



PESTANA
HOTEL GROUP

Grupo Pestana, S.G.P.S., S.A.

Consolidated Annual Report

31 December 2022

(Free translation from the Portuguese version. In case of doubt
or misinterpretation the Portuguese version will prevail)

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Consolidated management report for 2022





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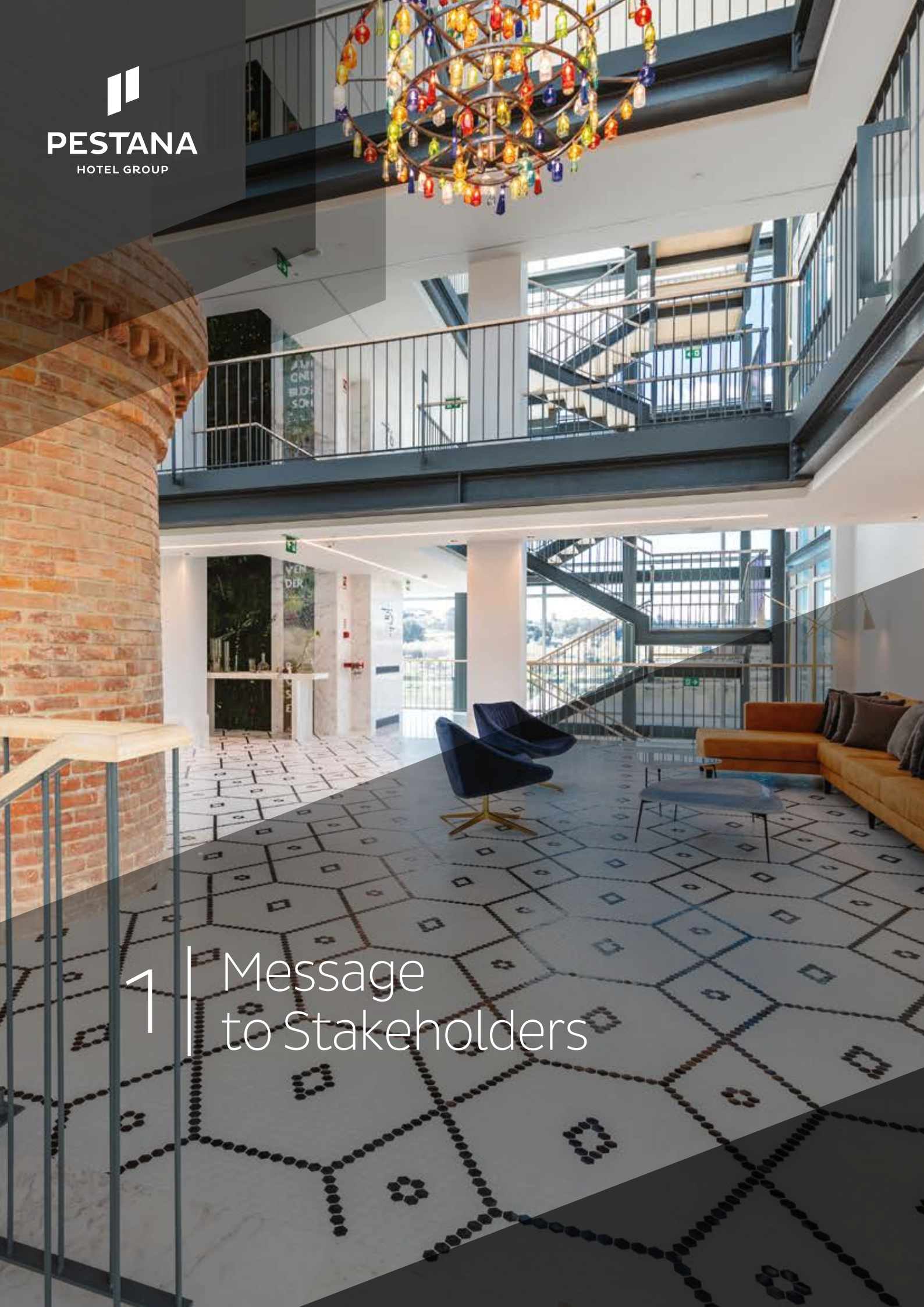
In accordance with the Portuguese Commercial Companies Code (“Código das Sociedades Comerciais”), we have the honour to submit for consideration and approval the consolidated management report and the consolidated financial statements for the year ended as at 31 December 2022.





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1 | Message to Stakeholders



After two years of the COVID pandemic resulting in the worst crisis in the tourism sector in the last century, the turning point finally came in 2022.

Recovery in tourist activity, especially in the Western economy, has been accelerated posing greater challenges to tour operators needing to meet the growing demand. The shortage of skilled labour available for recruitment, and skyrocketing energy prices, have rapidly contaminated the entire supply chain and production process. They have affected construction costs and caused a shortage of some agricultural products. Many other factors made worse by the Russian invasion of Ukraine were successfully overcome throughout the year by most tour operators, and Grupo Pestana in particular.

The Group's commitment to the development of its pure real estate and "residence" (tourist real estate business), which began during the pandemic as part of our risk diversification in the face of the impacts on our core hotel business, continues to make sense and we are committed to maintaining momentum in this regard.

The roughly 15 new hotels that were still in the pipeline at the end of 2019 have become fully operational during the last three years, thereby contributing to the geographical and sectoral diversification of our hotel business, with mainly new hotels in the centres of large European and North American cities being added to the traditional resort portfolio of the Grupo Pestana.

The sale of the Pestana Alvor Blue hotel in May 2022, although relevant to the Group's results this year, was only concluded because it was considered a very positive opportunity for the Group.

The Group continues to focus on the development of its employees by providing them with improved working and remuneration conditions, including profit-sharing, and developing initiatives to attract, retain and develop talent along with various programmes that encourage mobility and the spirit of cooperation between people. Our commitment to human capital combined with a strong, permanent investment in state-of-the-art technology and process rationalisation seeks to create conditions to ensure the permanent creation of value, appeal and sustainability of our operations.

The pace of growth has been geared to ensure the Group's financial strength. Our level of indebtedness, supported by a variety of sources of predominantly fixed-rate financing, is monitored against economic trends, allowing for rapid action when relevant opportunities are identified.

The Group's concern with sustainability issues has been maintained over the years, both from a social point of view, by supporting the local communities where the Group's hotels are located, and in terms of ecological considerations, such as the materials used, energy consumed, or waste produced by our operations which seek to reduce their carbon footprint, as well as the type of corporate governance entailed when implementing and organising innovative measures. Grupo Pestana will remain committed over the next few years to energising these ESG agenda issues.

Despite global economic uncertainty, the Group is confident that it can continue to add value to customers who choose the various hotels within Grupo Pestana to have "the time of their lives", to add value to our employees through the development opportunities we want to provide and to add value to the communities where we are located through the positive impacts that our Group businesses have.



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2 | Overview of the word economy



The beginning of 2022 was still influenced by the pandemic. The Omicron wave extended a significant downward effect on the economy, up to the first quarter of 2022. In spite of this effect, the Omicron wave, which was highly contagious but had less severe effects, bolstered people's confidence. It marked the beginning of the endemic phase of the virus and created the conditions for recovery and a return to normality.

On 24 February, the Russian invasion of Ukraine began. Planned by Russia to be a large-scale and rapidly unfolding special military operation, it aimed to capture the Ukrainian capital within a short period of time.

Strong Ukrainian resistance to the assault on Kiev, unexpected by Russia, led Russia to change its plans and focus its warfare efforts on the Donbas and Luhansk regions in the southeast, seeking to cut off Ukraine's access to the Black Sea. The war, it seemed, was now going to last for a long time, and it attracted increasing support from Western countries to face up to the Russian military might.

The European Union and the United States of America swiftly condemned this invasion and offered financial and military support to Ukraine, albeit without direct troop deployment. Military support was calibrated both in terms of volume and technology to allow Ukrainian resistance, but with the concern to avoid the escalation and potential nuclear war.

In addition to this support, Western countries decided to implement economic and diplomatic sanctions on Russia, its political and military leaders, oligarchs, businessmen and senior officials. Some companies and financial institutions were also covered by the sanctions, adding to a scenario of significant uncertainty in global geopolitics.

The critical point for Europe, especially for the countries of Northern Europe, where Germany stands out, was its strong dependence on oil and especially gas from Russia. The adoption of sanctions was phased in to allow the European industrial sector to adapt gradually by reducing its dependence on these energy sources, but also on other raw materials from mining and some agricultural products – cereals and oilseeds, whose production and marketing capacity were also jeopardised by the war.

Despite the war, the post-COVID Western economy achieved strong recovery in its various sectors, with demand rebounding, financed by the high levels of savings achieved during the pandemic and the high liquidity in the market brought about by the programmes from the various central banks and government policies for support during the COVID crisis and the restrictions imposed as a result.

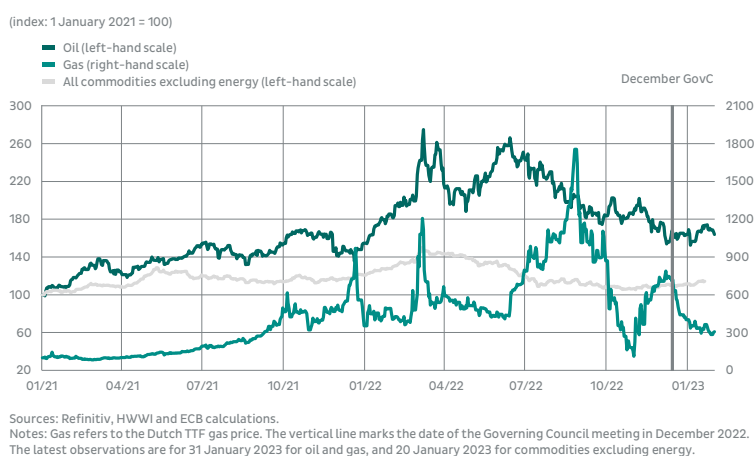
The resulting growth in demand for goods and services meant that supply found it difficult to keep up. Even before the start of the war, significant difficulties were already noted in the supply networks of raw materials and finished products, where we highlight the difficulty demonstrated by the international ports in unloading the number of ships, causing huge backlogs that would take months to resolve.

The need to accelerate production had a significant impact on the rise of raw material and energy prices, further heightened by the outbreak of war.

Some industries in the Western world had ongoing reconversion plans to align themselves with ESG principles, reducing their capacity to produce conventional products. This is the case, for example, in the automotive industry, which seeks to transition from combustion-powered vehicles to hybrid or electric engines. The complexity of this adaptation has prevented this industry from matching the existing demand of its customers, resulting in delivery waiting lists of several months.

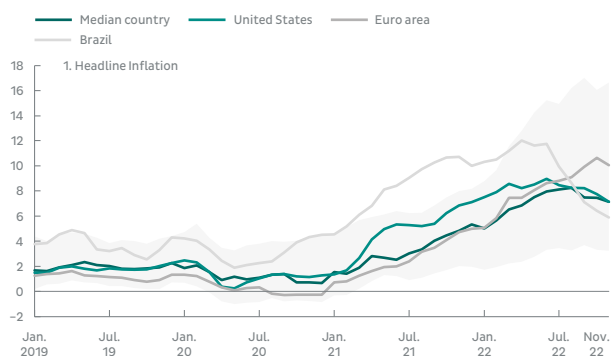
This publicised shortage of products was quickly reflected in widespread price rises on the market.

Commodity price developments



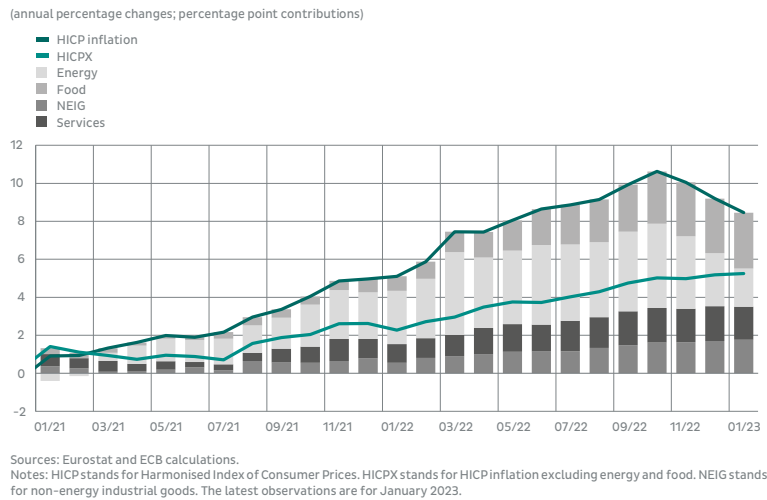
(Source: ECB 2023/01 Economic Bulletin)

Rising inflation became widespread in developed countries, with consistent growth from the second half of 2021, affecting all kinds of products and services.



(Source: IMF 2023/01 World economic outlook)

Headline inflation and its main components



(Source: ECB 2023/01 Economic Bulletin)

In addition to the lack of some basic raw materials for the industrial process, there has been a shortage of labour in a wide range of roles in Western countries. The unemployment rate was at record low levels (around 6%).

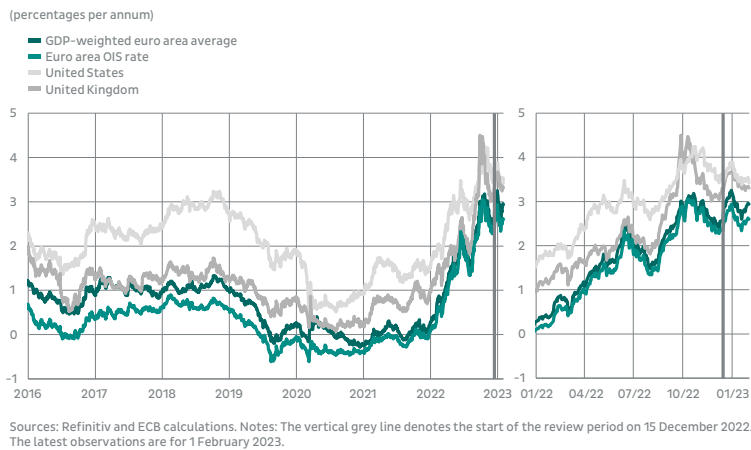
The restrictions on movement imposed during the previous two years disrupted important migration routes, which are impossible to restore in a short period of time. Enterprises concerned with lower added value activities normally carried out by these people have thus experienced many difficulties in recruiting the necessary number of workers to cope with the recovery.

On the other hand, companies with cutting-edge activities, research and development, new technologies, data processing and finance have accelerated their transformation by changing technologies, accelerating the digitalisation of processes, and implementing new working methods. The hybrid in-person/teleworking system has become the norm, further enhancing the globalisation of the services market. The demand for talent in these areas has gained enormous momentum. Companies prioritise recruiting in countries with high levels of training, but where the cost of living and average remuneration are lower, for example in Portugal. They then provide services from there to the whole world.

Escalating inflation quickly alerted central banks, forcing them to take action. The performance of the FED – the US central bank was followed, albeit more slowly, by the European Central Bank, which reduced its quantitative easing programmes and began to move its key interest rates upwards in order to lessen liquidity in the market.

The sensitivity analysis of the effects of these measures will determine their depth and scope, striking a balance between the need to reduce inflation and the desire to avoid starting a new recession.

