420.739	-
Fantasy Land, Ltd.	33,33%	150.068	150.068	-	-	-	-	-	-
		9.068.133	**150.068**	**8.918.065**	**898.337**	**-**	**898.337**	**9.816.402**	**-**

i) Associate owned by SDM in 25% (Note 38).

As at 31 December 2012, the Investments in associates refers to the following entities:

Name	Owned %	Acquisition Cost			Loans granted			Investment total	Goodwill included
		Equity method	Impairment loss	Total	Gross value	Impairment loss	Total		
Grupo Pestana, S.G.P.S., S.A.	25,76%	54.500.462	-	54.500.462	-	-	-	54.500.462	-
EuroAtlantic Airways, S.A.	46,75%	7.277.141	-	7.277.141	-	-	-	7.277.141	3.005.963
Salvintur, S.G.P.S., S.A.	46,00%	2.944.000	-	2.944.000	-	-	-	2.944.000	-
		64.721.603	**-**	**64.721.603**	**-**	**-**	**-**	**64.721.603**	**3.005.963**

The summary of financial statements from these associates is presented in Note 38.

10. OTHER FINANCIAL INVESTMENTS

The movements in Other financial investments during the years 2013 and 2012 are as follows:

	2013	2012
1 January	9.898.894	3.008.704
Transfers to subsidiaries	(9.832.205)	-
Changes in the perimeter (Note 39)	9.183.057	(981.000)
Acquisitions	3.499.604	8.000.000
Transfers from subsidiaries	1.500.000	-
Loans / (reimbursed)	82.032	(128.810)
Disposals	-	-
Impairment losses	(1.509.439)	-
31 December	**12.821.943**	**9.898.894**

With Grupo Pestana, S.G.P.S., S.A. being controlled by Pestana Group due to the 2013 change in the consolidation perimeter, all the other financial investments held by this new subsidiary are now included in this caption as at 1 January 2013, in the total amount of 9.183.057 Euros.

Additionally, in August 2012, the Pestana Group acquired from the group company Hotéis do Atlântico S.A. the participation in the Hotel Rauchstrasse 22, S.A.R.L., now holding 73,50% of interest in this company. This change is shown in the 2012 line changes in perimeter above and in the Note 39.

With the sale of 84,99% of Quanlux, S.àr.l. (Note 9), the remaining financial interest in this company is now presented in Other financial investments, in the amount of 1.500.000 Euros.

The total 2013 acquisitions respects to participation units subscribed in Fundo Imobiliário Brisa. The impairment losses booked in 2013 are also related in its entirety to Fundo Imobiliário Brisa and regards to the depreciaton of the market value of the total units held.

During 2012, Pestana Group acquired from the associated Group Pestana S.G.P.S., S.A., 19.50% of the company Djebel, S.G.P.S., S.A., as well as accessory contributions granted to the company, in the amount of 8.000.000 Euros. Also in 2012, the company Bazaruto Limited reimbursed the loan granted by Pestana Luxembourg, in the amount of 128.810 Euros.

The summary of financial information of these Other investments is presented in Note 38.

As at 31 December 2013, the Other financial investments refers to the following entities:

		Acquisition cost			Loans granted			
Name	**Owned %**	**Investment value**	**Impairment loss**	**Total**	**Investment value**	**Impairment loss**	**Total**	**Investment value**
Fundo Imobiliário Brisa	n.a.	13.647.823	(7.037.074)	6.610.749	-	-	-	6.610.749
Euro Atlantic Airways, S.A.	15,00%	3.946.958	-	3.946.958	-	-	-	3.946.958
Quanlux, S.àr.l.	15,00%	1.500.000	-	1.500.000	82.032	-	82.032	1.582.032
Other financial investments	n.a.	964.710	(292.980)	671.730	10.474	-	10.474	682.204
		20.059.491	**(7.330.054)**	**12.729.437**	**92.506**	**-**	**92.506**	**12.821.943**

As at 31 December 2012, the Other financial investments refers to the following entities:

		Acquisition cost			Loans granted			
Name	**Owned %**	**Investment value**	**Impairment loss**	**Total**	**Investment value**	**Impairment loss**	**Total**	**Investment value**
Djebel, S.G.P.S., S.A.	19,50%	8.000.000	-	8.000.000	-	-	-	8.000.000
Pestana Inversiones, S.L.	10,48%	1.682.205	-	1.682.205	-	-	-	1.682.205
Pestana Berlim, S.àr.l.	15,00%	150.000	-	150.000	-	-	-	150.000
Other financial investments	-	66.689	-	66.689	-	-	-	66.689
		9.898.894	**-**	**9.898.894**	**-**	**-**	**-**	**9.898.894**

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2013 and 2012, the balance recognized as Deferred taxes are presented in the Statement of financial position at their gross value.

The impact of the movements occured in deferred taxes items for the years presented was as follows:

	2013	2012
Impact on net income		
Deferred tax assets	1.367.168	171.654
Deferred tax liabilities	(8.426.928)	679.911
	(7.059.760)	851.565
Impact on change in consolidation perimeter		
Deferred tax assets	18.473.502	148.809
Deferred tax liabilities	106.667.446	-
	(88.193.944)	148.809
Impact on equity		
Deferred tax assets	(2.325.278)	-
Deferred tax liabilities	(12.285.856)	(5.217)
	(14.611.134)	(5.217)
Net impact on deferred taxes	**(109.864.838)**	**995.158**

By a decision adopted in 2013, there is a change in rate of tax from 25% to 23% from 2014 inclusive in Portugal. Thus, on December 31, 2013, deferred taxes for Portuguese subsidiaries were recalculated having been recognised a positive impact on equity of 2.324.052 Euros (positive impact on net income of 1.964.163 Euros). This variation is explained by the decrease in deferred tax assets and deferred tax liabilities of 612.855 Euros and 2.936.907 Euros, respectively.

The movements occurred in deferred tax assets for the years presented were as follows:

	Impairment losses	Hedging reserves	Provisions	Tax losses	Other	Total
1 January 2013	**668.697**	**148.809**	**9.063**	**578.403**	**215.801**	**1.620.772**
Changes in the perimeter (Note 39)	12.907.676	2.349.946	78.570	2.875.936	261.374	18.473.502
Constitution/reversal through equity	-	(1.059.390)	-	-	-	(1.059.390)
Reversal through profit or loss	(303.356)	(13.165)	(14.627)	(499.970)	(35.117)	(866.235)
Recognised through profit or loss	962.406	-	2.695	837.862	430.440	2.233.403
Use of consolidated tax losses carried forward (i)	-	-	-	(1.219.817)	-	(1.219.817)
Exchange differences	(1.260.249)	-	-	-	(5.639)	(1.265.888)
Change on period	**12.306.477**	**1.277.391**	**66.638**	**1.994.011**	**651.058**	**16.295.575**
31 December 2013	**12.975.174**	**1.426.200**	**75.701**	**2.572.414**	**866.859**	**17.916.347**

(i) Special Taxation Regime for Company Groups (RETGS) in Portugal.

	Impairment losses	Hedging reserves	Provisions	Tax losses	Other	Total
1 January 2012	**682.955**	**-**	**9.063**	**417.118**	**191.174**	**1.300.309**
Changes in the perimeter (Note 39)	-	148.809	-	-	-	148.809
Constitution/reversal through equity	-	-	-	-	-	-
Reversal through profit or loss	(31.049)	-	-	(62.396)	-	(93.445)
Recognised through profit or loss	16.791	-	-	223.680	24.628	265.099
Change on period	**(14.258)**	**148.809**	**-**	**161.284**	**24.628**	**320.463**
31 December 2012	**668.697**	**148.809**	**9.063**	**578.403**	**215.801**	**1.620.772**

The movements occurred in deferred tax liabilities for the years presented were as follows:

	Deemed cost investment properties (IFRS 1)	Revaluation under previous GAAP	Available for sale reserve	Others	Total
1 January 2013	**1.036.441**	**2.711.365**	**-**	**618.348**	**4.366.154**
Changes in the perimeter (Note 39)	67.781.543	38.722.182	96.939	66.782	106.667.446
Constitution/reversal through equity	-	-	-	-	-
Constitution through profit or loss	-	-	-	101.059	101.059
Reversal through profit or loss	(6.183.040)	(1.449.704)	-	(895.243)	(8.527.987)
Exchange differences	(5.339.603)	(6.946.253)	-	-	(12.285.856)
Change on period	**56.258.900**	**30.326.225**	**96.939**	**(727.402)**	**85.954.662**
31 December 2013	**57.295.341**	**33.037.590**	**96.939**	**(109.054)**	**90.320.816**

	Deemed cost investment properties (IFRS 1)	Revaluation under previous GAAP	Available for sale reserve	Others	Total
1 January 2012	1.447.186	2.941.821	-	651.842	5.040.849
Changes in the perimeter (Note 39)	-	-	-	5.217	5.217
Constitution/reversal through equity	-	-	-	-	-
Constitution through profit or loss	-	-	-	24.206	24.206
Reversal through profit or loss	(410.745)	(230.456)	-	(62.916)	(704.117)
Change on period	**(410.745)**	**(230.456)**	**-**	**(33.493)**	**(674.695)**
31 December 2012	**1.036.441**	**2.711.365**	**-**	**618.349**	**4.366.154**

12. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2013, the Pestana Group has capital financial instruments in some listed entities in the amount of 5.879.750 Euros. As at that date, the total acquisition costs of these capital financial instruments was 5.962.960 Euros.

The financial assets available for sale are recorded at fair value. Since the date of acquisition, valuation changes are recognized net of impairment losses in the Hedging reserve – Available for sale investments (Note 20).

The variations in the Financial assets available for sale were as follows:

	2013
1 January	-
Changes in the perimeter (Note 39)	5.129.903
Acquisitions	225.758
Fair value variation (Note 20)	(144.194)
Changes on period	5.211.467
31 December	**5.211.467**

The fair value of the capital financial instruments was determined as at 31 December 2013 based on the market price, corresponding to the first level of the hierarchy of fair value.