Ten-year sovereign bond yields and the ten-year OIS rate based on the €STR



(Source: ECB 2023/01 Economic Bulletin)



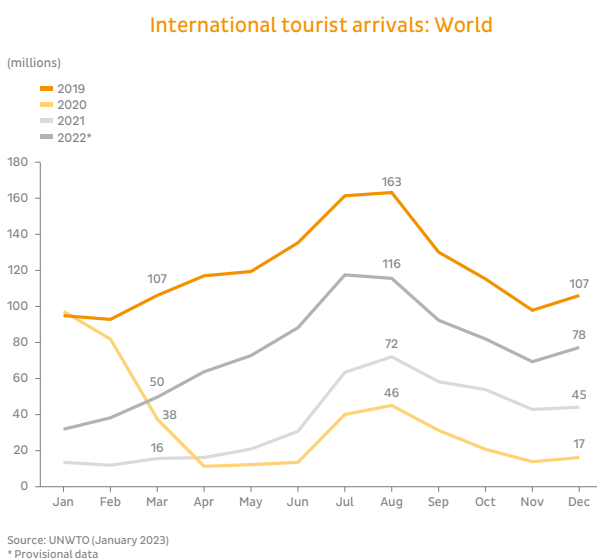
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3 | Tourism



The first three months of 2022 were marked by further government restrictive measures due to the Omicron wave. Many of the tourism operations, cruises, hotels, and tourist programmes were still operating at “minimal service levels”, with the recovery of the sector expected to be slow and gradual over the next 3 years.

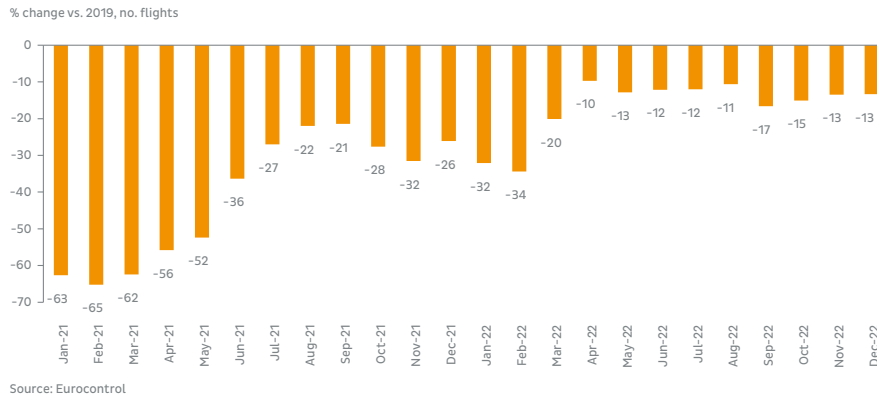
However, a surprising effect occurred in the tourist industry. The Omicron wave, which was highly contagious but had less severe effects, brought confidence to a Western population. We are referring to a population with high rates of vaccination and a great desire to travel, after being prevented from freely doing so for almost 2 years.



(Source: UNWTO 2023/01 World Tourism Barometer)

In the spring of 2022, leisure tourism in Europe saw a surge in demand, which encouraged tour operators to quickly reactivate all their operations. The increase in demand, which was expected to take place over a three-year period, in fact occurred over just three months.

Flight Volumes in European Network Area

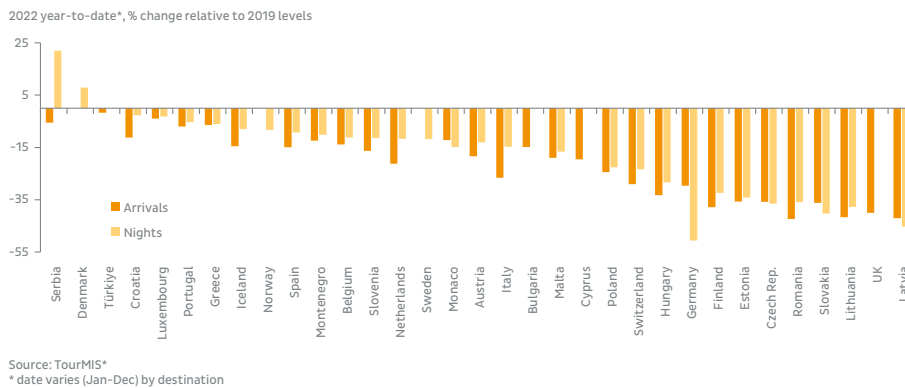


(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

Southern European countries with a strong tourist resort tradition have benefited from this situation compared to their competitors in more exotic destinations still struggling with the effects of the pandemic and with greater challenges in setting up long-haul air operations.

Major cities have also taken longer to recover, due to their greater dependence on the existence of big events, whether corporate or in the area of entertainment, cultural, musical, sports, etc.

Foreign Visits and Overnights to Select Destinations



(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

The majority of traditional tour operators and airlines have suffered significant financial strain. Many have needed to be rescued by their governments to prevent bankruptcy. As a result, they had to take financial and operational restructuring measures, limiting their ability to react post-pandemic.

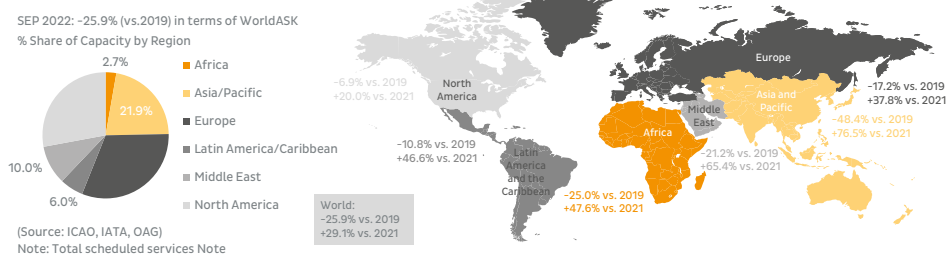
The accelerated digitalisation of processes during the pandemic favoured the development of digital marketing channels. The space left by traditional airlines was quickly occupied by low-cost airlines, with the additional dynamics that characterise them.

As such, the market-leading online travel agencies (OTA) such as Booking/Priceline or Expedia gained very significant market share. Hotels that had consistently invested in the development of their direct channels also saw this effort pay off.

Investment in new technologies in the field of customer service, customer satisfaction and loyalty, CRM, revenue management and analytics are critical to make this growth consistent, boosting not only the volume of customers, but above all the average revenue per customer.

Developing countries in Africa, Asia and South America, although somewhat behind developed countries, also started their recovery process at the end of 2022. During the pandemic, China adopted a zero-Covid policy and implemented compulsory quarantines for entire cities. This policy changed at the end of 2022, which should enable the recovery of Chinese tourist flows by 2023.

Capacity by Region (ICAO Statistical Regions)



(Source: ICAO 2022/11 Air Transport Monitor)

GTS Visitor Growth Forecasts, % change year

data/estimate/forecast	Inbound*					Outbound**				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	e	f	f	f	f	e	f	f	f	f
World	-72.4%	8.0%	108.5%	15.5%	25.5%	-71.8%	6.3%	109.7%	15.9%	25.2%
Americas	-68.4%	9.2%	114.0%	12.9%	16.5%	-68.7%	10.8%	121.4%	11.6%	15.9%
North America	-68.4%	1.8%	133.3%	12.5%	18.0%	-67.7%	11.6%	124.3%	11.6%	16.1%
Caribbean	-70.0%	89.3%	43.9%	13.5%	9.3%	-68.7%	37.3%	92.5%	12.8%	11.1%
Central & South America	-67.8%	-10.9%	125.5%	14.1%	16.2%	-72.3%	4.3%	112.2%	11.2%	15.6%
Europe	-68.2%	24.0%	95.5%	4.0%	17.3%	-66.9%	19.2%	97.1%	6.1%	17.4%
ETC+2	-67.4%	19.8%	107.3%	3.3%	16.2%	-66.0%	16.4%	108.2%	5.2%	15.7%
EU 27	-66.7%	13.7%	113.9%	4.9%	16.4%	-66.0%	14.9%	114.1%	5.6%	15.4%
Non-EU	-73.4%	71.1%	39.7%	-0.3%	21.5%	-70.7%	38.3%	33.4%	9.0%	28.8%
Northern	-69.8%	-6.6%	194.9%	1.9%	14.8%	-73.4%	-7.5%	232.7%	7.0%	16.3%
Western	-58.1%	-5.0%	101.9%	3.6%	20.0%	-60.9%	18.8%	89.4%	4.6%	14.0%
South Mediterranean	-71.4%	58.7%	97.1%	1.2%	10.9%	-70.4%	24.8%	100.1%	9.4%	17.7%
Central/Eastern	-73.5%	34.4%	31.9%	16.0%	34.0%	-67.2%	37.9%	39.4%	3.6%	25.2%
Central & Baltic	-72.4%	13.9%	97.9%	9.8%	24.8%	-62.1%	25.9%	77.9%	-0.4%	16.2%
Asia & the Pacific	-83.6%	-64.6%	280.4%	94.4%	72.4%	-83.7%	-59.1%	236.3%	88.3%	70.3%
North East	-87.4%	-49.9%	27.6%	215.6%	147.0%	-85.6%	-56.2%	99.8%	145.3%	108.7%
South East	-81.2%	-88.1%	1318%	81.1%	46.8%	-82.1%	-76.9%	727.8%	72.7%	40.3%
South	-76.0%	-29.9%	193.4%	33.6%	28.1%	-73.6%	-25.3%	159.7%	30.1%	25.8%
Oceania	-76.3%	-43.3%	229.9%	50.9%	31.0%	-82.7%	-67.7%	632.8%	44.2%	46.2%
Africa	-74.0%	15.5%	86.1%	28.3%	24.9%	-70.4%	6.6%	82.0%	26.6%	22.8%
Middle East	-72.5%	15.0%	126.4%	21.2%	17.8%	-71.5%	48.4%	97.0%	17.5%	17.1%

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows

** Outbound is based on the sum of visits to all destinations

(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

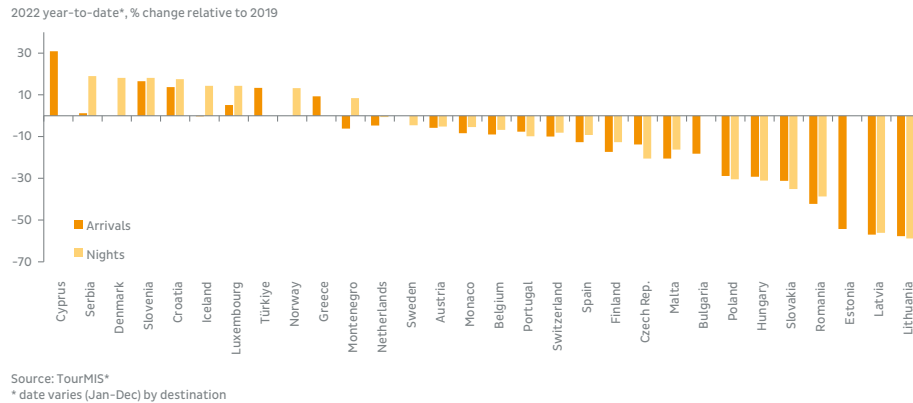
According to the ETC, Germans are the main source market for tourists to Europe, contributing about 20% of intra-European arrivals.

In 2022, they gave preference to nearby destinations that do not have border with Ukraine. In fact, war and rising prices, starting with energy but spreading across all products and services, have caused an annual inflation rate of around 8% and have limited the travel options for Germans this year.

In 2022, Germans spent around 8% less on tourism than in 2019.

In 2023, inflation is expected to be close to 6% and Germany's GDP is expected to grow at an anaemic rate of about 0,2%, while German tourists will continue to prefer nearby destinations.

German Visits and Overnights to Select Destinations

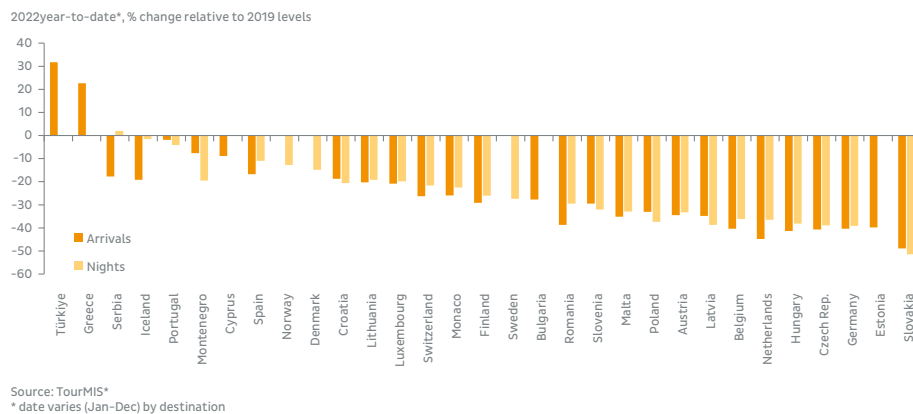


(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

The British, struggling with high inflation (around 10%), triggered by the post-pandemic recovery and worsened by post-Brexit effects focused their outbound travel on countries with a lower cost of living. Turkey is the Britons' preferred destination, benefiting from a devaluation of its currency against the pound of approximately 20% in the last 12 months, followed by Greek and Portuguese destinations.

This trend is expected to continue in 2023.

British Visits and Overnights to Select Destinations

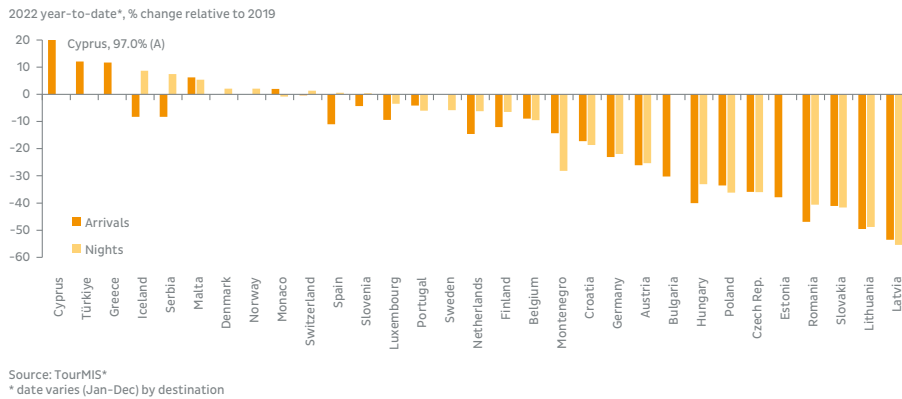


(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

In 2022, constraints due to war and inflation caused the French to reduce their tourist spending by about 4% compared to 2019, giving preference to destinations in Southern Europe, with a lower cost of living. There has been a significant reduction in relation to central European countries.

Price rises were accompanied by strikes in France, adding unpredictability. Air France's fleet conversion following ESG principles entailed additional costs that were reflected in travel prices, opening up room for further growth of low-cost carriers in the French outbound market. New lines are expected to open.

French Visits and Overnights to Select Destinations

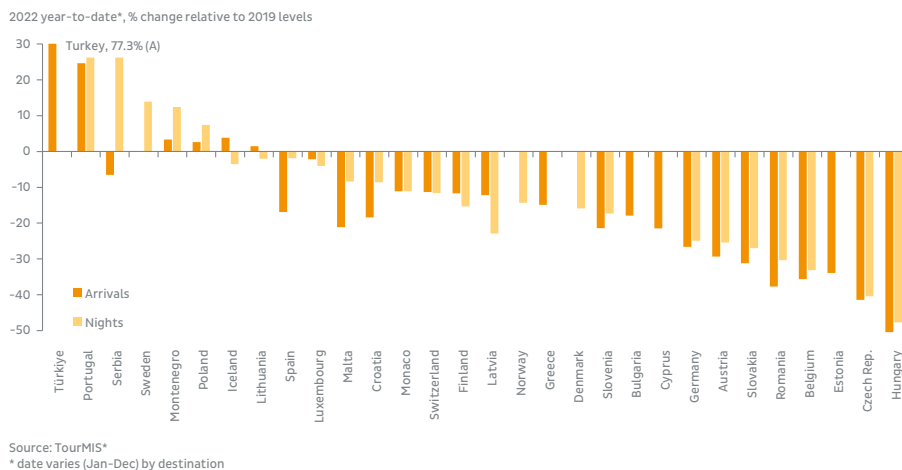


(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

According to the ETC, Americans are the main source market for long-haul tourists to Europe, contributing with about 5% of arrivals to the continent.

During 2022, the number of US visitors to Europe rose quickly, benefiting from the increase in the US dollar rate, and this effect is expected to continue in 2023.

US Visits and Overnights to Select Destinations



(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

The general rise in prices, especially in the energy sector, and the lack of resources have reminded us of the urgent need to implement measures to ensure the sustainability of our economies. As such, the ESG initiatives that were suspended during the period of the pandemic are once again gaining momentum.

The current framework for European Union support under the European Development and Resilience Programme – Next Generation EU – will certainly boost the investments to be made in this area by European companies over the coming years.



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4 | Key figures


	2022	2021	Δ	Δ%	2019
Number of rooms as at 31 December	7.835	8.578	(743)	-8,7%	8.350
Revenue	375,4	262,2	113,2	43,2%	349,1
Gross Operating Profit (GOP)	182,9	77,2	105,7	116,0%	127,0
EBITDA	173,1	87,6	85,5	97,6%	143,5
Profit for the period	99,0	30,0	69,0	230,1%	80,5
Net total financial debt	131,9	271,1	(139,2)	-51,4%	221,9
Net debt*	284,2	417,9	(133,7)	-32,0%	388,2
Net debt/EBITDA	1,64	4,77	(3,13)	-65,6%	2,35
Net total financial debt/ EBITDA	0,76	3,09	(2,33)	-75,4%	1,55
Assets	1.090,0	1.001,6	88,4	8,8%	1.076,8
Equity	361,2	287,0	74,2	25,8%	310,7
Average Room Rate (ARR)	133,0	106,6	26,4	24,8%	102,3
% Occupation**	60,1%	53,5%	-	6,6%	68,3%
Guest Satisfaction Index (GSI)	87,7%	87,3%	-	0,4%	88,8%

* Including IFRS 16 and excluding shareholder's loans

** Adjusted for available inventory during confinement periods



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5 | Activity of Grupo
Pestana, S.G.P.S., S.A.

5.1 Overall activity

The activity of Grupo Pestana, S.G.P.S., S.A. (in this document referred to as “Grupo Pestana” or “Group”), with registered office in Funchal, is characterised by its role as manager of shareholdings of all companies in the Grupo Pestana with operating units in Portugal.

Grupo Pestana’s origin dates back to 1972, with the establishment of M.&J. Pestana – Sociedade de Turismo da Madeira, S.A. to invest on the currently denominated Pestana Carlton Madeira, to be operated, at the time, under the Sheraton brand. Pestana Carlton Madeira was the first of the 76 hotels currently operated by Grupo Pestana in Portugal under 4 different brands.

In 2003, Grupo Pestana won the tender for the management of the Pousadas de Portugal network, thus assuming the operation of the existing “Pousadas” in the national territory and promoting its internationalisation.

The Group’s offer is complemented by the management of 9 holiday club developments – Pestana Vacation Club (all owned), 6 golf courses (3 in ownership), the Madeira gambling concession, and, also, tourist animation and tourist real estate developments, and an investment in the industrial sector.

The main projects carried out in 2022 were the following:

- ▮ Opening of Pestana Douro Riverside in April 2022, with 165 rooms. This hotel benefits from a privileged view over the Douro River. The hotel was already available for use in 2021;
- ▮ Continuation of the Rua Augusta project regarding the refurbishment of a building for a new four-star unit with 89 rooms in Lisbon. It is a lease contract concluded in 2018 with a duration of 28 years, in which the construction work, refurbishment and maintenance of the hotel, as well as all the equipment, is from the responsibility of the Group. In 2022 the Group invested 2,8 million Euros in this project. The opening is scheduled for the first half of 2023;
- ▮ Continuation of the 4-star Pousada project with 39 rooms, in Alfama, Lisbon, for which a lease agreement had been signed in 2019 for a period of 27 years. The construction work, refurbishment and maintenance of the hotel, as well as all the equipment is from the responsibility of the Group, with an investment of 2,1 million Euros in 2022. The opening is scheduled for the first half of 2023;
- ▮ Acquisition of a building next to the Pestana Vintage Porto hotel and signing of a promissory contract for the acquisition of another building in the same area with the objective of continuing the expansion of this Pestana Collection unit. The public deed for the acquisition of the second building was signed in the beginning of 2023. In 2021, two buildings closer to the current hotel had already been acquired, on the same area, which will allow for an additional 16 rooms. The architectural project for these buildings has already started, as well as the process of acquiring licenses;

- ▮ Execution of a contractual position of an urban leasing agreement for a non-housing purposes between Enatur – Empresa Nacional de Turismo, S.A. and Grupo Pestana, in which Enatur concedes its contractual position in relation to a vacant building, Palácio de Valadares, located in Chiado, Lisbon. The contract will have a term of 30 years starting 7 months after the date of issuance of the license of a touristic use, which is estimated at 2,5 years, automatically renovated for 20 years. Furthermore, an adjacent building which will also form part of the facilities of this new Pousada was acquired;
- ▮ Renovation of Pestana Delfim, in Algarve, focused on modernizing this unit and converting it to an all-inclusive hotel. The investment will be done into two phases. The first phase concerns the refurbishment of the rooms and is expected to be completed by the end of June 2023. The second phase is related to the renovation of the common areas, the improvement of existing spaces and the creation of new leisure areas, whose completion is scheduled for the first semester of 2024. During 2022 the investment made was of 1,9 million Euros;
- ▮ Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 beds and a total area of 60.000 m². The licence for architecture and construction was obtained in 2022 and this hotel will be built with innovative and more environmentally sustainable techniques. Pestana Dunas will confine with Pestana Porto Santo on the west and the proximity will allow for concentration and optimization between operations. The construction will be carried out in phases, starting in 2023, with the construction of 198 rooms, reception and swimming pool;
- ▮ Construction of an 18-hole golf course and Club House located on land North of Gramacho, whose completion is scheduled for 2024. The investment incurred in 2022 was 2,3 million Euros.
- ▮ In 2022, a series of rehabilitation works were carried out on different units, with the replacement and updating of the state of the facilities being carried out, in order to keep the assets in the ideal conditions to optimize their exploitation. The total amount spent on the various units in 2022 was approximately 8,6 million Euros, including the expansion of Pestana Cidadela de Cascais, remodelling of Pestana Casino Park, Pestana Porto Santo and Pestana D. João II Villas.

Grupo Pestana continued to strenghten its real estate business, without leaving aside the hotel component, with the goal of increasing its diversification strategy by business sector. The main investments in real estate projects carried out in 2022 were as follows:

- ▮ Continuation of the Madeira Acqua Residences, which will consist of 181 apartments for sale, of different types T1 to T4. This project resulted from the acquisition of the former Madeira Palácio hotel in 2021 with completion expected to 2024. In 2022, construction costs amounted to 10,4 million Euros;
- ▮ Continuation of the Valley Nature Resort project, which is located in South of Gramacho, in Algarve. This project is located on a plot of land where 77 independent units are being constructed for sale and tourist exploitation. The investment in 2022 was 3,5 million Euros. During the year, the first 6 units were delivered to customers and 28 promissory contracts were carried out;
- ▮ Continuation of The Fábrica, Apartments & Lofts project, located in the heart of Funchal, Madeira Island, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development. This project started in 2020. Public deeds and respective deliveries to customers will be held in 2023;

- ▮ Continuation of Pestana Comporta Village, located 200 meters from Vila da Comporta, and 2 km from the beach where 75 units from T1 to T2 with swimming pool are being constructed. Due to the high demand for this type of development, all purchase promise contracts have already been executed. In 2022 the licence was obtained and the construction of the infrastructures started. The construction is expected to be completed by the end of summer of 2024. In 2022 were spent 2,2 million Euros;
- ▮ Acquisition of a land in Porto Covo for development of a future real estate project.

The Group also has other projects that will contribute to strengthening the available inventory, namely Silves Golf Resort in the Algarve and Quinta das Maravilhas in Funchal. By continuing to invest in the development of new real estate projects, the Group will also reinforce the growth of the Residence with the signing of new tourist exploitation contracts.

5.2 Results

In 2022, Grupo Pestana presented a total amount of Sales and Services of 375,4 million Euros, which reflects an increase of 43% compared to the sales recorded in 2021 and 8% compared to the ones recorded in 2019, which was the last pre-pandemic year.

After 2 years of restrictions, people felt eager to travel and leave home, which, at first, benefited more the resort-type units, but from the second half of 2022 onwards this effect was also felt in city units. This accentuated increase in demand was also reflected in the average price, which generally increased across the sector. Additionally, and as had been the case since 2020, the mix of sales distribution channels has been changing and increasingly passing through direct and online sales channels, which allowed for greater flexibility and consequent increase in revenue. Faced with this reality, Grupo Pestana continued its investment strategy in direct channels and in the Revenue Management channels.

The Group benefited from all these factors, consequently not only increasing its occupancy rates and average price compared to the previous year, but also achieving higher revenues than those recorded in 2019, even excluding the units inaugurated in 2022 and 2021, being able to absorb the overall increase in costs experienced due to inflationary pressures and the energy crisis.

Pestana Group's hotel units reached revenues of around 246 million Euros, representing an increase of around 134% compared to the previous year, and 4% compared to 2019, even excluding the units inaugurated in 2021 and 2022, with the consequent increase in GOP of 186% and 7%, respectively. Contrary to what happened in 2021, all the hotel units within Pestana Group were operational during the year, in whole or in part, and all contributed positively to the 2022 operating results, which, as already mentioned, even surpassed those achieved in 2019. These results arise as a consequence of increased demand, not only from the domestic market, but also from the foreign market, including the reinforcement of recent origin markets, such as the United States of America, which are very important in the strategy of loyalty and diversification of feeder markets.

Madeira and Porto Santo recorded the best year ever in terms of sales, with an increase of 131% compared to 2021 and 23% compared to 2019 and a GOP of 185% and 27% compared to 2021 and 2019, respectively. These increases once again consecrate Madeira as a destination of choice for both international and domestic tourism, having even won the World Travel Awards in 2022 for “Best Island destination in the world”.

Hospitality revenue in Algarve also increased by around 89% and 23% compared to 2021 and 2019, respectively, which corresponds to an increase in GOP of 97% and 19% compared to 2021 and 2019, correspondingly. This increase was motivated by the continuous focus on domestic tourism, but above all by the massive return of British tourists.

The Pousadas de Portugal network also presented excellent results in 2022, having increased its sales by around 143% compared to 2021, and 12% compared to 2019, motivated by the strengthening of international demand for the Portuguese hotel market, as well as the consolidation of operation from Pousada do Porto, Vila Real de Santo António and Churchill, which opened in 2021 and have a full year of activity for the first time.

City destinations, namely Lisbon and Porto, also experienced a large increase in their sales compared to the previous year, having been only 3% below the sales made in 2019. This evolution follows the recovery of tourism to city destinations, as well as the opening of a new unit in Porto, the Pestana Douro Riverside, in April 2022, and the Pestana Lisboa Vintage, in November 2021. It should also be noted that Lisbon and Porto were also awarded in 2022 by the World Travel Awards with the awards for “Best metropolitan destination by the sea” and “Best urban destination”, respectively. Additionally, the Pestana Palace Lisboa hotel won the award for “Best luxury business hotel”.

The pure real estate sales business maintained an excellent level of activity, with total sales and services of around 23 million Euros. This level of activity was essentially as a result of the sale of 34 lots of the Pine Village Resort for a value of 13,8 million Euros, and The Valley Nature Resort, which registered its first 6 deliveries in 2022.

As in the hotel industry, the Vacation Club and Options business had a 34% increase in revenue compared to the previous year, mainly due to the reactivation of its main tourist markets, namely United Kingdom and Germany. In addition to the greater number of days with the units open, this increase is also explained by the use of contracted weeks, whose usufruct was impacted by the pandemic and whose maintenance fees had been paid.

In May 2022, Grupo Pestana sold Pestana Blue Alvor All Inclusive hotel. Although this sale was relevant for the 2022 results, it was only accomplished because it was considered a very positive opportunity for the Group. Following this sale, the Group entered into a lease agreement for the period between May and November 2022, a period in which the hotel operation was still carried out by the Group.

Consequently, Grupo Pestana recorded an EBITDA of 173.1 million Euros in 2022, thus demonstrating the excellent performance obtained in 2022.

31 December:	2022	2021	2020	2019
Rooms (total keys)	7.835	8.578	8.201	8.350
Hotel units	74	78	74	73
<i>(Amounts in million Euros)</i>				
Revenue:	375,4	262,2	163,1	349,1
Tourist activities	344,6	239,4	136,0	312,3
Non-tourist activities	30,8	22,8	27,1	36,8
GOP (a)	166,7	77,2	27,3	127,0
EBITDA (b)	173,1	87,6	46,6	143,5
Depreciation / Amortization / Impairment / Investment subsidies	(38,9)	(40,2)	(53,5)	(43,5)
EBIT	134,2	47,4	(6,9)	100,1
Interest net	(17,0)	(15,6)	(15,6)	(16,0)
Income taxes (c)	(18,2)	(1,8)	4,4	(3,1)
Net income including non-controlling interests	99,0	30,0	(18,1)	80,5
EBITDA margin (%)	46%	33%	29%	41%
EBIT margin (%)	36%	18%	-4%	29%
ROE (%)	22%	8%	-5%	19%
EPS	1,18	0,36	(0,22)	0,96
EBITDA / Net interests (.x)	10,2	5,6	3,0	9,0
Average cost of gross debt (%)	6,0%	3,7%	3,8%	4,2%

Notes:

(a) "Gross operating profit" calculated from a management perspective (uniform system of accounts for the lodging industry)

(b) Operating income excluding Charges of depreciation and amortization, Impairment losses and reversals of depreciable assets, Gambling tax paid by Casino and other minor accounts

(c) includes Gambling tax paid by Casino

5.3 Consolidated statement of financial position (Balance sheet) highlights

Grupo Pestana has a total capital investment of 729,4 million Euros which results from its strategy of holding a large part of the assets (hotels, golf courses and land) where the business units that the Group manages are installed, thus explaining the value and significant weight of its fixed assets, which are recorded at historical costs and, therefore, with a value substantially lower than their market value.

The total non-remunerated funding represents 61% of the total adjusted assets, which reflects the strong of financial autonomy of the Group.

Grupo Pestana also maintained its prudent liquidity policies. The Group celebrated a new loan in the amount of 50 million Euros, which is mensurated at a fixed rate and also paid off early the amount of 31,2 million Euros of loans essentially at a variable rate with a higher cost. It is also noteworthy that 78% of the total Group's borrowings are at a fix rate and, therefore, the generalized increase in indexing rates did not and will not have a significant impact on the Group's future results. Also, the Group's debt is concentrated in the medium/long-term and its service is aligned with the ability to generate funds.

Despite the investments made in CAPEX in new units and in the real estate area, the Group still managed to reduce its net debt by 32% compared to the previous year. The Debt/EBITDA ratio even including IFRS 16 is just 1,64 (excluding IFRS 16: approximately 1). Grupo Pestana also has lines of credit in the amount of 70,5 million Euros and working capital of 61,7 million Euros, demonstrating the excellent financial position and which justifies, among others, the maintenance of the risk profile at “investment” level but already with a positive outlook, according to EthiFinance rating agency (previously known as “Axessor”).