13. FINANCIAL ASSETS AND LIABILITIES

The accounting policies for measuring financial instruments in accordance with IAS 39 were applied to the following financial assets and liabilities:

31 December 2013	Cash and Receivables	Available-for-sale financial investments	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Cash and cash equivalents	60.794.912	-	-	-	60.794.912
Trade and other receivables	49.434.695	-	-	15.873.070	65.307.765
Financial assets at fair value throught profit and loss	668.283	-	-	-	668.283
Available for sale investments	-	5.211.467	-	-	5.211.467
	110.897.890	**5.211.467**	**-**	**15.873.070**	**131.982.427**
Liabilities					
Loans and borrowings	-	-	510.710.033	-	510.710.033
Derivatives	-	-	7.388.214	-	7.388.214
Trade and other payables	-	-	47.968.105	41.510.686	89.478.791
	-	**-**	**566.066.352**	**41.510.686**	**607.577.038**

31 December 2012	Cash and Receivables	Available-for-sale financial investments	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Cash and cash equivalents	11.453.932	-	-	-	11.453.932
Trade and other receivables	17.688.053	-	-	448.563	18.136.616
	29.141.985	**-**	**-**	**448.563**	**29.590.548**
Liabilities					
Loans and borrowings	-	-	38.399.346	-	38.399.346
Derivatives	-	-	992.053	-	992.053
Trade and other payables	-	-	17.183.643	1.488.614	18.672.257
	-	**-**	**56.575.042**	**1.488.614**	**58.063.656**

According to IFRS 13, the Pestana Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are presented in Note 3.10, and they are as follows:

	31 December 2013			31 December 2012		
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivatives	-	-	-	-	-	-
Financial assets at fair value throught profit and loss	668.283	-	-	-	-	-
Available for sale investments	5.211.467	-	-	-	-	-
	5.879.750	**-**	**-**	**-**	**-**	**-**
Financial Liabilities						
Derivatives	-	7.388.214	-	-	992.053	-
	-	**7.388.214**	**-**	**-**	**992.053**	**-**

14. TRADE AND OTHER RECEIVABLES

As at 31 December 2013 and 2012, Trade and other receivables are detailed as follows:

	31-12-2013			31-12-2012		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables (i)	30.952.258	341.779	31.294.037	5.478.997	-	5.478.997
Other receivables (ii)	17.521.120	-	17.521.120	12.040.064	-	12.040.064
Prepayments (iii)	3.951.804	7.008.550	10.960.354	253.112	-	253.112
Accrued income (iv)	953.423	-	953.423	168.992	-	168.992
Taxes receivables (v)	4.578.831	-	4.578.831	195.451	-	195.451
	57.957.436	**7.350.329**	**65.307.765**	**18.136.616**	**-**	**18.136.616**

i) Trade receivables

	31-12-2013			31-12-2012		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables - group (Note 40)	878.533	-	878.533	127.568	-	127.568
Trade receivables - other	30.073.725	341.779	30.415.504	5.351.429	-	5.351.429
Doubtful debtors	14.573.615	66.688	14.640.303	2.065.538	-	2.065.538
	45.525.873	408.467	45.934.340	7.544.535	-	7.544.535
Impairment of trade receivables	(14.573.615)	(66.688)	(14.640.303)	(2.065.538)	-	(2.065.538)
	30.952.258	**341.779**	**31.294.037**	**5.478.997**	**-**	**5.478.997**

The ageing of current trade receivables as at 31 December 2013 and 2012 are presented as follows:

31 December 2013	0-30 days	31-60 days	61-90 days	> 90 days	Total
Trade receivables - group (Note 40)	878.533	-	-	-	878.533
Trade receivables - current account	13.182.517	5.446.231	6.808.972	4.399.039	29.836.759
Trade receivables - others	578.745	-	-	-	578.745
	14.639.795	**5.446.231**	**6.808.972**	**4.399.039**	**31.294.037**

31 December 2012	0-30 days	31-60 days	61-90 days	> 90 days	Total
Trade receivables - group (Note 40)	127.568	-	-	-	127.568
Trade receivables - current account	3.548.415	517.226	307.641	427.778	4.801.059
Trade receivables - others	550.370	-	-	-	550.370
	4.226.353	**517.226**	**307.641**	**427.778**	**5.478.997**

Impairment of Trade receivables – movements of the year:

	2013	2012
1 January	2.065.538	2.047.395
Changes in the perimeter (Note 39)	10.638.648	-
Increases	3.171.689	151.017
Utilizations	(74.834)	(110.000)
Reversals	(1.160.738)	(22.874)
31 December	**14.640.303**	**2.065.538**

ii) Other receivables

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Other debtors - group (Note 40)	14.146.422	-	14.146.422	11.278.847	-	11.278.847
Other debtors	3.484.701	-	3.484.701	728.509	-	728.509
Personnel	333.885	-	333.885	32.709	-	32.709
Impairment	(443.888)	-	(443.888)	-	-	-
	17.521.120	**-**	**17.521.120**	**12.040.064**	**-**	**12.040.064**

As at 31 December 2013, Other debtors – group mainly respects to the account receivable from Pestana Atlantic, S.àr.l. from the 2013 sale of Quanlux, S.àr.l., amounting to 12.548.549 Euros.

Impairment of Other receivables - movements of the year:

	2013	2012
1 January	**-**	**-**
Increases	-	-
Changes in the perimeter (Note 39)	1.489.322	-
Utilizations	(201.288)	-
Reversals	(844.146)	-
31 December	**443.888**	**-**

Additionally, as at 31 December 2013 and 2012 an amount of 1.425.990 Euros related to a receivable from the associated Enatur – Empresa Nacional de Turismo, S.A. arising from outflows on expanding the facilities of Pousadas's network and which are not part of the expansion plan complement. This credit will be converted into shareholder loans until the 75th day after the license date of issuance of the construction license and up to the 75th day after the date of issue of the tourist use, both by the amount of 712.995 Euros, mainly to the development of the Pousada do Terreiro do Paço, in the center of Lisbon.

As at 31 December 2012, the other receivables - Group caption includes the amount of 3.850.000 Euros to be received from the sale of Capegreen – Consultoria Económica e Participações, S.A. to Salvintur S.G.P.S, S.A.. It also includes 3.247.895 Euros receivable from the associate Euroatlantic, S.A. as dividends, and approximately 3.430.000 Euros from Hotéis do Atlântico, S.A. for the sale of the investment in the subsidiary Pestana Management UK, Ltd, and the respective loans.

iii) Prepayments

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Commissions	620.469	7.008.550	7.629.019	-	-	-
Insurance	323.103	-	323.103	92.761	-	92.761
Maintenance services	707.989	-	707.989	-	-	-
Rentals	787.895	-	787.895	2.346	-	2.346
Other services	1.512.348	-	1.512.348	158.005	-	158.005
	3.951.804	**7.008.550**	**10.960.354**	**253.112**	**-**	**253.112**

As at 31 December 2013, the balance of Prepayments - Comissions include comissions paid related to sales of Timeshare – Options contracts (Note 3.22 ii)), amounting to 7.576.622 Euros.

iv) Accrued income

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Invoices to be issued	457.996	-	457.996	134.379	-	134.379
Interests	15.810	-	15.810	-	-	-
Rappel	212.611	-	212.611	-	-	-
Other	267.006	-	267.006	34.613	-	34.613
	953.423	**-**	**953.423**	**168.992**	**-**	**168.992**

v) Taxes receivable

This caption is mainly related to VAT receivable, and the variation is also explained by the new consolidation perimeter.

15. INVENTORIES

Inventories as at 31 December 2013 and 2012 are detailled as follows:

	2013	2012
Purchased finished goods	4.448.409	576.703
Finished goods	27.086.598	475.123
Work in progress	27.734.559	3.312.405
Raw and subsidiary materials	3.513.348	1.823.695
	62.782.914	6.187.926
Impairment of inventories	(380.728)	(250.043)
	62.402.186	**5.937.883**

The variation under Purchase finished goods regards to the purchase of 2 buildings in the city of Funchal for the purpose of resale, in the amount of 3.675.250 Euros.

The variation under Finished goods is mainly related with real estate properties, regarding Troia's project and villas for sale located in São Tomé island and Bazaruto, included in the change in the consolidation perimeter (Note 39).

The variation in work in progress is essentially explained by Golf course projects in Portalegre, Algarve and Troia real estate project, all in Portugal and all also included in the change in the consolidation perimeter (Note 39).

The 2013 cost of sales amounted to 45.211.858 Euros (31 December 2012: 8.337.601 Euros).

As at 31 December 2013, the Pestana Group capitalized financial expense in the amount of 416.420 Euros.

Impairment of Inventories – movements of the year:

	2013	2012
1 January	**(250.043)**	**(175.731)**
Changes in the perimeter (Note 39)	(139.569)	-
Increases	(261.492)	(176.600)
Utilizations	214.668	102.288
Reversals	55.708	-
31 December	**(380.728)**	**(250.043)**

16. CURRENT TAX ASSETS AND LIABILITIES

The balances of current Income tax for the years ended 31 December 2013 and 2012 are as follows:

	31-12-2013		31-12-2012	
	Debtor	Creditor	Debtor	Creditor
Income tax	2.429.005	2.107.145	189.636	12.736
	2.429.005	**2.107.145**	**189.636**	**12.736**

The balance of current Income tax is detailed as follows:

	2013	2012
Advance payments	2.429.005	189.636
Withholding taxes	43.763	-
Current income tax estimate	(2.150.908)	(12.736)
	321.860	**176.900**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT AND LOSS

During the year of 2013, the Pestana Group has capital financial instruments in the amount of 668.283 Euros.

The financial assets at fair value throught profit and loss are recorded at fair value. Since the date of acquisition, valuation changes are recognized in profit and loss in the financial caption (Note 34).