In July 2022, 25 million Euros were distributed to shareholders in proportion to their respective holdings, namely 99% to the Group’s holding company, Pestana International Holdings SA, to support international expansion, and 1% to the Ultimate Beneficial Owner, Dionisio Pestana.

In November 2022, within the scope of the corporate reorganization project of the joint venture subsidiaries with Cristiano Ronaldo dos Santos Aveiro, Grupo Pestana sold its investments in Pestana CR7 Madeira, to Pestana CR7 Holding, S.A., for a total amount of 1,1 million Euros. With the scaling gains of this partnership, this new holding was created in 2022 with the aim of centrally monitoring the companies in Funchal, Madrid, Marrakech, and Manchester.

In December 2022, Grupo Pestana and two subsidiaries subscribed 8.739 participation units in Iberis Bluetech Fund III, FCR for 9.001.170 Euros. This fund’s policy is to invest in Research and Development (R&D) companies and projects, making this investment eligible under Sistema de Incentivos Fiscais à Investigação e ao Desenvolvimento Empresarial de Portugal “SIFIDE II” (Portuguese tax incentives for Research and Development). Grupo Pestana and subsidiaries will present the respective application until May 2023, which is expected to be approved by Agência Nacional de Inovação, S.A.

The Group also subscribed in 2022 459.402 Euros in a technology fund Faber Tech II – Fundo de Capital de Risco (“Fundo Faber Tech II”).

As a result of the excellent operating performance in 2022, all deferred tax assets related to the reduction in activity in 2020 arising from the COVID-19 pandemic were reversed, namely tax losses, net financing charges and tax benefits not deducted due to insufficient collection, in the total value of 13.3 million Euros.

(Amounts in million Euros)

Net Assets	2022	% TOTAL	Var 22/21	2021	% TOTAL	2019	Var 22/19
Investment (Fixed assets) (a)	654,4	90%	-4%	684,4	86%	735,7	-11%
Deferred tax liabilities	-21,0	-3%	110%	-10,0	-1%	-18,7	12%
Total adjusted fixed assets	633,4	87%	-6%	674,4	84%	717,0	-12%
Investment (Financial assets) (b)	31,0	4%	37%	22,6	3%	24,5	27%
Other non-current assets (c)	3,3	0%	-41%	5,6	1%	2,1	57%
Current Assets - Current liabilities (d)	61,7	8%	-36%	96,1	12%	59,7	3%
Total adjusted assets	729,4	100%	-9%	798,7	100%	803,3	-9%
Funding origins	2022	% TOTAL	Var 22/21	2021	% TOTAL	2019	Var 20/19
Equity	361,2	50%	26%	287,0	36%	310,7	16%
Collected deferred revenues (e)	125,9	17%	-9%	138,6	17%	158,5	-21%
Deferred sales costs (f)	-45,0	-6%	-7%	-48,2	-6%	-54,9	-18%
Total non remunerated funding (adjusted equity)	442,1	61%	17%	377,4	47%	414,3	7%
Long term financial debt (g)	386,8	53%	-9%	426,0	53%	401,2	-4%
Other non-current liabilities (h)	3,1	0%	-6%	3,3	0%	0,8	288%
Total non-current funding	832,0	114%	3%	806,7	101%	816,3	2%
Short term financial debt (g)	67,2	9%	2%	66,1	8%	102,1	-34%
Cash and cash equivalents	-169,8	-23%	129%	-74,1	-9%	-115,1	48%
Net current debt	-102,6	-14%	1183%	-8,0	-1%	-13,0	689%
Total funding origins	729,4	100%	-9%	798,7	100%	803,3	-9%
Net debt (i)	284,2		-32%	417,9		388,2	-27%
Net total financial debt	131,9		-51%	271,1		221,9	-41%
EBITDA	173,1		98%	87,6		143,5	21%
Working capital	61,7		-36%	96,1		59,7	3%
Net capex (j)	7,0		-59%	17,2		69,7	-90%
Capex under construction	34,6		34%	25,7		51,4	-33%
Net debt / EBITDA ratio	1,64		-66%	4,77		2,70	-39%
Net total financial debt / EBITDA ratio	0,76		-75%	3,09		1,55	419%
Net debt / Equity ratio	0,64		-40%	1,08		0,94	-31%
Net debt / Total adjusted assets ratio (%)	39%		-25%	52%		48%	-19%
Liquidity ratio (%)	37%		148%	15%		23%	63%

Notes:

- (a) Includes Tangible fixed assets, Intangible assets and Investment properties and excludes Deferred sales costs of Pestana Vacation Club
- (b) Includes Investments in joint ventures, associates, and financial assets at fair value through profit or loss
- (c) Includes Deferred tax assets, Derivatives and Trade and other receivables (excluding contract costs)
- (d) Excludes Cash and cash equivalents, Borrowings, Lease liabilities and Deferred revenue
- (e) Collected sales of Pestana Vacation Club
- (f) Deferred sales costs of Pestana Vacation Club and Options
- (g) Includes Lease liabilities and excludes loans from shareholders
- (h) Includes Provisions, Derivatives and Trade and other payables
- (i) Long term financial debt plus Net current debt
- (j) Additions net of Disposals



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6 | Objectives and policies
of Grupo Pestana
regarding risk

Grupo Pestana's financial risk management is controlled by the finance department in accordance with policies approved by the Board of Directors.

The Board of Directors has defined global risk management principles as well as specific policies for some areas defining limits, measures and adequate controls to mitigate the potential impact of these risks.

Grupo Pestana is exposed to the following general risk areas:

- ▮ Strategic and operational risks regarding business models and portfolio;
- ▮ Financial risks;
- ▮ Corporate structure risks;
- ▮ Technology and Cybersecurity risks;
- ▮ Human capital risks;
- ▮ Other risks.

Strategic and operational risks regarding business models and portfolio include risks associated with ownership, brand, service quality, guest satisfaction, guest behaviour, seasonality, regulation, staff turnover, staff commitment and outdated equipment.

Financial risks include such risks as exchange rate risk, interest rate risk, liquidity risk, credit risk and capital risk.

Corporate structure risks include shareholder succession and corporate governance structure.

Technology and cybersecurity risks include risks related to the implementation of new technology, its maintenance and update, monitoring the reliance and dependence on existing systems and its control environment. With the development of internet and cloud systems, the importance of GDPR rules and brand protection, monitoring the cybersecurity risks became vital.

Human capital risks in a labour-intensive activity with significant development in progress include the risks of lack of availability of qualified professionals, need for intensive recruitment, training and retention plans to provide the human capital needed to support operations expansion plan.

Other risks include environmental risks.

The management of financial risks is described in the Notes to the Consolidated financial statements which are appended.



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7 | Relevant issues
that occurred after
the year end

At the General Shareholders' Meeting held on February 8, 2023, the distribution of Retained earnings in the amount of 25.000.000 Euros was deliberated.

Following the impacts of the COVID-19 pandemic and the implemented measures conceded to the several casinos in Portugal, on 2 March 2023 the Regional Government of Madeira decided to replicate these measures to Casino da Madeira and approved the extension of the concession for an additional three years until 2026.



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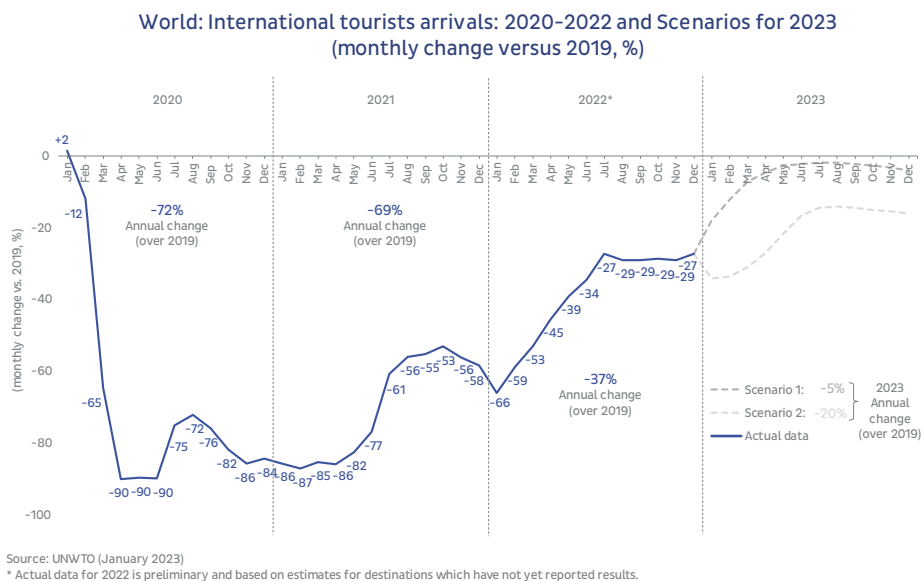
8 | The near future

The progression of the war between Russia and Ukraine, its severity, scope, and duration are decisive factors for the evolution of the European economy in 2023 and beyond.

No less important will be the way in which the different countries of the Western economy face the challenges posed by high inflation. On the one hand, inflationary pressures need to be lessened by reducing existing excess liquidity and raising key interest rates, in order to create conditions for supply and demand to evolve at an equivalent pace. On the other hand, it will be necessary to calibrate these measures in such a way as to avoid a recession, the impact of which would be significant given the high level of indebtedness of a significant number of countries.

The implementation on the ground of the measures framed by the various countries in the Next Generation EU programme will certainly contribute to greater economic dynamism in Europe. In this context, the implementation of the Portuguese PRR by 2026 will significantly contribute to the development of the national economy.

The central scenario of projections foresees, despite the climate of uncertainty, that international tourism will consolidate its recovery towards the numbers recorded in 2019.



(Source: UNWTO 2023/01 World Tourism Barometer)

The Asia and the Pacific regions will contribute more to this trend. The majority of tourists will continue to prefer short trips. The opening-up of China will have a decisive effect, firstly on nearby destinations, and which may later reach a global scale.

The US outbound market, supported by a strong dollar, is expected to continue its trend of strong growth with a particular impact on the internal market, but also on major European cities.

The European internal market should maintain current levels by continuing to give priority to short-distance travel, preferably to Southern European countries which do not border Ukraine, that have a relatively low cost of living and boast organised, experienced structures capable of providing a high-quality service to tourists visiting them.

During the pandemic years, Pestana Group has shown itself to be a strong, resilient group capable of overcoming the greatest challenges with distinction. It has been able, during 2022, to take advantage of the rapid growth of the sector to efficiently achieve very positive results by cementing its leadership position.

The Group's constant commitment to its workforce, shown by sharing profits, improving pay and working conditions, providing opportunities for personal and career growth, strengthening training, and complementing recruitment of highly qualified staff has produced very significant results.

Investment in state-of-the-art technology, process digitalisation, the development of highly skilled, highly specialised shared service centres helps these teams to create greater added value.

The diversification of risk from both the geographical point of view, with the process of expansion to major European and North American cities, as well as business area, with the additional dynamics given to the real estate and residence area, contribute significantly to the Group's growth and resilience.

The growth in the Group's portfolio has been achieved over the last three years without jeopardising its financial strength, including a significant reduction in its indebtedness.

This is how it puts in place the conditions to continue over the next few years to grow consistently, solidly, and sustainably, providing new opportunities and challenges to its employees and new experiences with greater added value for its guests and customers.



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9 | Recognitions

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

We show gratitude and note with high esteem the trusted relationship that our customers, suppliers, and financial institutions have honoured us with throughout the development of our activities.

We appreciate the support and collaboration of the governing bodies of the group companies, members of the General Assembly and Supervising Bodies in carrying out their duties.

Finally, and we cannot stress this enough, we thank all of our employees for their high level of professionalism and sense of duty. Their effort and dedication drive the creation of value in the Pestana Group.

Funchal, 28 March 2023

The Board of Directors

Dionísio Fernandes Pestana

Chairman

Hermanus Roelof Willem Troskie

Member

José Alexandre Lebre Theotónio

Member

José de Melo Breyner Roquete


Member

Pedro Miguel Fino da Silva

Member



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Appendix to
the Consolidated
Annual Report

In accordance with Article 447, paragraph 5 of the Portuguese Commercial Companies Code (“Código das Sociedades Comerciais”) we present the number of shares of Grupo Pestana, S.G.P.S., S.A. owned by the members of the management bodies.

As at 31 December 2022 and 2021, Dionísio Fernandes Pestana holds 835.300 shares of Grupo Pestana S.G.P.S., S.A. and also the 82.694.700 remaining shares, by virtue of being the ultimate shareholder of the company that holds them directly.

Funchal, 28 March 2023

The Board of Directors

Dionísio Fernandes Pestana

Chairman

Hermanus Roelof Willem Troskie

Member

José Alexandre Lebre Theotónio

Member

José de Melo Breyner Roquete

Member

Pedro Miguel Fino da Silva

Member



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Consolidated financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31 December	
		2022	2021
(Amounts expressed in Euros)			
ASSETS			
Non-current			
Tangible fixed assets	6	675.371.647	706.716.455
Intangible assets	7	9.544.925	9.548.304
Investment properties	8	5.111.319	6.146.765
Investment in joint ventures	9	2.667.551	3.325.404
Investment in associates	10	11.439.033	11.624.633
Financial assets at fair value through profit and loss	11	16.925.573	7.698.928
Deferred tax assets	12	14.958	434.817
Derivatives	14	197.122	-
Trade and other receivables	15	11.489.581	15.167.912
		732.761.709	760.663.218
Current			
Inventories	16	121.408.957	88.799.842
Trade and other receivables	15	65.970.661	75.460.691
Income tax receivable	17	4.700	2.490.383
Cash and cash equivalents	18	169.825.003	74.138.656
		357.209.321	240.889.572
Total Assets		1.089.971.030	1.001.552.790
EQUITY			
Capital	19	125.000.000	125.000.000
Other reserves	20	32.917.772	31.371.668
Retained earnings	21	95.925.994	92.695.300
Profit for the period attributable to shareholders		96.608.868	29.576.756
Non-controlling interests	22	10.703.948	8.392.242
Total Equity		361.156.582	287.035.966
LIABILITIES			
Non-current			
Provisions	23	3.077.184	3.233.365
Borrowings	24	253.236.709	292.167.743
Lease liabilities	25	133.603.660	133.857.633
Derivatives	14	-	25.822
Deferred tax liabilities	12	20.954.875	10.037.115
Deferred revenue	26	104.594.275	118.351.531
Advances from customers	15	29.248.690	5.498.410
		544.715.393	563.171.619
Current			
Provisions	23	1.109.305	1.151.548
Borrowings	24	48.486.401	53.041.436
Lease liabilities	25	18.734.878	13.020.831
Deferred revenue	26	21.292.139	20.250.085
Trade and other payables	27	69.721.400	51.932.336
Advances from customers	15	19.818.584	11.797.814
Income tax liabilities	17	4.936.348	151.155
		184.099.055	151.345.205
Total Liabilities		728.814.448	714.516.824
Total Equity and Liabilities		1.089.971.030	1.001.552.790

The following notes form an integral part of the Consolidated statement of financial position as at 31 December 2022.

CONSOLIDATED INCOME STATEMENT

(Amounts expressed in Euros)	NOTES	Period	
		2022	2021
Revenue	28	375,443,400	262,187,385
Cost of goods sold	16	(52,128,156)	(77,319,092)
External services and supplies	29	(131,309,893)	(70,310,700)
Personnel expenses	30	(60,268,936)	(36,734,665)
Charges of depreciation and amortization	6;7;8	(42,148,521)	(42,132,992)
Reversals of losses of tangible assets	6	2,810,839	1,624,654
Reversal / (Impairment) of receivables	15	294,264	(332,959)
Impairment of inventories	16	(44,456)	(121,224)
Provisions	23	146,274	158,816
Other income	31	46,590,399	6,759,272
Other expenses	32	(7,847,801)	(5,272,741)
(Losses) / Gains on disposal of investments, equity method and financial assets at fair value through profit and loss	33	1,569,301	8,071,918
Operating profit		133,106,714	46,577,672
Financial expenses	34	(17,343,095)	(16,118,473)
Financial income	34	356,980	490,747
Profit before tax		116,120,599	30,949,946
Income tax	35	(17,170,145)	(977,573)
Profit for the period		98,950,454	29,972,373
Profit for the period attributable to:			
Shareholders of the group		96,608,868	29,576,756
Non-controlling interests	22	2,341,586	395,617
		98,950,454	29,972,373

The following notes form an integral part of the Consolidated income statement for the year ended 31 December 2022.

EBITDA	42	173,134,591	87,631,791
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in Euros)	NOTES	Period	
		2022	2021
Profit for the period		98.950.454	29.972.373
Items that can be recycled through profit or loss:			
Change in fair value of hedging derivatives	14	218.941	44.833
Tax impact in items booked directly in equity	12	(48.779)	-
Other comprehensive income for the period – net of income tax		170.162	44.833
Total comprehensive income/(loss) for the period		99.120.616	30.017.206
Profit/(Loss) for the period attributable to:			
Shareholders		96.779.030	29.621.589
Non-controlling interests		2.341.586	395.617
		99.120.616	30.017.206

The following notes form an integral part of the Consolidated statement of comprehensive income for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO SHAREHOLDERS							
		CAPITAL						NON-CONTROLLING INTERESTS	
	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	PROFIT/(LOSS) FOR THE PERIOD		TOTAL
(Amounts expressed in Euros)									
AS AT 1 JANUARY 2022									
Changes in the period									
Profit for the period application	20;21				1.375.942	28.200.814	(29.576.756)	-	-
Transfers	21;22				-	29.880	-	(29.880)	-
					1.375.942	28.230.694	(29.576.756)	(29.880)	-
Change in fair value reserve – hedging derivatives	14				218.941	-	-	-	218.941
Deferred tax adjustments	12				(48.779)	-	-	-	(48.779)
Profit for the period							96.608.868	2.341.586	98.950.454
Comprehensive income/(loss)					170.162	-	96.608.868	2.341.586	99.120.616
					1.546.104	28.230.694	67.032.112	2.311.706	99.120.616
Transactions with shareholders in the period									
Distributions	21	-	-	-	-	(25.000.000)	-	-	(25.000.000)
		-	-	-	-	(25.000.000)	-	-	(25.000.000)
AS AT 31 DECEMBER 2022		83.530.000	7.779.027	33.690.973	32.917.772	95.925.994	96.608.868	10.703.948	361.156.582

		ATTRIBUTABLE TO SHAREHOLDERS							
		CAPITAL							
	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	PROFIT/(LOSS) FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
(Amounts expressed in Euros)									
AS AT 1 JANUARY 2021		83.530.000	8.200.000	33.690.973	31.020.390	127.164.366	(19.162.622)	7.996.626	272.439.733
Changes in the period									
Profit/(Loss) for the period application					306.445	(19.469.066)	19.162.622	-	-
					306.445	(19.469.066)	19.162.622	-	-
Change in fair value reserve – hedging derivatives					44.833	-	-	-	44.833
Profit/(Loss) for the period							29.576.756	395.617	29.972.373
Comprehensive income/(loss)					44.833	-	29.576.756	395.617	30.017.206
					351.278	(19.469.066)	48.739.378	395.617	30.017.206
Transactions with shareholders in the period									
Distributions		-	(420.973)	-	-	(15.000.000)	-	-	(15.420.973)
		-	(420.973)	-	-	(15.000.000)	-	-	(15.420.973)
AS AT 31 DECEMBER 2021		83.530.000	7.779.027	33.690.973	31.371.668	92.695.300	29.576.756	8.392.242	287.035.966

The following notes form an integral part of the Consolidated statement of changes in equity for the year ended 31 December 2022.

CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euros)	NOTES	Period ended 31 December	
		2022	2021
Cash flow from operating activities			
Receipts from customers		414.346.579	222.570.683
Payments to suppliers		(208.270.377)	(134.482.933)
Payments to personnel		(57.318.076)	(36.313.353)
Cash generated from operations		148.758.126	51.774.397
Income tax received/(paid)		1.209.040	(1.330.797)
Other payments		(1.653.796)	(36.445)
Net cash flow from operating activities		148.313.370	50.407.155
Cash flows from investing activities			
Receipts related to:			
Tangible and intangible assets		80.175.928	724.110
Financial investments	9;11;39	1.913.703	-
Investment properties		1.558.203	612.233
Loans granted	10	268.173	441.000
Financial investments	9	-	8.349.968
Interest and similar income		271.493	268.702
Changes in consolidation perimeter	39	8.930	-
Dividends	34	-	21.923
Payments related to:			
Tangible and intangible assets		(25.102.231)	(11.268.611)
Financial investments	9;10;11	(10.184.707)	(1.171.448)
Net cash from investing activities		48.909.492	(2.022.123)
Cash flows from financing activities			
Receipts related to:			
Borrowings	24	55.507.321	70.415.566
Payments related to:			
Borrowings	24	(99.654.704)	(59.928.775)
Interest and similar expenses		(11.979.006)	(9.702.250)
Dividends	21;36	(25.000.000)	(15.000.000)
Lease liabilities		(20.589.602)	(17.344.407)
Reimbursement of own equity instruments	19	-	(420.973)
Net cash from financing activities		(101.715.991)	(31.980.839)
Changes in cash and cash equivalents		95.506.871	16.404.193
Effects of exchange differences		(27.591)	81.597
Cash and cash equivalents at the beginning of the period	18	73.935.012	57.449.222
Cash and cash equivalents at the end of the period	18	169.414.292	73.935.012

The following notes form an integral part of the Consolidated cash flow statement for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Grupo Pestana which origin dates back to 1972, with the establishment of M.&J. Pestana – Sociedade de Turismo da Madeira, S.A. to invest on the currently denominated Pestana Carlton Madeira, develops its activity in the Hospitality business. The Group is led by its shareholder, Mr. Dionísio Pestana, son of the founder of the Group).

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

In 2003, Grupo Pestana won the tender to manage the concession of the network of "Pousadas de Portugal", taking the operation of "Pousadas".

In 2010, the Group initiated its business expansion in Europe, through the opening of Pestana Chelsea Bridge hotel, in London, having followed this with an expansion to North American, initiated in 2013, with the opening of its hotel in Miami.

Nowadays, Grupo Pestana is the largest Portuguese group in the Tourism sector, with an operation focused on hotels, but complemented by other activities such as timeshare (Vacation Club), real estate, residential tourism, golf, tourist entertainment and distribution. It also includes an investment in Industry.

Through the promotion of the "Pestana" brand and the "Pousadas de Portugal", as well as the launch in 2016 of the "Pestana CR7" brand, Pestana Hotel Group currently operates 106 units of tourist lodging totalling 11.775 rooms, which makes it the largest network of Portuguese origin, being in the top 25 European hotel network ranking and in the top 120 worldwide.

In order to structure the Group's financial investments, Grupo Pestana S.G.P.S., S.A. was incorporated (referred to in this document as "Grupo Pestana" or "Group") in 2003, aggregating the businesses in Portugal.

In the leisure area, in Portugal, Grupo Pestana has 37 hotels (16 in Madeira, 8 in Algarve, 6 in Lisbon/Cascais/Sintra, 5 in Porto, 1 in Viseu and 1 in Azores), 9 Vacation Club units, 6 golf courses, 6 real estate/tourist resorts, 1 casino gambling concession for the Casino da Madeira, 1 entertainment company and the management of the network of 31 "Pousadas de Portugal".

Notes to the consolidated
financial statements

UNITS	LOCATION	UNITS	LOCATION
Casino da Madeira (a)	Madeira	Pestana Palácio do Freixo (a)	Porto
Madeira Magic (a)	Madeira	Pestana Porto – A Brasileira (b)	Porto
Pestana Carlton Madeira (a)	Madeira	Pousada do Porto – Rua das Flores	Porto
Pestana Casino Park	Madeira	Pestana Vintage Porto	Porto
Pestana Casino Studios	Madeira	Pousada de Viseu (a)	Viseu
Pestana Churchill Bay (a)	Madeira	Beloura Golf – Pestana Golf & Resort (a)	Sintra
Pestana Colombos (a)	Madeira	Pestana Sintra Golf (a)	Sintra
Pestana Fisherman Village (a)	Madeira	Alto Golf – Pestana Golf & Resort (a)	Algarve
Pestana Grand	Madeira	Gramacho – Pestana Golf & Resort	Algarve
Pestana Grand Vacation Club	Madeira	Pestana Alvor Atlântico Residences (b)	Algarve
Pestana Ilha Dourada (a)	Madeira	Pestana Alvor Beach Club	Algarve
Pestana Madeira Beach Club	Madeira	Pestana Alvor Praia	Algarve
Pestana Miramar	Madeira	Pestana Alvor South Beach	Algarve
Pestana Miramar Vacation Club	Madeira	Pestana Carvoeiro Gramacho (b)	Algarve
Pestana Ocean Bay	Madeira	Pestana Carvoeiro Vale da Pinta (b)	Algarve
Pestana Palms	Madeira	Pestana Delfim (a)	Algarve
Pestana Palms Vacation Club	Madeira	Pestana Dom João II	Algarve
Pestana Porto Santo	Madeira	Pestana Dom João II Beach Club	Algarve
Pestana Promenade	Madeira	Pestana Dom João II Villas	Algarve
Pestana Promenade Vacation Club	Madeira	Pestana Gramacho Residences (b)	Algarve
Pestana Quinta do Arco (a)	Madeira	Pestana Porches Praia (b)	Algarve
Pestana Royal (a)	Madeira	Pestana Porches Praia Vacation Club	Algarve
Pestana Village	Madeira	Pestana Vila Sol (a)	Algarve
Pestana Village Vacation Club	Madeira	Pousada de Vila Real Santo Antonio (a)	Algarve
Pestana Lisboa Vintage (a)	Lisboa	Pestana Viking (a)	Algarve
Pestana Palace	Lisboa	Vale da Pinta – Pestana Golf & Resort	Algarve
Pousada de Lisboa (a)	Lisboa	Vila Sol – Pestana Golf & Resort (a)	Algarve
Pestana Cascais (a)	Cascais	Silves – Pestana Golf & Resort	Algarve
Pestana Cidadela Cascais (a)	Cascais	Pestana Bahia Praia	Açores
Pestana Tróia Eco-resort (b)	Tróia	Pousadas de Portugal (Rede) (a)	Portugal
Pestana Douro	Porto		

(a) Lease/Concession contracts

(b) Management contract

These Consolidated financial statements were authorised for issue by the Board of Directors in the meeting held on 28 March 2023 being subject to approval by the shareholders. The Board of Directors believes that the consolidated financial statements provide a true and fair view of the consolidated operations of Grupo Pestana, S.G.P.S., S.A., as well as of its consolidated financial position, financial performance, and consolidated cash flows.

Grupo Pestana's Consolidated financial statements and corresponding Notes are presented in Euros.

2. Accounting standards used in the preparation of the Financial Statements

The Consolidated financial statements are prepared by Grupo Pestana in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective as at 1 January 2022. 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 their predecessor Boards. IFRS were adopted by the 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 Grupo Pestana, with significant impact on the book value of assets and liabilities, as well as on income and expenses of the reporting financial year.

The Consolidated financial statements have been prepared on a going concern basis under historical cost principle, except for the derivative financial instruments and Financial assets at fair value through profit or loss, measured at fair value.

Although, these estimates are based on the best experience of the Board of Directors and its best expectations in relation to the 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 Consolidated financial statements are presented in Note 5 (Main accounting estimates and judgments).

Amendments to standards

a) The impact of the adoption of the amendments to standards that became effective as of 1 January 2022 is as follows:

- **IAS 16** (amendment), 'Proceeds before intended use'. This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant, and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives. This amendment had no impact on the Group's Consolidated financial statements.
- **IAS 37** (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'. This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives. This amendment had no impact on the Group's Consolidated financial statements.

- **IFRS 3 (amendment), 'Reference to the Conceptual framework'**. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, forbidding to record contingent assets of the acquiree in a business combination. This amendment is applied prospectively and had no impact on the Group's Consolidated financial statements.
- **Annual Improvements 2018 – 2020**. The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41 and had no impact on the Group's Consolidated financial statements.

b) Amendments to standards that are mandatory for accounting periods beginning on or after 1 January 2023, which the EU has already endorsed:

- **IAS 1 (amendment), 'Disclosure of accounting policies'**. Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.
- **IAS 8 (amendment), 'Disclosure of accounting estimates'**. This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s). The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.
- **IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'**. IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are not in the scope of the initial recognition exemption for deferred taxes. This amendment is applied retrospectively. The Group will apply this amendment when it becomes effective with no relevant expected impact on the Group's Consolidated financial statements.

c) Amendments to standards that are mandatory for accounting periods beginning on or after 1 January 2023, but which the EU has not yet endorsed:

- **IAS 1 (amendment), 'Non-current liabilities with covenants'**. This amendment clarifies that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. It clarifies also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When

an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

■ **IFRS 16** (amendment), 'Lease liability in a sale and leaseback'. The amendment introduces guidance for the subsequent measurement of lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable lease payments that do not depend on an index or rate. Whilst subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the seller-lessees recognizing any gains/(losses) relating with the right of use that they retain. This amendment is applied retrospectively. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

3. Main 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. Grupo Pestana controls an entity when it is exposed to, or has rights over, the variable returns generated as a result of their involvement with the entity and has the ability to affect those returns through the power it exerts on the relevant activities of the entity.

Subsidiaries are consolidated from the date the control is transferred to Grupo Pestana 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-controlling interests without change of control, the differences resulting between the purchase price and non-controlling interests acquired/disposed of are recorded against retained earnings.

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

The losses registered by the subsidiaries are attributed to non-controlling interests in the proportion of their share in the capital of the Grupo Pestana.

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

Entities that qualify as Subsidiaries are listed in Note 38.

3.1.2. Joint ventures

The Group recognizes an investment in a joint venture when it is contractually agreed to share control over a business, or an entity and it only exists when strategic financial and operational decisions over that business or entity are taken by all investors unanimously. Investments in this kind of entities are supported by agreements signed between all investors.

Classification as a joint venture ceases when control of the entity is acquired which can happen when: i) the other parties' shares are acquired and the agreement ceases to be in effect; or ii) when the unconditional right to acquire (purchase option) the other parties' shares is obtained even if that right has not been exercised but can be done so at any time.

In the Consolidated financial statements, investments in joint ventures are measured by the amount resulting from applying the equity method. Under this method, the financial statements include Grupo Pestana's consolidated share of the profit and losses recognized from the date that joint control begins until the date it ends.

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

Entities that qualify as Joint ventures are listed in Notes 9 and 38.

3.1.3. Associates

Associates are entities in which Grupo Pestana owns between 20% and 50% of the voting rights or over which Grupo Pestana 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 as a gain 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 Grupo Pestana's consolidated share of the profit 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 Consolidated statement of financial position. The accounting policies of the associates are changed, whenever needed, to ensure its consistent application by all Grupo Pestana 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 obligations or made payments on behalf of the associate that are estimated as non-recoverable.

Entities that qualify as Associates are listed in Notes 10 and 38.

3.1.4. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss correspond to investments in entities in which Grupo Pestana holds less than 20% of the voting rights or over which Grupo Pestana has no significant influence in the definition of the financial and operating policies. Dividends from these investments are recognized as gains in the financial year in which they are assigned.