The variations in the Financial assets at fair value throught profit and loss were as follows:

	2013
1 January	**-**
Changes in the perimeter (Note 39)	713.043
Acquisitions	-
Fair value variation (Note 34)	49.947
Exchange differences	(94.707)
Changes on period	668.283
31 December	**668.283**

18. CASH AND CASH EQUIVALENTS

The breakdown of Cash and cash equivalentes is as follows:

	31-12-2013	31-12-2012
Cash	1.122.325	3.761
Bank deposits	59.672.587	11.450.171
	60.794.912	**11.453.932**

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the preparation of the Consolidated cash flows statement for the year ended 31 December 2013 and 2012 is presented as follows:

	31-12-2013	31-12-2012
Cash	1.122.325	3.761
Overdrafts	(62.020.762)	(4.500.000)
Bank deposits	59.672.587	11.450.171
	(1.225.850)	**6.953.932**

19. CAPITAL

As at 31 December 2013 and 2012, Capital is as follows:

	2013	2012
Share capital (i)	166.625.239	5.241.868
Other equity instruments (ii):		
Other capital contributions not remunerated nor with reimbursement date (ii)	41.044.631	30.146.495
	207.669.869	**35.388.363**

(i) Share capital

As at 31 December 2013 and 2012, Share capital details are as follows:

	2013		2012	
Shareholders	**Number of shares**	**Capital**	**Number of shares**	**Capital**
Dionísio Fernandes Pestana	1.319.175	166.624.985	41.498	5.241.612
José Alexandre Lebre Theotónio	1	127	1	127
António Paulo Jardim Prada	1	127	1	127
	1.319.177	**166.625.239**	**41.500**	**5.241.866**

According to the Contribution Agreement made on 2013, the shareholder Mr. Dionísio Pestana increased the share capital of the Pestana International Holdings, S.A. in the amount of 161.383.370 Euros, subscribing 1.277.677 new shares without nominal value in exchange of the contribution of the shares of the following subsidiaries: Djebel, S.G.P.S., S.A., Grupo Pestana, S.G.P.S., S.A., Pestana Inversiones S.L. and Salvintur, Sociedade de Investimentos Turísticos, S.G.P.S., S.A..

Consequently, as at 31 December 2013, the Pestana International Holdings, S.A. issued share capital is fixed at 166.625.238 Euros (one hundred and sixty-six million, six hundred and twenty-five thousand, two hundred thirty eight Euros), represented by 1.319.177 (one million, three hundred and nineteen thousand, one hundred and seventy seven) shares in registered form without nominal value (31 December 2012: 41.500 shares without a nominal value).

(ii) Other equity instruments

The other capital contributions are not remunerated and do not have an established reimbursement term, having been granted to the Pestana Group by its shareholder, Mr. Dionísio Pestana. It is not expected that its refund will occur during next year.

The total amount granted in 2013 by Mr. Dionísio Pestana to Pestana Group was 10.898.136 Euros (2012: 7.863.054 Euros).

20 OTHERS RESERVES

Other reserves had the following movements during the years ended 2013 and 2012.

	Legal reserve (i)	Fair value reserve C.F.C. (ii)	Fair value reserve A.S.F. (iii)	Associates - Equity Method (iv)	Currency translations ajustments (v)	Hyperinflation (vi)	Free reserves	Total
1 January 2012	1.522.825	-	-	16.907.230	166.372	-	3.101.331	**21.697.758**
Changes in the perimeter (Note 39)	(220.524)	(843.244)	-	-	-	-	(961.050)	**(2.024.818)**
Net income application	4.166	-	-	-	-	-	-	**4.166**
Equity method application	-	-	-	(97.872)	-	-	-	**(97.872)**
Conversion differences	-	-	-	-	190.527	-	-	**190.527**
Transfers to Retained earnings	-	-	-	(15.717.628)	-	-	-	**(15.717.628)**
1 January 2013	**1.306.467**	**(843.244)**	**-**	**1.091.730**	**356.899**	**-**	**2.140.281**	**4.052.132**
Changes in the perimeter (Note 39)	13.201.837	-	-	(8.113.325)	-	-	4.276.150	**9.364.662**
Net income application	1.026.077	-	-	-	-	-	744.778	**1.770.855**
Conversion differences	-	-	-	-	(19.384.914)	1.260.603	-	**(18.124.311)**
Change in fair value reserve (hedging derivatives)	-	3.347.097	-	-	-	-	-	**3.347.097**
Change in fair value reserve (assets held for sale)	-	-	(144.199)	-	-	-	-	**(144.199)**
Impact change tax rate	-	(359.889)	-	-	-	-	-	**(359.889)**
31 December 2013	**15.534.381**	**2.143.964**	**(144.199)**	**(7.021.595)**	**(19.028.015)**	**1.260.603**	**7.161.209**	**(93.653)**

(i) Legal reserve

In accordance with the applicable commercial law in several countries where Pestana Group operates, a specific percentage of net profit, if positive, must be set aside in a legal reserve until that reserve is equal to another specific percentage of the subsidiary´s issued share capital. This reserve is usually not available for distribution until the company's liquidation but may be used to absorb losses, after all other available reserves have been extinguished, and to increase share capital.

(ii) Fair value Reserve C.F.H. (Cash Flow Hedge)

The effective portion of changes in fair value of the hedging derivative is recognized in hedging reserves in Equity (Note 25).

(iii) Fair Value Reserve A.F.S. (Available for sale Investments)

Cumulative changes in fair value net of impairment losses existing at the statement of financial position date, relating to financial assets held for sale, are recorded in this caption (Note 12).

(iv) Associates – equity method

The group percentage of ownership in changes in the associates equity related to items that are recycled to profit or loss, namely the ones in the statement of comprehensive income, are recognized in Other reserves as Associates – equity method.

(v) Currency translations adjustments

Translations differences of the results and financial position of foreign units which has a functional currency other than Euro are translated to Euro as described in Note 3.3.iii) and recorded in this equity caption. The cumulative currency translations adjustments are detailed as follows as at 31 December 2013 and 2012:

	2013	2012
VEF - Venezuelan Bolivar	(15.400.713)	-
BRL - Brazilian Real	(2.671.162)	-
ARS - Argentine Peso	(2.215.492)	-
ZAR - South African Rand	(126.106)	-
MZN - Mozambican Metical	(255.525)	-
GBP - British Pound	777.083	356.899
Others	863.900	-
	(19.028.015)	**356.899**

As at 31 December 2013, in Venezuela there are two governmental published exchange rates: CADIVI (official exchange rate of 6,3 Venezuelan Bolivar) and the near year-end established one named SICAD, with a exchange rate of 11,36 Venezuelan Bolivar per US Dollar. For the translation of these Venezuelans balances, in a conservative perspective, Pestana Group considered the SICAD exchange rate as being the most adequate (Note 3.3. iv)).

(vi) Hyperinflation

As at 31 December 2013, hyperinflation regards the adjustment made to the financial statements of the subsidiary "Inversiones VistalParque, C.A.", based in Venezuela. Since this economy is considered as hyperinflationary, under IAS 29, its financial statements when integrated in the consolidation of Pestana Group include the hyperinflation effect (Note 3.3 iii)).

21. RETAINED EARNINGS

As at 31 December 2013 and 2012, Retained earnings presented the following movements:

	Retained earnings
1 January 2012	**29.454.400**
Dividends	-
Net profit application	4.713.427
Changes in the perimeter (Note 39)	(1.536.367)
Transfers from Other reserves	15.717.628
1 January 2013	**48.349.089**
Dividends	-
Net profit application	722.511
Changes in the perimeter (Note 39)	10.279.818
31 December 2013	**59.351.418**

22. NON–CONTROLLING INTERESTS

Non-controlling interests movements were as follows:

	2013	2012
1 January	**5.537.694**	**4.854.988**
Acquisitions of shares	-	1.283.181
Changes in the perimeter (Note 39)	44.914.050	-
Profit/(Loss) of the period	(922.812)	137.397
Dividends	(3.485.029)	-
Other changes in capital	-	-
Disposals of equity	-	(737.872)
31 December	**46.043.903**	**5.537.694**

Non-controlling interests relate to the following investments:

	2013		2012	
	% held	Value	% held	Value
SDM - Soc. Desenv. da Madeira, S.A.	85,00%	18.032.212	n.a.	-
Brasturinvest Sub-group (Brazil)	n.a.	16.503.624	n.a.	-
Pestana S.G.P.S. Sub-group (Portugal)	n.a.	11.382.975	n.a.	-
Pestana Inversiones Sub-group (Latin America)	n.a.	6.742.131	n.a.	-
Hotel Rauchstrasse 22 S.àr.l.	26,50%	1.465.598	26,50%	1.343.101
Eurogolfe, S.A.	0,003%	13.594	14,29%	4.194.592
Albar, S.A.	50,50%	(12.274)	n.a.	-
Hotéis do Atlântico Sub-group (Europe)	n.a.	(68.999)	n.a.	-
Salvintur Sub-group (Africa)	n.a.	(1.988.914)	n.a.	-
Pestana Pousadas Sub-group (Portugal)	n.a.	(6.026.044)	n.a.	-
		46.043.903		**5.537.694**

During the year 2013, Pestana Group generated a loss attributable to Non-controlling interests in the amount of 922.812 Euros (31 December 2012 a profit of 137.397 Euros). The effect of Changes in the perimeter in Non-controlling interests are presented in Note 39.

Mr. Dionísio Pestana, who controls and owns Pestana Group, is also the owner of 29.963.210 Euros (54% of the total) of Non-controlling interests as at 31 December 2013, as follows:

	2013	
	% held	Value
Brasturinvest, S.A.	46,54%	16.503.624
SDM - Soc. Desenv. da Madeira, S.A.	55,00%	11.667.902
Grupo Pestana S.G.P.S., S.A.	1,00%	1.830.210
Hotéis do Atlântico, S.A.	0,08%	66.563
Pinheiro Mar, S.A.	12,00%	(105.089)
		29.963.210

23. PROVISIONS

The movements in Provisions are as follows:

	Litigations and claims in progress (i)	Customer guarantees (ii)	Other provisions (iii)	Total
1 January 2013	35.000	-	307.165	342.165
Changes in the perimeter (Note 39)	503.468	48.549	1.608.225	2.160.242
Allocation	-	-	158.470	158.470
Utilizations	-	-	(56.520)	(56.520)
Decreases	-	-	(277.866)	(277.866)
Exchange differences	-	-	(94.618)	(94.618)
Changes on period	**503.468**	**48.549**	**1.337.691**	**1.984.326**
31 December 2013	**538.468**	**48.549**	**1.644.856**	**2.231.873**
Current balance	538.468	48.549	286.925	873.942
Non-current balance	-	-	1.357.931	1.357.931
	538.468	**48.549**	**1.644.856**	**2.231.873**

	Litigations and claims in progress (i)	Other provisions (iii)	Total
1 January 2012	35.000	307.165	342.165
Allocation	-	-	-
Utilizations	-	-	-
Decreases	-	-	-
Changes on period	**-**	**-**	**-**
31 December 2012	**35.000**	**307.165**	**342.165**
Current balance	-	-	-
Non-current balance	35.000	307.165	342.165
	35.000	**307.165**	**342.165**

Details of provisions accounted for and main reasons for the movements occurred:

(i) Litigation and claims in progress: there are lawsuits and arbitration proceedings ongoing against some Group subsidiaries, classified as probable losses. These provisions were accounted for based on the opinion of internal and external legal advisers, in order to address the probable outflow of resources with these processes.

(ii) Customer guarantees: Based on the history and typology of work developed, this provision includes the estimated costs to be incurred in future with the assurance that has been given on the construction of villas, apartments and townhouses.

(iii) Other provisions: result from usual and inherent business risks.

24. LOANS AND BORROWINGS

The classification of Loans and borrowings concerning the term (current and non-current) and nature at the end of the year is as follows:

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Commercial paper	-	27.000.000	27.000.000	-	-	-
Bond loans	23.498.774	33.544.623	57.043.397	-	-	-
Bank loans	71.827.049	290.886.203	362.713.252	4.236.093	29.266.838	33.502.931
Overdrafts	62.020.762	-	62.020.762	4.500.000	-	4.500.000
	157.346.585	351.430.826	508.777.411	8.736.093	29.266.838	38.002.931
Interest payables - accrual	4.299.084	350.488	4.649.572	416.304	-	416.304
Paid interests - deferral	(51.363)	(2.665.587)	(2.716.950)	(19.888)	-	(19.888)
	161.594.306	**349.115.727**	**510.710.033**	**9.132.509**	**29.266.838**	**38.399.346**

Bank loans have as collateral the mortgage over some assets of the Pestana Group (Note 37).

At the end of 2013, the Pestana Group acquired the Pestana Carlton Madeira and Pestana Arena Barcelona for a total amount of approximately 44 million Euros. Consequently, and excluding the effect of the change in the consolidation perimeter, these assets explain significantly the increase in the Pestana Group loans and borrowings, despite have not contributed in the same way to the 2013 EBITDA.

The Pestana Group is the underwriter of commercial paper programs amounting to 27.000.000 Euros, used in full as at 31 December 2013. These programs are considered as non-current because are all multiannual credit lines which will not be paid in 2014.

At 31 December 2013, the renewal of commercial paper and the current renovation of almost all short-term credit lines were already negotiated, namely bank overdrafts.

At the end of fiscal year of 2013, the Pestana Group also had credit lines contracted and not used in the amount of 44.722.510 Euros.

In the loans and borrowings contracted by the Group's subsidiaries there are in some cases specific clauses the obligation to fulfill specific convenants such as: i) the maintenance of the subsidiaries share capital inside the Group; ii) maintenance of ratios related to the capital structure, among others. As at 31 December 2013, no exceptions have been identified in any of these convenants.

The future payments of the outstanding commercial paper, bond and bank loans, by currency of denomination as at 31 December 2013 and 2012 are as follows:

31 December 2013	2014	2015	2016	2017	2018	Following years	Total
Commercial paper							
Euro	-	9.500.000	17.500.000	-	-	-	27.000.000
	-	**9.500.000**	**17.500.000**	**-**	**-**	**-**	**27.000.000**
Bond loans							
American Dollar	21.753.317	-	10.951.303	-	-	-	32.704.620
Euro	-	20.000.000	-	-	-	-	20.000.000
Brazilian Real	1.745.457	-	-	2.593.320	-	-	4.338.777
	23.498.774	**20.000.000**	**10.951.303**	**2.593.320**	**-**	**-**	**57.043.397**
Bank loans							
Euro	49.295.415	46.391.819	41.102.922	46.161.427	34.320.511	70.166.691	287.438.785
Brazilian Real	21.364.231	-	13.014.413	783.441	-	-	35.162.085
British Pound	794.650	832.134	884.611	944.584	1.004.558	20.615.929	25.076.466
American Dollar	372.753	1.555.136	487.274	487.274	487.274	10.151.548	13.541.259
Venezuelan Bolivar	-	-	-	-	-	1.494.657	1.494.657
	71.827.049	**48.779.089**	**55.489.220**	**48.376.726**	**35.812.343**	**102.428.825**	**362.713.252**
	95.325.823	**78.279.089**	**83.940.523**	**50.970.046**	**35.812.343**	**102.428.825**	**446.756.649**

31 December 2012	2013	2014	2015	2016	2017	Following years	Total
Bank loans							
Euro	4.236.093	-	3.000.000	-	20.766.838	5.500.000	33.502.931
	4.236.093	**-**	**3.000.000**	**-**	**20.766.838**	**5.500.000**	**33.502.931**

25. DERIVATIVES

As at 31 December 2013 and 2012, Pestana Group had traded Derivative financial instruments related to interest rate swaps (hedging derivatives) as follows:

	31-12-2013		31-12-2012	
	Assets	Liabilities	Assets	Liabilities
Swap interest – non current	-	7.388.214	-	992.053
Swap interest – current	-	-	-	-
	-	**7.388.214**	**-**	**992.053**

Detailed information about the characteristics and fair value of the swaps:

Subsidiary	Classification IAS 39	Initial reference value	Maturity	Payment Period	Frees receivable / payable	Fair Value 31-12-2013	Fair Value 31-12-2012	Variation
Hotel Rauchstrasse 22, S.àr.l.	Hedge	2.000.000	29-01-2020	Semiannual	Eur 6M / 3,52%	(113.094)	(174.235)	61.141
Hotel Rauchstrasse 22, S.àr.l.	Hedge	2.000.000	29-01-2018	Semiannual	Eur 6M / 3,12%	(239.382)	(327.497)	88.115
Hotel Rauchstrasse 22, S.àr.l.	Hedge	2.000.000	29-01-2019	Semiannual	Eur 6M / 3,3%	(156.725)	(218.830)	62.105
Hotel Rauchstrasse 22, S.àr.l.	Hedge	3.000.000	29-01-2017	Semiannual	Eur 6M / 2,44%	(197.838)	(271.491)	73.653
Grupo Pestana S.G.P.S., S.A. (i)	Hedge	10.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(579.980)	-	(579.980)
Grupo Pestana S.G.P.S., S.A. (i)	Hedge	15.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(338.125)	-	(338.125)
Grupo Pestana S.G.P.S., S.A. (i)	Hedge	30.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(590.203)	-	(590.203)
M & J Pestana, S.A. (i)	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(289.511)	-	(289.511)
M & J Pestana, S.A. (i)	Hedge	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(295.101)	-	(295.101)
M & J Pestana, S.A. (i)	Hedge	8.750.000	02-07-2017	Semiannual	Eur 6M / 0,88%	(45.189)	-	(45.189)
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i); (ii)	Proportion hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,74%	(855.894)	-	(855.894)
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i)	Hedge	6.000.000	10-10-2016	Semiannual	Eur 6M / 4,82%	(166.442)	-	(166.442)
Hoteis Atlantico, S.A. (i)	Hedge	11.000.000	28-05-2020	Quartely	Libor GBP 3M / 3,43%	(805.866)	-	(805.866)
Carlton Palácio, S.A. (i)	Hedge	5.000.000	12-06-2013	Semiannual	Eur 6M / 3,04%	(289.843)	-	(289.843)
Carlton Palácio, S.A. (i)	Hedge	6.000.000	30-12-2019	Semiannual	Eur 6M / 2,71%	(135.250)	-	(135.250)
Carlton Palácio, S.A. (i)	Hedge	5.000.000	30-12-2016	Semiannual	Eur 6M / 3,08%	(295.101)	-	(295.101)
Quinta Beloura, S.A. (i)	Hedge	9.600.000	30-12-2019	Semiannual	Eur 6M / 4,77%	(560.609)	-	(560.609)
Salvor, S.A. (i)	Hedge	5.000.000	30-07-2019	Semiannual	Eur 6M / 3,04%	(287.527)	-	(287.527)
Salvor, S.A. (i)	Hedge	7.000.000	30-12-2019	Semiannual	Eur 6M / 2,71%	(157.792)	-	(157.792)
Salvor, S.A. (i)	Hedge	5.000.000	30-12-2016	Semiannual	Eur 6M / 3,08%	(295.101)	-	(295.101)
Salvor, S.A. (i); (iii)	Trading	3.000.000	28-12-2019	Semiannual	Eur 6M / 4,77%	(32.108)	-	(32.108)
Intervisa Viagens Turismo, S.A. (i)	Hedge	500.000	22-06-2015	Quartely	Eur 3M / 4,16%	(11.529)	-	(11.529)
Salvintur, S.G.P.S., S.A. (i)	Hedge	2.000.000	13-03-2017	Semiannual	Eur 6M / 2,71%	(45.083)	-	(45.083)
Afrotours, S.A.R.L. (i)	Hedge	7.500.000	15-02-2018	Semiannual	Eur 6M / 4,27%	(401.721)	-	(401.721)
Afrotours, S.A.R.L. (i)	Hedge	5.000.000	15-07-2016	Semiannual	Eur 6M / 5,03%	(203.200)	-	(203.200)
						(7.388.214)	**(992.053)**	**(6.396.161)**

(i) These subsidiaries were out of the scope of consolidation for the year 2012.
(ii) This derivative financial instrument is designated as proportional hedge in 75%.
The remaining 25% are considered as trading and its fair value is recorded as income statement (Note 3.18 and Note 34).