Entities that qualify as Financial assets at fair value through profit or loss are listed in Note 11.

3.2. Business combinations under common control

Business combinations under common control refer to transactions between companies of the same group or controlled by the same shareholder and may consist of a merger or acquisition.

Grupo Pestana records the transactions of acquisitions of shares/businesses between entities under common control, which configure obtaining control over a business, in accordance with the principles associated with the application of the purchase method as foreseen in IFRS 3 – Business combinations. Thus, the entity identified as the purchaser in the transaction shall allocate the fair value of the consideration paid/delivered to the fair value of assets, liabilities and contingent liabilities acquired and any excess is recognized as goodwill. If the resulting difference is negative, a gain is recognized in the period.

3.3. Foreign 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 Grupo Pestana.

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 financial reporting date, of monetary assets and liabilities denominated in foreign currencies, are recognized in the Consolidated income statement, under financial expenses or income if related to loans, or under other income/expenses for all other balances/transactions.

iii. Exchange rates used

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

Currency	31-12-2022	31-12-2021
CHF – Swiss Franc	0,9854	1,0329
DKK – Danish Crown	7,4364	7,4361
GBP – Pound Sterling	0,8872	0,8401
SEK – Swedish Crown	11,1118	10,2518
USD – US Dollar	1,0675	1,1326

3.3. Tangible fixed assets

Tangible fixed assets 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 IFRS, namely in 2010, which in the case of land and buildings allocated to the hotel business, timeshare and golf, were almost all measured at their revalued amount, whereas, for all other assets, these were measured at the net amount carried over from the previous GAAP, including legal revaluations, and (b) the acquisition cost of assets acquired or constructed after that date.

The Group presents its Right of use assets in the asset class it relates to integrating the Tangible fixed asset caption of the same nature.

The acquisition cost comprises the purchase price of the asset, costs directly attributable to the acquisition and costs incurred in preparing the asset to be in the intended conditions of use. 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 allocated in part or in whole to the timeshare business, initial direct costs incurred in negotiating and accepting these contracts, such as commissions paid to promoters, were added to the carrying amount of the leased asset in accordance with IFRS 16 – 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 recurring nature are recognized in the income statement as incurred.

Depreciations are calculated on a straight-line basis, using estimated useful lives, being the most significant as follows:

	YEARS
Buildings and other constructions:	
Hotels and Vacation Club Property	40 years
Golf Property	20 years
Right of use	Between 4 and 70 years
Other Property	Between 40 and 50 years
Basic equipment	Between 10 and 20 years
Transport equipment	Between 4 and 8 years
Tools	Between 4 and 10 years
Administrative equipment	Between 3 and 10 years
Other tangible assets	Between 10 and 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 IFRS 16, and this period varies between 3 to 30 years.

Grupo Pestana estimates the residual value of tangible fixed assets at zero since the expectation of using all the assets over all of their economic life.

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.

3.4. Intangible assets

Intangible assets are recognized only when: i) they are identifiable, ii) it is probable that economic benefits will arise from them in the 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 its intended use.

When purchased as part of a business combination, separate from goodwill, intangible assets are valued at fair value, as determined in the scope of the application of the purchase method as foreseen 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 from the development phase, or if it is not possible to reliably determine costs incurred in the development phase or it is unlikely that there will be future economic benefits for Grupo Pestana.

Expenditure on studies and valuations conducted during the course of the operating activities are recognized in the income statement of the period in which they are incurred.

Besides goodwill, Grupo Pestana's Intangible assets refer mainly to software and websites.

Goodwill refers to the difference between the acquisition cost of the investments in subsidiaries or businesses and the fair value of the acquired assets and liabilities of those companies or businesses as at the date of purchase. Goodwill is a residual amount and, therefore, it has no useful life, and corresponds to: (a) the net value of the goodwill carried over from the previous GAAP, tested for impairment as at the transition date and in the subsequent annual periods, and (b) the goodwill resulting from acquisitions occurring after the transition date, subject to annual impairment tests.

Goodwill is allocated to the cash generating units to which it belongs, for impairment test purposes, which are performed at least once a year and during the month of December. Impairment losses of goodwill are not reversible.

The website refers to the expenditures incurred in the development of internet sites to carry out sales bookings/services. The capitalised amount refers to costs incurred with the development of the application infrastructure, graphics design and contents.

Subsequent expenditures on the development of contents to promote Grupo Pestana and its services are registered in the Consolidated income statement as incurred.

Amortization is calculated on a straight-line basis, using estimated useful lives, the most significant being related to software, which are amortized over 6 years.

Assets which, by their nature, do not have a defined useful life are not amortized and are subject to annual impairment tests or whenever impairment indicators are identified.

3.5. Investment properties

Investment properties are real estate assets (land, buildings or parts of buildings) held for the purpose of capital appreciation, obtaining rental income, or both, and, therefore, not used in Grupo Pestana's ordinary activity. On the date of transition to IFRS, Investment properties were valued at their revalued cost or the value carried from the previous standards. Subsequently, the Group continues to apply 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 recorded under this caption.

Depreciation is calculated on a straight-line basis, using estimated useful lives, which are similar to the ones applied to Tangible fixed assets.

3.6. Impairment of non-financial assets

Assets with indefinite useful lives are not subject to depreciation/amortization and are subject to annual impairment tests. Grupo Pestana performs impairment tests every year, in December, and whenever events or changes in surrounding conditions indicate that the book value may not be recoverable.

When the recoverable amount is lower than the book value of the assets, 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 its value in use. For the determination of impairment, assets are allocated to the lowest level for which separate 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 an impairment loss or its reversal, is recognized the depreciation/amortization of the related assets is recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.7. Fair value of assets and liabilities

In determining the fair value of a financial asset or 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 generally accepted valuation techniques used, based on market assumptions. This is the second level of the hierarchy of fair value.

Grupo Pestana applies valuation techniques for non-listed financial instruments, such as derivatives, financial assets at fair value through other comprehensive income and other financial assets and liabilities at fair value through profit and loss. The valuation models that are most often used are discounted cash flows and option valuation models that incorporate, for example, the interest rate curves and market volatility.

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

3.8. 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 as trading or hedging.

A derivative is considered as hedging when: i) there is an economic relationship between the item being hedged and the hedging instrument which the Group has defined as being between 85% and 125%; ii) the changes in fair value do not mainly result from credit risk; and iii) the coverage ratio designated by the Group, in each transaction, is what results from the quantity of the hedged item and the quantity of the hedging instrument which the entity effectively uses to hedge the quantity of the hedged item.

When dealing with trading derivatives, gains and losses in fair value are recognized in the income statement for the period under financial income or financial expenses. 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 a fair value hedge 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 the Consolidated income statement, 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 is recognized in hedging reserves in equity, being transferred to the Consolidated income statement when the hedged item affects the Consolidated income statement. The ineffective portion of the hedging relationship is recorded in the Consolidated income statement.

If a hedging relationship ceases to satisfy the hedging effectiveness criteria relating to the hedging ratio defined but the objective for risk management and the designated hedging relationship continues to be the same, the Group will readjust the hedging ratio (rebalance) in order to once again satisfy the eligibility criteria to be recognized as hedge accounting.

Hedge accounting may only be interrupted prospectively when the hedging relationship (or part of the hedging relationship) ceases to satisfy the eligibility criteria defined by the finance department which includes situations in which the hedging instrument expires or is sold, terminated or exercised.

3.9. Financial assets

i. Classification

Financial asset classification depends on the business model used in the management of financial assets (cash flow receipts or fair value variations) and on the contractual terms associated with cash in-flows.

Changes to financial asset's classification can only be done when the business model is altered except in what relates to financial assets at fair value through comprehensive income which are equity instruments and which may never be changed to a different category.

Financial assets can be classified as:

- (i) Financial assets at amortized cost: includes financial assets which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts;
- (ii) Financial assets through other comprehensive income: this category may include financial assets which qualify as debt instruments (contractual obligation to deliver cash flows) or as equity instruments (residual interest in an entity);
 - (a) In what concerns debt instruments this category includes financial assets whose contractual cash flows which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts or occasionally its sale;

- (b) In what concerns equity instruments this category includes the percentage of interest held in an entity over which no control, joint control or significant influence is exercised and for which it has been irrevocably decided at the time of initial recognition to be designated as fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss: includes assets which do not fulfil the criteria for classification as financial assets at amortized cost or fair value through other comprehensive income whether they are debt or equity instruments.

Purchases and sales of investments in financial assets are recorded at the transaction date, which means, the date on which Grupo Pestana commits to purchase or sell the asset.

ii. Measurement

Grupo Pestana initially measures financial assets at fair value, plus transaction costs directly attributable to the asset's acquisition for financial assets which are not measured at fair value through profit or loss. Transaction costs of financial asset at fair value through profit or loss are recognized in profit or loss in the financial year in which they occur.

Financial assets at amortized cost are subsequently measured according to the effective interest rate method less impairment losses. Interest income from these financial assets are included in "Interest income" in financial income.

Financial assets at fair value through other comprehensive income which constitute debt instruments are subsequently measured at fair value and fair value changes are recognized in other comprehensive income except for changes concerning impairment losses, interest earned and exchange rate gains/ (losses) which are recognized in the Consolidated income statement. Financial assets at fair value through other comprehensive income are subject to impairment.

Financial assets through other comprehensive income which constitute equity instruments are initially and subsequently measured at fair value and fair value changes are recognized directly in other comprehensive income, in Equity, and no future reclassification can take place even after the investment is derecognized. Dividends obtained from these assets are recognized as gains in the Consolidated income statement in the date they are attributed.

iii. Impairment

Grupo Pestana prospectively assesses estimated credit losses associated with financial assets that qualify as debt instruments classified at amortized cost or at fair value through other comprehensive income.

The expected credit loss model is applied based on debtor's nature and credit risk profile, considering reasonable and support information that is available and that is relevant for the specific financial instrument being assessed.

Trade receivables or contract assets that result from transactions with customers are due to be always measured at an amount equal to lifetime expected credit losses.

Grupo Pestana's debtors from hospitality (tour operators, travel agencies and other companies) beverage industry, vacation club and golf are assessed for impairment when there are contractual payments overdue for more than 1 year and 6 months in the case of vacation club, available information that indicates that a default may occur before that period.

Grupo Pestana's debtors related to the real estate business (house owners) are assessed for impairment on an individual basis. The amounts due to the Group may result from accrued income of construction works not yet invoiced and accrued income of houses sold pending public deed.

Grupo Pestana's impairment loss calculation is based on qualitative information on its debtors' market performance, business model sustainability and other relevant information. For this purpose, only balances not covered by guarantees obtained, namely credit insurance contract, bank guarantees or retention of legal title of the houses until public deed takes place are considered.

As at 31 December 2022 and 2021 related parties are able to pay, having the probability of default in general been considered as close to 0% and therefore no impairment has been recognized.

iv. Write-offs

Financial assets' gross carrying amount is written-off when the entity has no reasonable expectation of recovering the financial asset, which occurs fundamentally when the customer ceases its core activities and/or litigations are dismissed.

v. Derecognition

Financial assets are derecognized when the right to receive cash flows originated by those assets have expired or been transferred. Financial assets at fair value through other comprehensive income which constitute debt instruments at the date of derecognition which have had their gains/(losses) recognized in equity/other comprehensive income previously are reclassified from the corresponding equity lines to the Consolidated income statement.

3.10. Inventories

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

Inventories are measured at acquisition cost, which includes all direct expenditure incurred with the purchase. Subsequently, inventories are valued at the 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 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 refer to lands developed for future sale and houses built for sale. Land and houses 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 the selling expenses.

Works in progress refer to land under development (in process of approval and allotment), villas and apartments under construction measured at the construction costs. The construction cost includes land acquisition costs, costs incurred in obtaining permits and licenses and the cost of materials and labour incorporated in construction works.

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

The cost formula used for registering the consumption/sale of inventories in general is the weighted average cost. However, land, villas and apartments are recognized at their specific cost.

3.11. 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.

The Group periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax law is subject to interpretation and considers whether it is probable that the Tax Authority will challenge the tax treatment adopted. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty on the income tax return submitted.

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 at the financial reporting date, that is expected to apply in the financial year 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 profits are available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except for 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 that, at the time of the transaction, affects neither accounting profit nor taxable profit (loss). However, for taxable temporary differences associated with investments in equity instruments, deferred tax liabilities should not be recognized to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future.

3.12. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity, with initial maturities of up to 3 months and subject to insignificant risk of value change.

Bank overdrafts are shown in the Consolidated statement of financial position as current liabilities, under the captions Borrowing and are considered in the preparation of the Consolidated cash flows statement as Cash and cash equivalents.

3.13. 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.

Additional contributions from shareholders without issuance of shares, without any payment or remuneration obligation defined and for which reimbursement is not expected within a foreseeable future, are recognized as Other equity instruments.

3.14. Provisions

Provisions are only recognized when Grupo Pestana has a present legal or constructive obligation resulting from past events exists, it is probable that an outflow of internal resources will be necessary to settle this obligation and its 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, Grupo Pestana discloses this fact as a contingent liability, unless the assessment of the outflow of resources for the payment thereof is considered remote.

Provisions related to legal proceedings brought against Grupo Pestana are recognized in accordance with the assessment of the Group's internal legal department supported by the lawyers in charge for the processes.

Grupo Pestana recognizes a provision on future costs with the construction guarantee provided in the sale of houses. This provision is constituted on the date of the sale, impacting the profit of the sale. At the end of the legal guarantee period, any remaining amount of the provision is reversed through profit or loss.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on a discount rate that reflects the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.15. Financial liabilities

Financial liabilities are classified into two categories:

- (i) Financial liabilities at fair value through profit or loss;
- (ii) Financial liabilities at amortized cost.

Financial liabilities are initially recognized at fair value less transaction costs directly attributable to the emission of the financial liability when the financial liability is not recognized at fair value through profit or loss.

Subsequently, all liabilities are measured at amortized cost with the exception of derivatives, recognized at fair value. Financial liabilities at amortized cost are measured according to the effective interest rate and include Borrowings and Trade and other payables.

Grupo Pestana recognizes as financial liabilities at fair value through profit or loss derivatives which at the reporting date have a debit balance.

Purchase and sale of investments in financial liabilities are registered at the transaction date meaning the date in which Grupo Pestana commits to purchase or liquidate the liability.

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

3.16. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred directly attributable to the emission. Borrowings are subsequently measured at amortized cost, being the difference between nominal amount and the initial fair value recognized in the Consolidated income statement during the loan term, using the effective interest rate method.

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

3.17. Leases

A contract contains a lease when the lessee has the right to control the use of an identified asset for a period of time (including non-consecutive periods of time) in exchange for consideration.

The Group leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods but there may be extension options. Lease terms and conditions are negotiated on an individual basis.

The Group determines whether a contract is or includes a lease at the contract's initial date. In a lease contract the Group registers Right of use assets, with the corresponding Lease liability, at the date in which control over the asset's use is transferred to the Group, except for short term (under 12 months) or low value contracts (assets with a unit value in "new" condition below 5.000 USD) for which payments are recognized as an expense in the financial year in which the event or condition which gives rise to the payment occurs.

Lease liabilities are initially measured at the present value of lease payments which are due after the lease's initial date, discounted at the contract's implicit interest rate. When this rate cannot be determined, the Group's incremental borrowing rate, which corresponds to the interest rate the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions, is applied.

Lease payments included in the measurement of Lease liabilities include: fixed payments, less receivable lease incentives; variable payments which depend on an index or rate; amounts which are expected to be paid by the lessee as residual value guarantees; the price to exercise the purchase option if the lessee is reasonably certain it will do so; penalty payments for terminating the contract in case terminating the lease reflects the exercise of the termination option.

The Group elected to consider as part of the lease payments the entire amount of the rents negotiated with lessors, even when these incorporate the value of services or products that the Group could obtain the right to use separately. This option is applied to all categories of assets classified as Right of use assets.

Lease liabilities are measured using the effective interest method and is remeasured when there are changes to the future payments resulting from the application of an index or rate or if there are other changes such as the lease term, the change in expectation concerning the purchase option, contract renewal or contract termination. In these cases, the Group recognizes the remeasured Lease liability as an adjustment to the Right of use asset.

Right of use assets are presented in their corresponding asset class in the Tangible fixed asset caption of the same nature and are initially measured using the cost model which includes the initial value of the Lease liability adjusted for any payments made before the lease's initial date, including any initial costs incurred and an estimate for dismantling costs (when applicable) less any incentives received. The Right of use asset is subsequently depreciated using the straight-line method according with the lease term. The right of use is periodically adjusted by Lease liability remeasurements, namely changes in the price resulting from renegotiations or indexes and by impairment losses (if any exist).

Variable rents that do not depend on an index or rate are not included in the measurement of a Lease liability or Right of use asset. Such payments are recognized as expenses in the financial year in which the event or condition which gives rise to the payments occurs.

When Grupo Pestana transfers an asset to a third party and simultaneously enters into a lease contract for the same asset with said third party, the Group applies the conditions in IFRS 15 to determine whether the transfer qualifies as an asset sale.

If the transfer qualifies as an asset sale, Grupo Pestana will measure the Right of use asset of the leaseback as a proportion of the previous net book value related to the right of use retained by the Group, recognizing a gain or loss in the proportion of the rights transferred to the third party.

In case the fair value consideration for the asset sale is not equivalent to the asset's fair value, or in case the lease's payments do not correspond to market values, Grupo Pestana will perform the following adjustments to measure the results of a fair value sale: Any conditions below market will be recognized as anticipated lease payments; and any conditions above market will be recognized as additional borrowings given by the third party to the Group.

When Grupo Pestana acts as a lessor in a contract that allows the right to control the use of an identified asset to a lessee, it is required to assess if it qualifies as an operating or finance lease, based on the assessment of the transfer of substantially all the risks and returns incidental to the ownership of an underlying asset (finance lease) or the retention of substantially all the risks and returns incidental to the ownership of an underlying asset (operating lease).

The Group acts as a lessor under an operating lease in what regards to timeshare contracts, which give the lessee the right to use a timeshare unit during a defined period (weeks) that is repeated annually over a number of years, ranging from 3 to 30 years. The rents to be recognized as income refer to the upfront fee as defined in the contract. When payment is deferred and an interest is charged to the customer, this amount is added to the amount to be recognized as rents on a straight-line basis during the contract.

When Grupo Pestana subleases a Right of use asset to another entity, it begins acting as a lessee in relation to the main lessor and as a lessor in relation to the sublessee.

As a sublessor, Grupo Pestana determines at the leases initial date if a lease qualifies as financial or operational considering: i) the Right of use asset recognized in the main lease contract as a subjacent asset to the sublease contract; and ii) as a discount rate the sublease's implicit tax rate or the main lease contract's incremental interest rate.

When a sublease contract qualifies as a financial lease, Grupo Pestana derecognizes the Right of use asset and recognizes a receivable balance which is subsequently regulated by the interest incurred and the reimbursements made by the sublessee.

In accordance with the practical expedient COVID-19 – Related Rent Concessions – Amendment to IFRS 16, rent concessions granted as a direct consequence of the COVID-19 pandemic were not accounted as lease modifications, having been recognized in Other income

3.18. Government grants and incentives

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

Operating grants to subsidize wages and salaries or other charges with employees are recognized as a decrease in Personnel expenses in the Consolidated income statement in the same period in which the related costs are incurred and recorded. Other Operating grants are recognized as income in the Consolidated income statement in the same financial year in which the related costs are incurred and recorded.

The support of the Government in the form of repayable borrowings at a reduced interest rate are discounted on the date of initial recognition based on the market interest rate at grant date, being the discount amount the grant. The grant shall be amortized over the period of the borrowing or the useful life of the asset which acquisition the grant aims to subsidize.

Non-reimbursable subsidies granted to Grupo Pestana to finance tangible assets acquisition are recorded in the Consolidated statement of financial position as deferred income and recognized in the Consolidated income statement in proportion to the depreciation of the tangible assets subsidized.

3.19. Income and Expenses

Income and expenses are recorded in the financial year to which they relate, regardless of the payment or receipt, according to the accrual basis. The differences between the amounts received and paid and the corresponding income and expenses are recognized as assets or liabilities, if they qualify as such.

3.20. 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 Grupo Pestana. Revenue is recorded net of any taxes, trade discounts and assigned financial discounts.

When determining the amount of revenue, Grupo Pestana assess for each transaction the performance obligations it assumes before customers, the transaction price to attribute to each identified performance obligation in the transaction and the existence of variable price conditions which may originate future corrections to the revenue recognized and for which the Group makes its best estimate.

Revenue is recognized in the Consolidated income statement when control over the product or service is transferred to the customer, meaning the moment the customer has the ability to manage the use of the product or service and obtain the associated remaining economic benefits.

Grupo Pestana considers that depending on the nature of product or service associated with the performance obligations assumed the transfer of control occurs mainly on a specific date but there may be transactions in which the transfer of control happens continuously and through a contractually defined period of time.

The revenue recognition policy for the Group's following main activities is as follows:

(i) Hospitality

Revenue corresponds mainly to accommodation 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 hospitality services revenue is recorded on the day of the service.

(ii) Vacation club

Grupo Pestana recognizes revenue from the sale of timeshare contracts, also known as Vacation club, from the commencement date of customer's right to use the timeshare unit and throughout the contract's period.

Timeshare contracts include two revenue streams, namely, the right to use a unit of the timeshare resort accounted in accordance with IFRS 16 (see Note 3.18) and revenue from maintenance fees contractually defined as an amount to be charged to timeshare customers. The maintenance fee is recognized as revenue on the agreed date during the contract period since Grupo Pestana has the right to receive this amount regardless of the use of the accommodation unit by the customer at that time. These maintenance fees include the management services performed by the Group as well as a component associated with the costs incurred by the Group relating to maintenance, insurance, cleaning, repairs and replacement of equipment at the timeshare units and resorts.

In cases of the sale of Options contracts, 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. Revenue associated with these points is recognized by usage or at their expiration date, considering the historic average of expired points and the consumption rhythm of the existing points (breakage), as provided for in IFRS 15.

(iii) Tourist real estate business

Revenue refers primarily to the sale of land and apartments, also including recognized revenue from rents on Investment properties and management services for condominiums and touristic resorts.

Revenue from the sale of land and apartments is recognized when the Group transfers control of the land or apartments to the customer.

In the case of land, the sale's revenue is generally recognized when control over the land is transferred to the customer which generally occurs on the date that the deed of sale is signed, but it can also occur when the tradition of the land is verified and the client has the possibility to start the licensing and construction process.

In the case of villas and apartments built at the risk of Grupo Pestana for sale to third parties (Inventories), revenue is recognized when control is transferred to the client. This happens at the date in which the asset's key is handed to the customer and may be prior to the date of signature of the property deed.

Revenue from management services for condominiums is recognized throughout the contract's period because it is considered that services rendered transfer control to the owners as they are rendered. Revenue to be recognized corresponds to the commission negotiated and does not include the recharge of costs inherent to the building/resort management, without margin, to the owners.

(iv) Construction contracts

Grupo Pestana's touristic real estate business also includes construction services (villas) for clients. Since the construction of assets is a performance obligation in which the customer controls the asset as it is being built, revenue is recognized throughout the contract period.

Revenue in these types of contracts is recognized according to the percentage of completion using the input method, which means based on the costs incurred in each financial year versus the total estimated costs in each contract, with the recognition of the estimated profit for the contract. Any changes to the contract are only considered to calculate revenue if previously approved by the customer.

Whenever it is estimated that the costs associated with the construction services rendered exceed the agreed revenue, Grupo Pestana recognizes a provision for onerous contracts. The estimated cost associated with the construction warranty is also recognized as the Group transfers control to the customer. Estimated warranty costs are excluded from the contract's total estimated costs and do not affect the completion percentage in each reporting period.

(v) Tourist entertainment

Revenue from gambling, both from table games and gaming machines, is determined daily and recognized as revenue on a daily basis, for the difference between the bets placed and the prizes won less the estimated premiums payable and accrued gambling tax.

3.21. Subsequent events

Events after the reporting period that provide additional information about conditions that existed at the end of the reporting period (adjusting events or events after the reporting financial year that give rise to adjustments) are reflected in the Consolidated financial statements. Events after the reporting period that provide information on conditions occurring after the end of the reporting period (non-adjusting events or events after the Consolidated 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

Grupo Pestana's operations 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.

Grupo Pestana'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, credit risk and interest rate risk, the use of derivatives and other non-derivative financial instruments, as well as the investment of liquidity surplus.

(i) Market risk

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

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

The risk associated with variable 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, which only represent 23% of the Grupo Pestana loans.

Grupo Pestana contracts, when appropriate, cash-flows hedging derivatives (swaps) for its long-term loans to mitigate the risk associated with interest rates.

Grupo Pestana follows a growth strategy which implies significant volumes of investments with relatively long return dates and, therefore, associated with financing sources with adequate refund dates. On the other hand, the hotel business presents a significant exposure to the variability of economic cycles and resorts face significant seasonality. However, this risk is minimized by the fact that Grupo Pestana has a significant variable cost structure, which allows for more flexibility.

These factors are determinant in defining Grupo Pestana's financial risk management policy. This policy aims, above all else, to ensure the significant reductions of these risks in a prudent way, searching to focus on efficient hotel business management itself and ensuring for each new significant investment its medium and/or long-term financial structure and, whenever possible, with fixed rate interest.

Short-term treasury surpluses, when existent, are firstly used in the reduction of short-term debt, then on the more expensive medium and/or long-term debt and on the equity financing component of the new projects. To reduce treasury risk, the remaining excess is applied on very short-term deposits with financial institutions with which Grupo Pestana already works and with which it presents most of its medium and long-term debt.

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

A sensitivity analysis was performed, based on Grupo Pestana total debt deducted of the cash and cash equivalents as at 31 December 2022 and 2021.

Considering Grupo Pestana's consolidated net financial debt as at 31 December 2022, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 329.000 Euros (31 December 2021: approximately 678.000 Euros).

(ii) Credit risk

Grupo Pestana's credit risk mainly arises from corporate customers and tour operators and from the other remaining receivables from third parties and the Group, classified as financial assets at amortized cost or as financial assets at fair value through other comprehensive income.

Sales to individual customers must be paid for upon check out which mitigates the credit risk generated. Additionally, and considering the significant number of different corporate customers and tour operators, the Group considers that the concentration of credit risk in the activity is reduced.

In order to increase credit risk hedging, Grupo Pestana has a credit insurance from a leading insurance company in the Portuguese market which includes a significant part of the credit on corporate customers, travel agencies and tour operators from the main feeder markets for the Group's units. However, the last couple of years accelerated an already existing trend of change in the way tourists arrive at the Group's units, with a decrease in transactions through corporate customers and tour operators with credit granted in return for a significant increase in the use of direct channels and digital platforms, which have no collection risk and that have been gaining a more significant weight on the reserves.

The follow up of credit risk is made centrally by the finance department of Grupo Pestana, overseen by the Board of Directors, based on the credit rating attributed by the insurance company, the client's institutional nature, the type of transactions which originate the credit, the experience of past transactions performed, the established credit limits for each client and their financial information made available by a recognized entity specialized in the market for the effect.

Rating levels attributed to customers are: low, medium or high while taking into account that the Group considers related parties to have a credit risk rating close to 0% and therefore their impairment is in general considered to be zero.

According to Moody's Long term bank deposits (domestic) rating, credit ratings for the Group's bank deposits and loans contracted with financial institutions, classified as Cash and cash equivalents are as follow:

Rating	Bank deposits		Bank loans and Commercial paper	
	2022	2021	2022	2021
A1	30.646.259	60.236	-	-
A2	453.848	24.473.454	2.000.000	86.764.921
A3	38.064.709	23.786.378	123.008.325	51.065.373
Aa2	-	125.571	-	-
Aa3	10.477.435	-	-	-
Baa2	77.398.066	18.539.156	39.075.166	70.912.174
Baa3	208.388	-	20.000.000	-
Ba3	6.979.700	326.364	8.378.648	8.020.635
B1	-	3.607.193	-	4.956.690
No classification	2.772.039	1.970.147	19.859.601	21.269.655
Total	167.000.444	72.888.499	212.321.740	242.989.448

(iii) Liquidity risk

The cash needs are managed centrally by Grupo Pestana's finance department, overseen by the Board of Directors, managing the liquidity surpluses and deficits of each of the group companies. Specific cash needs 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 analysis are carried out over estimated cash flows both in the short term and in the medium and long term, so as to adjust the type and amount of appropriate financing. Whenever necessary, the Group supports its subsidiaries by ensuring that they continue to have a solid financial capacity.

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

31 DECEMBER 2022

	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
Borrowings:	54.485.725	182.378.479	104.952.228
- bank loans	24.774.193	67.555.226	92.992.321
- bond loans	-	89.000.000	-
- commercial paper	22.000.000	5.000.000	-
- bank overdrafts	410.711	-	-
- undiscounted interests payable until maturity	7.300.821	20.823.253	11.959.907
Lease liabilities	18.278.353	59.902.025	160.675.630
Trade and other payables – non group	59.137.607	-	-

31 DECEMBER 2021

	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
Borrowings:	58.136.045	186.021.181	132.481.775
- bank loans	38.104.084	76.685.440	95.977.702
- bond loans	13.479.675	60.000.000	29.000.000
- commercial paper	444.444	31.777.778	-
- bank overdrafts	203.644	-	-
- undiscounted interest payable until maturity	5.904.198	17.557.963	7.504.073
Lease liabilities	18.017.424	64.658.362	190.240.580
Trade and other payables – non group	42.399.285	-	-
Derivatives financial instruments	25.822	-	-

4.2. Capital risk management

Grupo Pestana's goal in relation to capital management, which is a broader concept than the capital reflected in the Consolidated statement of financial position, is to maintain an optimal capital structure, through the prudent use of debt.

The negotiation of financing is periodically analysed through the weighting of such factors as the cost of financing and the needs for investment.

In general, borrowings 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 term, being sufficient to meet the debt service and compensate the capital invested by the Shareholder.

Before the beginning of each year, detailed budgets are prepared by business unit which, that after being approved, will guide its 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 2022 and 2021 were as follows:

	31-12-2022	31-12-2021
Total borrowings	301.723.110	345.209.179
Total lease liabilities	152.338.538	146.878.464
Less: cash and cash equivalents	169.825.003	74.138.656
Net debt	284.236.645	417.948.987
Equity	361.156.582	287.035.966
Total capital	645.393.227	704.984.953
Gearing	44%	59%

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

	31-12-2022	31-12-2021
Total borrowings	301.723.110	345.209.179
Lease liabilities	152.338.538	146.878.464
Less: cash and cash equivalents	169.825.003	74.138.656
Net debt	284.236.645	417.948.987
Adjusted equity	476.966.234	412.162.625
Total capital	761.202.879	830.111.612
Adjusted gearing	37%	50%

4.3. Accounting for derivative financial instruments

As at 31 December 2022 and 2021, and whenever appropriate, Grupo Pestana has hedged its economic exposure to cash flows from existing borrowing through the negotiation of interest rate swaps.

If no hedge designation is made for a derivative financial instrument it is classified as trading.