The change in the fair value of the derivatives financial instruments occurred in 2013 and 2012 were as follows:

	2013	2012
1 January	(992.053)	-
Changes in the perimeter (Note 39)	(10.579.604)	-
Changes in fair value	4.046.598	(992.053)
Trading (Note 34)	136.845	-
31 December	**(7.388.214)**	**(992.053)**

The changes in the fair value reserve related to cash flow hedges in 2013 and 2012 were as follows:

	2013	2012
1 January	(843.244)	-
Changes in fair value	4.046.598	(992.053)
Deferred tax (Note 11)	(699.501)	148.809
Changes in tax rates (Note 11)	(359.889)	-
Ineffectiveness (Note 34)	(185.893)	-
Trading (Note 34)	136.845	-
Settlement	49.048	-
31 December	**2.143.964**	**(843.244)**

Derivative financial instruments classified as trading are financial instruments contracted to hedge economic risks in the Pestana Group (Note 4) but which are not eligible under IFRS for the application of hedge accounting and so the variations in fair value are recognized in the income statement.

The fair value of the interest rate swaps corresponds to the mark-to-market value determined based on the agreed terms and the estimated interest rate yields as at the statement of financial position date, which corresponds to level 2 on the hierarchy of fair-value (Note 13).

Pestana Group records derivative financial instruments in accordance with IAS 39. However, it cannot fail to mention that bank loans underlying these derivatives have an all-in below the current market conditions taking into account that the spreads of these loans are below to the ones currently practiced in the market.

26. DEFERRED REVENUE

As at 31 December 2013 and 2012, the detail of Deferred revenue is as follows:

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Timeshare revenue – D.R.H.P. (i)	13.891.237	131.358.876	**145.250.113**	-	-	-
Timeshare revenue – Options and Pestana Holiday Club (ii)	3.623.682	40.135.849	**43.759.531**	-	-	-
Government grants (iii)	1.042.844	8.742.153	**9.784.997**	187.106	2.377.672	**2.564.778**
Customer Loyalty program ("PPG") (iv)	2.184.928	-	**2.184.928**	-	-	-
Other deferred income	3.787.686	-	**3.787.686**	-	-	-
	24.530.377	**180.236.878**	**204.767.255**	**187.106**	**2.377.672**	**2.564.778**

(i) Timeshare revenue – Real right to periodic housing (D.R.H.P.)

This balance refers to values obtained from the sale of timeshare rights, which are deferred over the period of the award of temporary right of use of hotels and apartments at the Pestana Group (Note 3.22 ii)), whose recognition period will end between 2015 and 2039.

(ii) Timeshare revenue – Options and Pestana Holiday Club

This item refers to the sale of the timeshare programs Options and Pestana Holiday Club. The customer acquires the right to use accommodation without having to choose the specific hotel at that time, right which is represented in points. Revenue is recognized according to the use the points of the program or, at the latest, at the expiration date (Note 3.22 ii)).

(iii) Government grants

The government grants are recognized through the useful lives of the correspondent subsided assets.

(iv) Customer Loyalty Program (PPG)

This item refers to the customer loyalty program of Pestana Group, appointed by PPG - Pestana Priority Guest. The program consists of points earned in consumption and stays in hotels of the Pestana Group, enabling the exchange from points to stays in units of the Group and direct discounts at restaurants and bars as well as other benefits to participating customers. Revenue is recognised when the customer redeem the points in the acquisition of services and products, as established in the program or when the points expire (Note 3.22 i)).

27. TRADE AND OTHER PAYABLES

As at 31 December 2013 and 2012, the detail of Trade and other payables is as follows:

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables						
Suppliers (i)	23.027.502	-	**23.027.502**	4.755.873	-	**4.755.873**
Other payables						
Other payables (ii)	4.993.467	953.242	**5.946.709**	1.047.804	-	**1.047.804**
Other payables - intercompany (Note 40) (iii)	-	-	**-**	9.925.000	-	**9.925.000**
Suppliers of fixed assets (iv)	2.500.350	5.489.179	**7.989.529**	104.628	28.192	**132.820**
Advances from customers (v)	22.710.078	**-**	**22.710.078**	678.923	**-**	**678.923**
Taxes payable (vi)	7.307.910	**-**	**7.307.910**	512.699	**-**	**512.699**
Accrued expenses						
Holiday and subsidy pay	11.492.698	-	**11.492.698**	643.223	-	**643.223**
Others	10.965.681	38.684	**11.004.365**	975.915	-	**975.915**
	82.997.686	**6.481.105**	**89.478.791**	**18.644.065**	**28.192**	**18.672.257**

(i) Suppliers

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - intercompany (Note 40)	1.611.231	-	**1.611.231**	-	-	**-**
Other supplies	21.416.271	-	**21.416.271**	4.755.873	-	**4.755.873**
	23.027.502	**-**	**23.027.502**	**4.755.873**	**-**	**4.755.873**

(ii) Other payables

As at 31 December 2013 this balance includes the remaining current amount of 2.457.492 Euros, for the acquisition in 2011 of 20% of the capital of the subsidiary Sociedade Imobiliária Tróia B3, S.A., of a total initial payable amount of 9.215.596 Euros.

(iii) Other payables - Group

As at 31 December 2012, the balance of other payables - group includes the amount of 1.925.000 Euros regarding the remaining amount for the acquisition made in 2011 of Capegreen – Consultoria Económica e Participações, S.A. and 8.000.000 Euros for the acquisition of 19,50% of the share capital of the Djebel, S.G.P.S, S.A.. Both amounts were payable to Grupo Pestana, S.G.P.S, S.A..

(iv) Suppliers of property, plant and equipment

This items includes leasing contracts, which summary of responsibilities is presented as follows:

	31-12-2013	31-12-2012
Less then 1 year	1.053.666	12.716
Between 1 and 5 years	2.215.948	28.192
More than 5 years	3.273.231	-
	6.542.845	**40.907**

(v) Advances from customers

As at 31 December 2013, the advances from customers concern to the advances received for the purchase of villas, apartments and townhouses in the amount of 13.215.085 Euros and the annual maintenance of timeshare fees, in the amount of 6.272.349 Euros. The residual amount mainly respects to reservations made by tour operators.

(vi) Taxes payable

	31-12-2013			31-12-2012		
	Current	Non-current	Total	Current	Non-current	Total
Personnel income tax withheld	882.557	-	**882.557**	39.085	-	**39.085**
Value added tax (VAT)	2.395.287	-	**2.395.287**	355.438	-	**355.438**
Social security contributions	1.316.135	-	**1.316.135**	102.177	-	**102.177**
Others	2.713.931	-	**2.713.931**	15.999	-	**15.999**
	7.307.910	**-**	**7.307.910**	**512.699**	**-**	**512.699**


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28. REVENUE

The amount of Revenue recognized in the income statement is detailed as follows:

	2013	2012
Hotel business	216.578.737	1.250.058
Timeshare	27.278.921	-
Drinks (industry)	23.089.183	24.432.484
Real state (i)	19.803.493	-
Entertainment	9.857.919	-
Golf	9.746.955	409.403
Others	14.477.106	8.417.341
	320.832.314	**34.509.286**

(i) Includes construction contracts (Note 29).

Sales and services rendered related to Hotel business, from Pestana Miami, Pestana Marrocos, Pestana Colombos and Pestana Arena Barcelona, which opening occurred in 2013, were 2.858.106 Euros, 1.854.041 Euros, 878.152 Euros and 448.088 Euros, respectively.

Sales and services rendered of the year 2013 related to changes in perimeter were in the amount of 290.765.934 Euros (Note 39).

The 2013 detail of sales and services rendered in Hotel business and Timeshare by country of origin related to the number of customer is as follows:

Country	Hotel business
Portugal	27,5%
United Kingdom	23,1%
Germany	12,0%
France	4,8%
Spain	3,9%
United States	2,8%
Brazil	2,7%
Russia	2,7%
Netherlands	2,3%
Switzerland	2,3%
Ireland	2,1%
Norway	1,8%
Belgium	1,7%
Others	10,4%
	100%

Country	Timeshare
Brazil	52,0%
United Kingdom	26,9%
Portugal	5,0%
Germany	3,8%
Finland	3,3%
Sweden	1,7%
Others	7,3%
	100%

29. CONSTRUCTION CONTRACTS

As at 31 December 2013, all revenue from Construction contracts was recognized according to the stage of completion of existing contracts at those dates, applying the percentage of completion method.

For all Construction contracts in progress it was possible to make a reliable estimate of their outcome. Accordingly, the following costs incurred and revenue were recognised:

Description of the agreement	Incurred charges 2013	Recognized income 2013
Construction contracts	1.504.895	1.882.964
	1.504.895	**1.882.964**

30. EXTERNAL SERVICES AND SUPPLIES

The detail of External services and supplies is as follow:

	2013	2012
Professional fees	17.900.418	762.945
Rents	16.640.429	501.502
Energy	14.790.406	856.860
Cleaning	13.425.592	136.010
Advertising	12.099.691	1.497.669
Maintenance	9.906.627	847.976
Tour operator business expenses	6.687.042	7.960.214
Travelling and transport expenses	5.027.272	171.501
Subcontracts	3.590.333	1.607.328
Insurance	1.410.085	113.406
Others	9.711.990	794.291
	111.189.885	**15.249.702**

The costs incurred with hotels opened in 2013, Pestana Miami, Pestana Marrocos, Pestana Colombos, and Pestana Arena Barcelona, amounted to 1.157.584 Euros, 1.059.821 Euros, 447.601 Euros and 185.598 Euros, respectively.

Costs incurred with changes in the consolidation perimeter in 2013 amounts to 96.083.909 Euros (Note 39).

Costs incurred with Rents as at 31 December 2013 contains 8.005.380 Euros related to operational leases and 2.778.398 Euros related to concessions.

31. PERSONNEL EXPENSES

Personnel expenses in 2013 and 2012 were as follows:

	2013	2012
Board of Directors		
Wages and salaries	3.544.091	-
Social security contributions	370.183	-
	3.914.274	**-**
Staff		
Wages and salaries	64.321.184	5.045.529
Social security contributions	13.594.351	1.014.495
Others	5.188.949	810.322
	83.104.484	**6.870.345**

The costs incurred with hotels opened in 2013, Pestana Miami, Pestana Marrocos, Pestana Colombos, and Pestana Arena Barcelona, amounted to 915.405 Euros, 257.448 Euros, 494 Euros and 172.236 Euros, respectively.

Costs incurred in 2013 related with changes in the consolidation perimeter amounts to 80.208.550 Euros (Note 39).

The average number of employees of the Pestana Group in 2013 was 5.475 (2012: 245).

Personnel expenses – others includes non-recurring expenses with mutual agreement compensations for termination of employment contracts amounting to 1.521.378 Euros.

32. OTHER INCOME

The detail of Other income is presented as follows:

	2013	2012
Suplementary income	5.349.206	862.488
Foreign currency exchange gains	2.709.235	-
Goverment grants (Note 26 (iii))	1.025.479	264.578
Gains on disposal of tangible assets	936.011	7.259
Others	3.654.850	33.254
	13.674.781	**1.167.580**

The Other income of hotels opened in 2013 are not considered as being relevant.

The Other income related to changes in the consolidation perimeter amounts to 12.304.474 Euros (Note 39).

33. OTHER EXPENSES

The detail of Other expenses is as follows:

	2013	2012
Direct and indirect Taxes	8.231.990	107.163
Foreign currency exchange losses	3.716.571	-
Commissions of credit card and similar commissions	2.935.546	-
Loss on inventories	1.486.761	1.434.055
Sale of tangible assets	138.811	12.857
Others	2.983.003	670.897
	19.492.682	**2.224.973**

As at 31 December 2013, Direct and indirect Taxes includes 4.584.158 Euros of property taxes.

The Other expenses of hotels opened in 2013 are not considered as being relevant.

The Other expenses related to changes in the consolidation perimeter amounts to 17.645.608 Euros (Nota 39).

34. FINANCIAL EXPENSES AND INCOME

The detail of Financial expenses and income is presented as follows:

	2013	2012
Financial expenses		
Interest loans	26.053.964	1.808.842
Foreign currency exchange losses	4.042.510	471.669
Interest rate swaps	2.889.975	-
Commissions and guarantie fees	1.766.516	-
Derivatives	185.893	-
Others	-	108.579
	34.938.858	**2.389.089**
Financial income		
Foreign currency exchange gains	4.057.175	536.085
Interest income	767.442	27.259
Dividends received	750.000	-
Derivatives	136.845	-
Interest rate swaps	75.083	-
Financial assets fair value gains	49.947	-
Others	5.998	-
	5.842.490	**563.344**

Financial expenses - Derivatives refers to the ineffective portion of cash flow hedging of derivative financial instruments designated as hedging (Note 25). The captions Financial income – derivatives refers to the change in the fair value of derivative financial instruments designated as held for trading (Note 25).

35. INCOME TAX

The detail of the Income tax for the year recognized in the financial statements is as follows:

	2013	2012
Current tax income	8.113.325	(23.155)
Deferred tax income	(7.059.760)	851.565
	1.053.565	**828.410**

The subsidiary Grupo Pestana, S.G.P.S, S.A. is taxed by the Portuguese Special Taxation Regime for Groups Companies ("RETGS"). Consequently, the current tax is calculated based on the taxable results of the companies included in the tax consolidation, according to the RETGS rules.

The RETGS includes all Grupo Pestana, S.G.P.S., S.A. subsidiaries which directly or indirectly are detained at least 90% of the share capital and that are resident in Portugal as well as taxed under the normal income regime.

For the remaining companies, current tax is calculated based on their respective taxable income, according to the tax rules in the country of the correspondent subsidiary.

36. COMMITMENTS

As at 31 December 2013 and 2012, there have been identified the following relevant commitments:

	2013	2012
Purchase of shares of Grupo Pestana to C.G.D.	3.065.381	-
Put option of Fundo Turismo investment on Pestana Berlim, S.àr.l.	(a)	-
Put option of SDEM investment on Mundo Imaginação, S.A.	(a)	-
	3.065.381	**-**

(a) value to be determined based on the assessment to be made at the time of the put option.

With reference to 2013, the subsidiary Grupo Pestana Pousadas, S.A. is making renovations of structures, redevelopment of facilities and features as well as conservation of network of "Pousadas", fulfilling the requirement in the Lease Agreement. Consequently, at the end of year 2013 it spents an annual sum of not less than 3 million Euros.

Since 1987 there is a supplementary defined benefit pension plan for employees of Empresa de Cervejas da Madeira, Lda. (ECM), working until 31 December 2007. To cover the liability, it was created in 1987 a fund that is autonomously managed by an insurance company - Groupama. The Fund amounts to 1.329.213 Euros as at 31 December 2012.

ECM proceeded in 2008 to changes in its pension fund, established by public deed on 21 December, 1987, changing from a defined benefit plan into a defined contribution plan, being the annual contribution contracted 2.5% of the annual net profit of the previous year, if it exists.

On 7 December 2012, the subsidiary Porto Carlton, S.A. adjudicated by auction the acquisition of three buildings adjacent to the "Pestana Porto Hotel". With this adjudication it's committed to rehabilitate another set of buildings in the city of Porto in the amount of 505.000 Euros, within thirty-six months from the date of execution of the writ. The subsidiary Porto Carlton, S.A. will pay the remaining amount of 758.500 Euros at the time of signing the final contract. Porto Carlton, S.A. will also provide a bank guarantee in the amount of 505.000 Euros to the Municipality of Porto to ensure the implementation of the rehabilitation work that stlis under constructions as at 31 December 2013.

As at 31 December 2013, beyond the commitments of normal activity of the subsidiary Sociedade Imobiliária Tróia B3, S.A., particularly with the supplier of the construction currently underway and with customers, with whom it was signed purchase and sale contracts, there aren't other commitments considered relevant to disclose.

37. CONTINGENCIES

The Pestana Group has the following contingent liabilities arising from bank guaranties given, as follows:

	2013	2012
Mortgages over lands and buildings	158.162.325	18.290.476
Bank guarantees	50.239.039	4.593.947

Contingent assets

In December 2013 and in accordance with the Exceptional Regime of Tax Debt Settlement, established in Decree law 151-A/2013 of October 31 in Portugal, the subsidiary Carlton Palácio, S.A. made the full payment of the amount object case 312320101010700 concerning a process of SISA (old tax subject to transactions of properties), amounting to 439.472 Euros, getting free of payment of arrears and penalty interest and without any loss in the course of judicial proceedings before the competent courts terms. The Board of Directors continues to believe that the outcome will be favorable and this amount will be returned to Carlton Palácio, S.A..

Contingent liabilities

As at 31 December 2013, the Pestana Group has ongoing processes, assessed as contingent liabilities of, approximately, 24.269 thousand of Euros (local currency: 347 thousand of Euros and 26.099 Brazilian Real).

The subsidiary Brasturinvest, S.A. was fined by the Brazilian tax authorities with a tax assessment of approximately 15.910 thousand Euros (local currency: 51.831 thousand of Brazilian Real). The Board of Directors as well as the subsidiaries legal consultants considers that the possibility of loss is remote. The Pestana São Luis Hotel is given as a guarantee to this process.

Resulting from an inspection carried out by Customs in Lisbon relation to the Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, it was issued by the same entity an officious liquidation to Empresa de Cervejas da Madeira, Lda (ECM) in the amount of 2.029.130 Euros and 321.270 Euros of compensatory interest. In 2008 the Office of Finance of Câmara de Lobos notified ECM to increase the guarantee in the amount of 490.817 Euros for interest calculated in five years and providing 25% to other costs (paragraph 5 of art. 199 of CPPT). The process is currently on hierarchical appeal and the subsidiary ECM had constituted bank guarantees.

There is a pledge over Pestana Group investment of the ECM to guarantee a loan agreement signed on March 29, 2006 (amended on January 14, 2010) with Banco Comercial Português, S.A., Caixa Geral Depósitos, S.A. and Banco Espirito Santo, S.A..

38. CONSOLIDATION PERIMETER

The companies of the Group included in the consolidation as at 31 December 2013 are as follows:

Subsidiaries:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit / (Loss)	% Owned	% Control
Afrotours, S.àr.l.	Sao Tomé	Hospitality	31-12-2013	6.983.849	24.853.248	17.869.398	2.944.053	(73.850)	79,39%	80,00%
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real Estate	31-12-2013	4.939.793	6.402.389	1.462.596	-	100.532	98,00%	100,00%
Argentur Inversiones Turisticas, S.A.	Argentina	Hospitality	31-12-2013	3.399.581	4.839.769	1.440.188	4.085.525	351.686	99,52%	100,00%
Atlantic Holidays Flights, Ltd.	United Kingdom	Transport Provider	31-12-2013	62.290	72.623	10.333	4.373.211	281.696	100,00%	100,00%
Atlantic Holidays, Ltd.	United Kingdom	Tour Operator	31-12-2013	346.733	1.411.355	1.064.621	6.959.836	(1.027.529)	100,00%	100,00%
Bazaruto Limited	Mozambique	Hospitality	31-12-2013	12.978.602	22.545.658	9.567.056	50.228	(898.327)	91,39%	99,74%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	31-12-2013	19.922.335	121.202.726	101.280.390	39.173.943	(4.645.826)	53,46%	53,46%
Capegreen - Consult. Económica e Participações, S.A.	Portugal	Services	31-12-2013	3.317.935	3.743.609	425.674	-	1.384.178	99,62%	100,00%
Carlton Palácio - Soc. de Const.e Explor. Hoteleiras, S.A.	Portugal	Hospitality	31-12-2013	15.833.708	47.479.604	31.645.896	9.962.853	(138.898)	99,00%	100,00%
Carolgud, S.A.	Uruguay	Hospitality	31-12-2013	128.328	877.533	749.205	-	(103.614)	99,52%	100,00%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real Estate	31-12-2013	270.587	579.569	308.982	647.712	243.231	98,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2013	41.146.836	68.004.251	26.857.415	14.134.285	453.822	98,00%	100,00%
Convento do Carmo, S.A.	Brazil	Hospitality	31-12-2013	(4.617.817)	4.014.612	8.632.429	1.771.640	(1.603.092)	56,67%	75,00%
Cota Quarenta, S.A.	Portugal	Real Estate	31-12-2013	612.397	35.315.162	34.702.764	15.000	586	99,00%	100,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Spain	Hospitality	31-12-2013	4.739.818	15.057.752	10.317.934	448.083	(942.651)	98,92%	100,00%
Djebel, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	11.741.968	36.821.213	25.079.245	-	(945.378)	100,00%	100,00%
ECM - Emp. de Cervejas da Madeira, Soc. Unip., Lda.	Portugal	Beverages	31-12-2013	41.115.653	67.032.514	25.916.861	23.089.183	(2.405.806)	100,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	31-12-2013	1.198.802	5.262.185	4.063.384	2.961.227	610.358	99,62%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2013	9.158.982	12.062.581	2.903.599	436.858	196.834	99,71%	100,00%
Fundo Investimento Imob. Araucárias	Brazil	Real Estate Fund	31-12-2013	6.142.866	10.483.485	4.340.619	3.361.858	2.344.045	53,46%	100,00%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hospitality	31-12-2013	12.698.547	75.877.948	63.179.401	26.270.609	(4.243.374)	75,55%	76,32%
Grupo Pestana, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	247.543.970	411.877.943	164.333.973	800.000	13.139.677	99,00%	99,00%
Herdade da Abrunheira, S.A.	Portugal	Real Estate	31-12-2013	1.422.043	6.530.096	5.108.053	-	(91.753)	66,00%	66,67%
Hotéis Atlântico - Soc. Imob. e de Gest. e Hotéis, S.A.	Portugal	Hospitality	31-12-2013	32.712.927	63.640.845	30.927.918	4.818.905	2.269.105	98,92%	99,92%
Hotel Rauchstrasse 22, S.àr.l.	Luxembourg	Hospitality	31-12-2013	5.530.558	21.591.988	16.061.429	1.650.000	219.991	73,50%	73,50%
Intervisa - Viagens e Turismo, S.A.	Portugal	Tourist distribution	31-12-2013	223.906	1.997.373	1.773.467	957.907	(224.861)	98,90%	99,90%
Inversiones Vistalparque, C.A.	Venezuela	Hospitality	31-12-2013	23.292.713	33.685.462	10.392.749	9.578.387	1.770.103	71,08%	71,42%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit / (Loss)	% Owned	% Control
ITI - Soc. de Invest.Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality and Entertainment	31-12-2013	60.549.506	93.279.278	32.729.772	24.080.771	8.126.050	99,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	31-12-2013	125.906.230	351.200.802	225.294.572	44.918.301	3.938.096	99,00%	100,00%
Mundo da Imaginação, S.A.	Portugal	Tourist Animation	31-12-2013	1.468.528	4.204.894	2.736.367	645.754	(1.387.381)	87,86%	88,75%
Natura XXI, Lda.	Portugal	Real Estate	31-12-2013	1.522.391	1.544.862	22.471	780	(25.713)	98,00%	100,00%
Pestana Berlin, S.àr.l.	Luxembourg	Hospitality	31-12-2013	(304.541)	2.820.785	3.125.326	5.077.246	(329.032)	72,87%	73,50%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2013	2.947.551	19.352.796	16.405.246	4.721.728	(181.657)	99,00%	100,00%
Pestana International Holdings, S.A.	Luxembourg	Holding	31-12-2013	229.348.591	293.121.710	63.773.119	-	17.301.301	Parent	Parent
Pestana Inversiones, S.L.	Spain	Services	31-12-2013	18.273.644	28.387.389	10.113.745	-	(94.973)	99,52%	100,00%
Pestana Management UK, Ltd.	United Kingdom	Hospitality	31-12-2013	303.681	4.689.209	4.385.528	12.868.437	264.328	98,92%	100,00%
Pestana Management, S.A.	Portugal	Services	31-12-2013	3.009.014	13.908.237	10.899.223	20.160.819	155.550	99,00%	100,00%
Pestana Marrocos, S.àr.l.	Morocco	Hospitality	31-12-2013	461.914	1.713.891	1.251.978	1.850.014	130.926	99,52%	100,00%
Pestana Miami, LLC	U.S.A .	Hospitality	31-12-2013	3.201.875	16.163.871	12.961.996	2.856.796	275.257	98,92%	100,00%
Pinheiro Mar, S.A.	Portugal	Hospitality	31-12-2013	(821.091)	4.394.671	5.215.762	6.773.051	(176.227)	87,12%	88,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hospitality / Timeshare	31-12-2013	12.811.464	29.189.381	16.377.917	6.686.666	848.425	51,31%	51,83%
Porto Carlton - Soc. de Const. e Explor. Hoteleira, S.A.	Portugal	Hospitality	31-12-2013	2.719.417	8.432.134	5.712.717	1.786.422	143.821	59,40%	60,00%
Praia do Marceneiro	Brazil	Hospitality	31-12-2013	8.716.847	14.410.916	5.694.069	5.711.841	432.064	53,46%	100,00%
Quinta da Beloura Golfe, S.A.	Portugal	Hospitality	31-12-2013	1.166.040	16.115.160	14.949.120	2.409.053	(600.336)	99,00%	100,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2013	47.595	147.328	99.733	-	(12.152)	99,00%	100,00%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2013	62.522	5.593.193	5.530.671	1.179.031	(132.729)	98,00%	100,00%
Rotas África, Lda.	Sao Tomé	Hospitality	31-12-2013	(1.045.089)	1.380.894	2.425.983	1.118.518	(387.443)	99,57%	99,95%
Rotas de África, S.A.	Portugal	Services	31-12-2013	(4.681.865)	4.495	4.686.360	-	(8.191)	99,62%	100,00%
Salvintur - Soc. de Invest. Turísticos, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	17.396.719	32.034.054	14.637.335	70.000	(304.754)	99,62%	100,00%
Salvor - Soc. de Investimento Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	31-12-2013	120.229.361	183.237.153	63.007.793	22.292.740	2.992.762	98,00%	98,99%
Salvor Hotéis Moçambique Invest. Turísticos, S.A.	Mozambique	Hospitality	31-12-2013	13.687.310	23.159.450	9.472.140	6.803.225	3.846	91,63%	91,98%
São Tomé Invest, S.A.	Sao Tomé	Hospitality	31-12-2013	(137.701)	297.829	435.530	702.027	(73.249)	99,62%	100,00%
SDM - Soc. de Desenvolvimento da Madeira, S.A.(a)	Portugal	Services	31-12-2013	22.838.854	25.658.828	2.819.974	7.661.228	2.746.060	15,00%	70,00%
Soc. de Investimento Hoteleiro D. João II, S.A.	Portugal	Hospitality / Timeshare	31-12-2013	1.444.058	4.693.395	3.249.337	818.448	305.453	98,00%	100,00%
Soc. Imobiliária Troia B3, S.A.	Portugal	Real Estate	31-12-2013	15.997.636	30.869.691	14.872.055	7.140.637	1.232.670	98,00%	100,00%
Southern Escapes Travel	South Africa	Hospitality	31-12-2013	25.530	47.986	22.457	-	167.990	98,81%	100,00%
Surinor, S.A.	Uruguay	Services	31-12-2013	167.993	6.814.381	6.646.388	-	(192.083)	99,52%	100,00%
Viquingue, Soc. Turística, S.A.	Portugal	Hospitality / Timeshare	31-12-2013	10.069.542	18.352.331	8.282.790	3.962.359	(173.650)	98,00%	100,00%
Wild Break 29 (PTY) LTD	South Africa	Hospitality	31-12-2013	1.902.081	3.134.310	1.232.229	1.590.744	(81.400)	98,81%	100,00%

(a) Company owned in 15% by Pestana Group, who controls this entity. This control was obtained with the parasocial contract signed with Mr. Dionísio Pestana who transferred to Pestana Group 55% of the voting rights of the company.

Associates companies:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit / (Loss)	% Owned	% Control
Albar - Soc. Imobiliária do Barlavento, S.A.	Portugal	Real Estate	31-12-2013	1.172.789	1.193.237	20.448	-	(4.488)	49,50%	49,81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hospitality	31-12-2013	71.984.643	110.083.735	38.099.092	2.210.549	75.969	37,02%	49,00%
SDEM - Soc. de Des. Empr. da Madeira, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	1.705.080	1.733.359	28.279	21.996	(2.731.844)	3,75%	25,00%
Soehotur, S.A.	Angola	Real Estate	31-12-2013	250.869	2.375.314	2.124.445	-	(247.781)	24,91%	25,00%

Other financial investments:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit / (Loss)	% Owned	% Control
EuroAtlantic Airways, Transportes Aéreos, S.A.	Portugal	Aviation	31-12-2013	12.594.027	101.172.041	88.578.013	67.280.573	3.753.273	14,85%	15,00%
Quanlux, S.àr.l.	Luxembourg	Services	31-12-2013	1.501.566	1.609.632	108.066	-	(32.520)	15,00%	15,00%

The companies of the Group included in the consolidation as at 31 December 2012, are as follows:

Subsidiares:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Pestana Luxembourg, S.A.	Luxembourg	Services	31-12-2012	51.857.673	99.688.628	47.830.955	-	226.502	Parent	Parent
Atlantic Holidays Flights, Ltd.	United Kingdom	Transport Provider	31-12-2012	63.718	142.228	78.510	4.985.325	634.965	100,00%	100,00%
Atlantic Holidays, Ltd.	United Kingdom	Tour Operator	31-12-2012	4.793.190	6.053.615	1.260.425	8.417.321	761.669	100,00%	100,00%
ECM - Emp. de Cervejas da Madeira, Soc. Unip., Lda.	Portugal	Beverages	31-12-2012	41.377.163	69.212.549	27.835.386	24.432.584	(1.353.338)	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2012	8.962.147	12.197.839	3.235.692	409.422	542.332	89,39%	85,71%
Hotel Rauchstrasse 22, S.àr.l.	Luxembourg	Hospitality	31-12-2012	5.068.307	21.363.391	16.295.084	1.250.058	226.116	73,50%	73,50%
Quanlux, S.àr.l.	Luxembourg	Services	31-12-2012	784.085	869.159	85.074	-	2.881.312	100,00%	100,00%

Associates companies:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
EuroAtlantic Airways, Transportes Aéreos, S.A.	Portugal	Aviation	31-12-2012	9.146.517	104.284.492	95.137.975	60.825.572	715.675	50,61%	46,75%
Grupo Pestana, S.G.P.S., S.A.	Portugal	Services	31-12-2012	235.429.004	410.679.681	175.250.677	800.000	3.775.470	25,76%	25,76%
Salvintur - Soc. de Invest. Turísticos, S.G.P.S., S.A.	Portugal	Services	31-12-2012	15.488.243	36.407.320	20.919.077	50.000	2.042.701	50,84%	46,00%

Other financial investments:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Pestana Berlin, S.àr.l.	Luxembourg	Hospitality	31-12-2012	24.491	3.102.608	3.078.118	4.630.974	(181.707)	15,00%	15,00%
Pestana Inversiones, S.L.	Spain	Services	31-12-2012	18.368.617	26.527.716	8.158.558	-	787.241	25,51%	10,48%

39. BUSINESS COMBINATIONS

According to the Contribution Agreement made on 2013 with Mr. Dionísio Pestana ("the Contributor") and the Pestana Group, it was decided the contribution with shares that "the Contributor" held in the subsidiaries in exchange of the new shares issued to the Contributor by Pestana International Hodings, S.A., as described in Note 19. The shares, subsidiaries and correspondent amounts that have been contributed were:

- 59.714.700 shares of Grupo Pestana, S.G.P.S., S.A., in the amount of 147.866.286 Euros (73,24% of the capital);
- 6.655.000 shares of Djebel, S.G.P.S., S.A., in the amount of 6.655.000 Euros (60,50% of the capital);
- 5.002.050 shares of Pestana Inversiones S.L., in the amount of 5.724.584 Euros (31,17% of the capital);
- 227.500 shares of Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A., in the amount of 1.137.500 Euros (35% of the capital).

In 2013, Pestana Group bought to Grupo Pestana, S.G.P.S., S.A. the following shares:

- 2.172.500 shares of Djebel, S.G.P.S., S.A. by the amount of 5.527.500 Euros (19,75% of the capital);
- 1.605.021 shares of Pestana Inversiones S.L. in the amount of 2.852.181 Euros (10% of the capital);

Consequently, in 2013 Pestana Group owns and starts to control the following subsidiaries that represent the following sub-regional holdings:

- Grupo Pestana, S.G.P.S., S.A. – Sub-holding for Portugal, Europe and North America (99% of the capital);
- Djebel, S.G.P.S., S.A. - Sub-holding for Brazil (100% of the capital);
- Pestana Inversiones S.L. - Sub-holding for Latin América and Morocco (51,65 % of the capital plus 48,35% trought Grupo Pestana, S.G.P.S., S.A.);
- Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A. – Sub-holding for Africa (99,62 % of the capital).

The Statement of Financial position as at 1 January 2013 of the companies included in the consolidation perimeter in 2013 is as follows:

	31-12-2013
Assets	
Property, plant and equipment	967.014.303
Intangible assets	17.192.098
Investment properties	8.854.745
Investments in associates	10.071.080
Other financial assets	9.183.057
Deferred tax assets	18.473.502
Financial assets available for sale	5.129.903
Trade and other receivables	66.055.912
Inventories	43.774.854
Current tax assets	3.350.513
Financial assets at fair value throught profit and loss	713.043
Cash and cash equivalents	48.142.602
Total Assets	**1.197.955.612**
Liabilities	
Provisions	2.160.242
Loans and borrowings	463.510.292
Deferred tax liabilities	106.667.446
Derivatives	10.579.604
Deferred income	214.001.717
Trade and other payables	81.354.547
Current tax liabilities	837.013
Total Liabilities	**879.110.861**
Pestana Group interest	**273.930.701**
Non controlling interests	**44.914.050**

The Income statement of the companies included in the consolidation perimeter in 2013 is as follows:

	2013
Revenue	292.594.831
Cost of sales	(39.384.321)
External services and supplies	(97.912.806)
Personnel expenses	(80.208.550)
Charges/reversals of depreciations and amortizations	(41.087.781)
Impairment of assets depreciation / amortization	3.284.991
Impairment of receivables	(1.020.238)
Impairment of inventories	24.710
Provisions	109.352
Other income	12.304.474
Other expenses	(17.645.608)
Share of profit of associated and joint ventures	(1.776.653)
Profit before financial results and taxes	**29.282.401**
Finance expenses	(32.392.773)
Finance income	4.825.472
Profit before tax	**1.715.100**
Income tax	896.652
Profit for the year	**2.611.752**
Profit for the year attributable to:	
Shareholders	1.630.079
Non-controlling interests	981.673

In 2012, through acquisition, Pestana International Holdings, S.A. has included in the consolidation perimeter, the subsidiary Hotel Rauchstrasse 22 S.àr.l..

40. RELATED PARTIES

As at 31 December 2013 Pestana Group is owned and controlled by Mr. Dionísio Pestana, which owns 99,99% of the capital.

Board of Director's remuneration

The Board of Directors of Pestana Group as well as the members of the Board of Directors of the Pestana Group's subsidiaries, where Mr. Dionísio Pestana is included, were considered, in accordance with IAS 24, as the only key management personnel of the Group.

Transactions and balances with related parties

During the year of 2013, Pestana Group carried out the following transactions with those entities:

	Services obtained	Dividends obtained	Investments gain	Services rendered	Interest earned
Associated companies	**2.511.471**	**-**	**-**	**54.509**	**11.121**
Enatur - Empresa Nacional de Turismo, S.A.	2.511.471	-	-	54.509	11.121
	-	-	-	-	-
Other related parties	**-**	**750.000**	**10.202.049**	**175.835**	**4.227**
Euro Atlantic Airways - Transportes Aéreos, S.A.	-	-	-	168.139	-
Quanlux, S.àr.l.	-	750.000	-	7.696	4.227
Pestana Atlantic, S.A.	-	-	10.202.049	-	-
Key Management personnel	**-**	**-**	**-**	**-**	**-**
	2.511.471	**750.000**	**10.202.049**	**230.344**	**15.348**

During the year of 2012, Pestana Group carried out the following transactions with those entities:

	Investments acquisition	Investments sales	Services rendered
Associated companies	**12.181.768**	**3.850.000**	**-**
Grupo Pestana, S.G.P.S., S.A.	12.181.768	-	-
Salvintur, Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	-	3.850.000	-
Other related parties	**-**	**-**	**1.250.000**
Pestana Berlim S.A.R.L.	-	-	1.250.000
Key Management personnel	**-**	**-**	**-**
	12.181.768	**3.850.000**	**1.250.000**

As the ended of the years 2013 and 2012, loans with related parties are as follows:

	31-12-2013		31-12-2012	
	Loans obtained	Loans granted	Loans obtained	Loans granted
Associated companies	**-**	**898.337**	**-**	**-**
Enatur - Empresa Nacional de Turismo, S.A.	-	477.598	-	-
Soheotur, S.A.	-	420.739	-	-
Key Management personnel	**-**	**-**	**-**	**-**
	-	**898.337**	**-**	**-**

The balances, by financial caption, as at 31 December 2013 are as follows:

	Receivables current	Impairment Receivables current	Net Receivables current	Payables current
Associated companies	**2.083.393**	**(601.222)**	**1.482.171**	**1.527.500**
Albar - Sociedade Imobiliária do Barlavento, S.A.	13.715	-	13.715	-
Enatur - Empresa Nacional de Turismo, S.A.	1.462.740	-	1.462.740	1.527.500
Soheotur, S.A.	606.938	(601.222)	5.716	-
Other related parties	**12.941.562**	**(102.298)**	**12.839.264**	**83.731**
CITG - Companhia Ibérica de Turismo Global, SGPS, S.A.	88.157	(88.157)	-	-
Sonhando - Organização de Viagens, S.A.	94.029	(14.141)	79.888	79.888
Euro Atlantic Airways - Transportes Aéreos, S.A.	194.615	-	194.615	3.843
Quanlux, S.àr.l.	16.211	-	16.211	-
Pestana Atlantic, S.A.	12.548.550	-	12.548.550	-
Key Management personnel	**-**	**-**	**-**	**-**
	15.024.955	**(703.520)**	**14.321.435**	**1.611.231**

The balances by financial caption, as at 31 December 2012 are as follows:

	Receivables current	Payables current
Associated companies	**11.278.847**	**9.925.000**
Grupo Pestana, S.G.P.S., S.A.	750.000	9.925.000
Hoteis Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	3.430.952	-
Euro Atlantic Airways - Transportes Aéreos, S.A.	3.247.895	-
Salvintur, Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	3.850.000	-
Other related parties	**127.568**	**-**
Pestana Berlim S.A.R.L.	127.568	-
Key Management personnel	**-**	**-**
	11.406.415	**9.925.000**

41. SUBSEQUENT EVENTS

As at 1 April 2014, the "Pousada da Covilhã" was openned, with 92 rooms, complemeting the Group mountain offer in Portugal. This Pousada was designed by Eduardo Souto Moura, a very famous architect in Portugal.

Luxembourg, 30 May 2014

The Board of Directors

José Alexandre Lebre Theotónio
Director

Hermanus R.W. Troskie
Director

Chiara Decegie
Director


PORTO
CRUZ

L'Alliance Révision S.à r.l.
Réviseur d'entreprises agréé

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To the Shareholders
Pestana International Holdings S.A.
Société anonyme
58, rue Charles Martel
L-2134 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment, we have audited the accompanying annual accounts of **Pestana International Holdings S.A.**, which comprise the balance sheet as at 31 December 2013 and the profit and loss account for the year ended 31 December 2013 and a summary of the significant accounting policies and other explanatory information.

Responsibility of the Board of directors' for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of **Pestana International Holdings S.A.** as of 31 December 2013, and of the results of its operations for the year then ended 31 December 2013 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, 25th June 2014

L'Alliance Révision S.à r.l.
Cabinet de révision agréé
Represented by Bishen Jacmohone
Réviseur d'entreprises agréé
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To the shareholders of
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Société anonyme
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Pestana International Holdings S.A.** and its subsidiaries (**the "group"**), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cashflow statement for the year ended 31 December 2013 and a summary of the significant accounting policies and other explanatory information.

Responsibility of the Board of directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud and error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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.

An audit also includes evaluating the appropriateness of the group accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the group as of 31 December 2013, and of the group's consolidated financial performance and consolidated cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Management report which is the responsibility of the Board of Directors is consistent with the consolidated financial statements.

Luxembourg, 25th June 2014

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