5. Main accounting estimates judgments

The estimates and judgments that have an impact on Grupo Pestana'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, being different from the estimated amounts. The key estimates and judgments that have a significant risk of causing a material adjustment to the net book value of assets and liabilities in the following year are as follows:

5.1. Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, Grupo Pestana assesses whether it is exposed to, or has rights over, variable returns from its involvement with the investee and if it has the ability to affect those returns through its power over the investee (“de facto” control).

This assessment requires the use of judgement, assumptions and estimates in order to determine whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

Other judgements could lead to a different consolidation perimeter of the Group, with direct impact on the Consolidated financial statements.

5.2. Tangible fixed 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 each year in the Consolidated income statement.

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.

5.3. Leases

Extension and termination options present in lease contracts were considered in the calculation of Lease liabilities for several of the Group’s building and equipment leases. In determining lease terms, the Group considers all facts and circumstances which create an economic incentive to exercise, or not, an extension or termination option. Extension options (or periods after extension options) are only included in lease terms which are reasonably certain to be extended (or not terminated).

5.4. Impairment of non-financial assets

The determination of whether a potential impairment loss exists may be triggered by the occurrence of various events, many of which are beyond Grupo Pestana’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 judgment by the Board of Directors regarding the identification and evaluation of different impairment triggers, expected cash flows, applicable discount rates and useful lives. Grupo Pestana’s results obtained in this sector, for the last 50 years, are, however, a good indicator to assess the estimates that have been used.

5.5. Provisions

Grupo Pestana periodically reviews potential liabilities arising from past events and that should be recognized or disclosed.

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

5.6. Income taxes

Judgement is required in determining the Group's provision for income tax. For certain transactions the ultimate tax determination is uncertain, requiring judgement for the accounting or disclosure of the uncertain positions.

Deferred tax assets related to carry forward losses were assessed taking into consideration the existence of deferred tax liabilities and/or future taxable profit, under the same tax authority, as well as the existence of any restriction to their deductibility.

6. Tangible fixed assets

During the year ended as at 31 December 2022 and 2021 the movements occurred in Tangible fixed assets are as follows:

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	TOOLS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCCION	TOTAL
AS AT 1 JANUARY 2022									
Acquisition cost	128.026.671	1.024.915.426	260.696.741	6.836.760	18.474.755	622.791	13.313.515	25.722.476	1.478.609.136
Accumulated depreciation	-	(530.577.692)	(201.772.781)	(5.925.471)	(17.924.773)	(593.464)	(9.310.997)	-	(766.105.178)
Accumulated impairment	-	(5.741.335)	(45.754)	-	(139)	(275)	-	-	(5.787.503)
Net book value	128.026.671	488.596.399	58.878.206	911.289	549.843	29.052	4.002.518	25.722.476	706.716.455
Changes in 2022									
Additions	-	23.663.748	5.120.458	344.172	199.938	1.289	2.037.227	11.931.612	43.298.444
Disposals - acquisition cost	(5.060.138)	(27.315.850)	(3.907.264)	(49.773)	(198.274)	-	(242.408)	(2.331.604)	(39.105.312)
Disposals - accumulated depreciation	-	2.187.318	1.070.707	49.773	182.942	(2)	215.746	-	3.706.484
Write-offs - acquisition cost	-	(51.912)	(98.052)	-	(949)	(638)	-	-	(151.551)
Write-offs - accumulated depreciation	-	27.697	52.298	-	810	363	-	-	81.168
Write-offs - accumulated impairment	-	24.215	45.754	-	139	275	-	-	70.383
Transfers	-	88.078	638.827	-	-	-	-	(726.905)	-
Depreciation	-	(32.009.377)	(8.340.962)	(497.901)	(270.206)	(9.935)	(926.882)	-	(42.055.263)
Impairment - charge	-	(432.105)	-	-	-	-	-	-	(432.105)
Impairment - reversal	-	3.242.944	-	-	-	-	-	-	3.242.944
	(5.060.138)	(30.575.245)	(5.418.234)	(153.729)	(85.600)	(8.648)	1.083.683	8.873.103	(31.344.808)
AS AT 31 DECEMBER 2022									
Acquisition cost	122.966.533	1.021.299.490	262.450.710	7.131.159	18.475.470	623.442	15.108.334	34.595.579	1.482.650.717
Accumulated depreciation	-	(560.372.054)	(208.990.738)	(6.373.599)	(18.011.227)	(603.038)	(10.022.133)	-	(804.372.789)
Accumulated impairment	-	(2.906.281)	-	-	-	-	-	-	(2.906.281)
Net book value	122.966.533	458.021.155	53.459.972	757.560	464.243	20.404	5.086.201	34.595.579	675.371.647

Notes to the consolidated
financial statements

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	TOOLS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCCION	TOTAL
AS AT 1 JANUARY 2021									
Acquisition cost	125.429.446	991.725.593	256.370.553	6.616.960	18.278.452	622.856	12.473.684	51.851.548	1.463.369.093
Accumulated depreciation	-	(499.647.985)	(193.350.264)	(5.530.965)	(17.650.254)	(583.992)	(8.859.425)	-	(725.622.885)
Accumulated impairment	-	(7.378.931)	(88.615)	-	(1.085)	(509)	-	-	(7.469.140)
Net book value	125.429.446	484.698.677	62.931.674	1.085.995	627.113	38.355	3.614.259	51.851.548	730.277.068
Changes in 2021									
Additions	-	6.782.134	2.205.708	405.210	124.504	541	1.161.018	6.181.831	16.860.946
Disposals - acquisition cost	(18.372)	(683.473)	(168.149)	(173.246)	(26.495)	-	(318.927)	-	(1.388.662)
Disposals - accumulated depreciation	-	207.396	63.410	173.246	26.476	-	305.239	-	775.767
Write-offs - acquisition cost	-	(623.363)	(212.198)	(12.164)	(9.605)	(606)	-	-	(857.936)
Write-offs - accumulated depreciation	-	574.716	171.266	12.164	8.658	372	-	-	767.176
Write-offs - impairment	-	8.750	42.861	-	946	234	-	-	52.791
Transfers from Inventories	110.681	515.014	-	-	-	-	-	-	625.695
Transfers	2.504.916	27.199.521	2.500.827	-	107.899	-	(2.260)	(32.310.903)	-
Depreciation	-	(31.711.819)	(8.657.193)	(579.916)	(309.653)	(9.844)	(756.811)	-	(42.025.236)
Impairment - reversal	-	1.628.846	-	-	-	-	-	-	1.628.846
	2.597.225	3.897.722	(4.053.468)	(174.706)	(77.270)	(9.303)	388.259	(26.129.072)	(23.560.613)
AS AT 31 DECEMBER 2021									
Acquisition cost	128.026.671	1.024.915.426	260.696.741	6.836.760	18.474.755	622.791	13.313.515	25.722.476	1.478.609.136
Accumulated depreciation	-	(530.577.692)	(201.772.781)	(5.925.471)	(17.924.773)	(593.464)	(9.310.997)	-	(766.105.178)
Accumulated impairment	-	(5.741.335)	(45.754)	-	(139)	(275)	-	-	(5.787.503)
Net book value	128.026.671	488.596.399	58.878.206	911.289	549.843	29.052	4.002.518	25.722.476	706.716.455

During the year ended as at 31 December 2022 and 2021, the movements occurred in Right of use assets, by asset type, are as follows:

	BUILDINGS AND OTHER CONSTRUCIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
AS AT 1 JANUARY 2022				
Acquisition cost	222.367.946	931.035	2.406.191	225.705.172
Accumulated depreciation	(99.477.077)	(788.668)	(1.912.673)	(102.178.418)
Accumulated impairment	(3.425.896)	-	-	(3.425.896)
Net book value	119.464.973	142.367	493.518	120.100.858
Changes in 2022				
Additions	18.272.168	784.753	155.889	19.212.810
Write offs – acquisition cost	(27.697)	-	-	(27.697)
Write-offs – accumulated depreciation	27.697	-	-	27.697
Depreciation	(12.091.906)	(295.195)	(402.874)	(12.789.975)
Impairment – charge	(432.105)	-	-	(432.105)
Impairment – reversal	2.417.944	-	-	2.417.944
	8.166.101	489.558	(246.985)	8.408.674
AS AT 31 DE DECEMBER DE 2022				
Acquisition cost	240.612.417	1.715.788	2.562.080	244.890.285
Accumulated depreciation	(111.541.286)	(1.083.863)	(2.315.547)	(114.940.696)
Accumulated impairment	(1.440.057)	-	-	(1.440.057)
Net book value	127.631.074	631.925	246.533	128.509.532
AS AT 1 JANUARY 2021				
Acquisition cost	219.739.843	833.590	2.045.607	222.619.040
Accumulated depreciation	(88.230.948)	(703.591)	(1.438.568)	(90.373.107)
Accumulated impairment	(5.054.742)	-	-	(5.054.742)
Net book value	126.454.153	129.999	607.039	127.191.191
Changes in 2021				
Additions	3.206.010	97.445	372.748	3.676.203
Write offs – acquisition cost	(577.907)	-	(12.164)	(590.071)
Write-offs – accumulated depreciation	538.009	-	12.164	550.173
Depreciation	(11.784.138)	(85.077)	(486.269)	(12.355.484)
Impairment – reversal	1.628.846	-	-	1.628.846
	(6.989.180)	12.368	(113.521)	(7.090.333)
AS AT 31 DECEMBER 2021				
Acquisition cost	222.367.946	931.035	2.406.191	225.705.172
Accumulated depreciation	(99.477.077)	(788.668)	(1.912.673)	(102.178.418)
Accumulated impairment	(3.425.896)	-	-	(3.425.896)
Net book value	119.464.973	142.367	493.518	120.100.858

Additions excluding Right of use assets and Assets under construction

The main additions in 2022 refer to:

- Acquisition of glass bottles for the beverage industry in the amount of approximately 1.700.000 Euros;
- Renovation of a wing of Pestana Cidadela de Cascais for the construction of 7 additional rooms and a parking lot in the amount of approximately 1.685.000 Euros;
- Renovation of Pestana Casino Park in the amount of approximately 900.000 Euros;
- Renovation of 17 rooms of Pestana D. João II Villas in the amount of approximately 820.000 Euros;
- Renovation of Pestana Porto Santo in the amount of approximately 630.000 Euros;
- Acquisition of a biomass boiler for the beverage business, an equipment intended for the production of steam and hot water using industrial waste to support energy generation. The amount spent in 2022 was 540.000 Euros;
- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.4) amounted to approximately 1.980.000 Euros (2021: around 1.330.000 Euros);
- The remaining additions refer mainly to other renovations, rehabilitations, and the acquisition of equipment necessary to the normal operation of the Group's hotel units.

The main additions in 2021 refer essentially to:

- Completion of Pestana Fisherman Village – Câmara de Lobos Boutique hotel, a new luxury four-star hotel located in the emblematic historic center of Câmara de Lobos. The hotel has 42 rooms and started its activity in August 2021, located in two buildings, fully refurbished, maintaining its original architectural features of the old Municipal building of Beautiful Tower. The total investment was 2.280.000 Euros, of which 1.062.000 Euros in 2021. For this asset, the Group entered into a 50-year lease agreement with the owner of the property that implies the payment of an annual fixed rent;
- Completion of the construction of Pousada do Porto – Rua das Flores, a 4-star tourist development of 4 in the historic center of Oporto with 84 rooms and suites, resulting from the refurbishment of a building acquired in 2018 for 8.000.000 Euros, and which was in a high state of degradation. Including the acquisition cost, a total of 15.300.000 Euros was invested, of which 610.000 Euros occurred in 2021. This unit opened in October 2021;
- The Pestana Douro hotel refers to the rehabilitation of a building acquired in 2018 in Oporto for a new 165-key hotel with a privileged view over the Douro river located in the old floral soap factory next to Pestana Palácio do Freixo. This project was completed in April of 2021 and opened in April 2022. The Group's total investment was approximately 15.990.000 Euros, of which 214.000 Euros occurred in 2021.

Right of use asset additions

As at 31 December 2022 and 2021, right of use assets refer, mainly, to buildings and other constructions as presented in Note 25.

In 8 April 2022, Grupo Pestana celebrated a new contract with Enatur – Empresa Nacional de Turismo, S.A. for the concession of a vacant building, Valadares Palace, in Chiado, Lisbon, to explore a new Pousada. The contract was celebrated for 30 years, with an automatic renovation for 20 years, starting 7 months after the date of the use licence, which is estimated to take 2,5 years to obtain. This contract has a fixed payment, annually updated according to the rent index, and variable payments based on total sales. The Right of use asset and the lease liability at the commencement date was 14.066.707 Euros.

In 21 July 2022 a new amendment to the concession contract of Pestana Cidadela de Cascais that allowed for the expansion of this unit to another 7 rooms was celebrated. The total rooms explored by the Group after this increase is 134 rooms, as well as 25 parking spots. Following this amendment to the contract, the impact on the Right of use asset and lease liability was 1.988.303 Euros. Construction costs for the 7 additional bedrooms and the car park amounted to approximately 1.685.000 Euros

The remaining additions of Right of use assets in 2022 are essentially related to the updating of the rent value according to inflation, including the extension of the term of some contracts.

A promissory purchase agreement was signed in December 2021 for the lot where ECM – Empresa de Cervejas da Madeira, Lda.'s factory is built for 2.952.320 Euros. The Group paid 20% of the price as a down payment, in the amount of 590.464 Euros. The promissory purchase agreement defines a set of conditions for the execution of the public deed which the Group is not responsible for. If these conditions are not fulfilled until as many months have passed as correspond to the value of the down payment counting from the date of signature of this agreement, the previous agreement of promise of constitution of surface rights is reinstated and the down payment will be written off as a payment for the rents during this period which is approximately 5 years.

As the execution of the public deed is conditioned, the Group maintains the existing right of use. The down payment in the amount of 590.464 Euros was considered an anticipation of the Lease liability's cash flow and therefore a lease modification was registered by discounting the revised lease payments using a revised discount rate. The impact of the remeasurement of the Lease Liability amounts to 1.176.000 Euros.

In 2021, the right-of-use contracts for Pestana Colombos and Pestana Ilha Dourada were also renewed, with the respective terms being extended to October 2023 and May 2024 and with a total impact of 1.721.537 Euros.

Additions of Right of Use assets in 2021 essentially result from adjustments made to reflect changes to the lease payments resulting from a change in the Consumer Price Index as well as the extension of the term of some lease contracts.

Disposals

In 2022, disposals refer mainly to Pestana Blue Alvor All Inclusive for 76.725.000 Euros, which resulted in a gain of 40.002.992 Euros (Note 31). Although relevant to the profit of 2022, this sale was only concluded because it was considered a very positive opportunity for the Group. Grupo Pestana paid a fixed rent (Note 29) to maintain the operation of this hotel until November, which was the moment the Group delivered the hotel to its new owners.

In 2022, disposals also include 10 apartments of Pestana Gramacho Residences, in Algarve, disposed for the amount of 1.266.580 Euros and obtaining a gain of 719.714 Euros. (Note 31). In 2021, 3 apartments from Pestana Gramacho Residences were sold by 449.380 Euros, obtaining a gain of 187.200 Euros (Note 31).

Transfers from Inventories

In 2021, the transfer from Inventories refers to Silves Golf Resort's Clubhouse in the amount of 625.695 Euros.

Transfers

The transfers in 2021 refer to the hotels Pestana Fisherman, Pousada do Porto – Flores and Pestana Douro Riverside, which were under construction in the previous year and became available for use in 2021.

Assets under construction

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

	2022	2021
Pestana Dunas project (Porto Santo)	8.561.640	8.399.072
Quinta da Amoreira project (Algarve)	6.345.437	6.345.437
Land located north of Gramacho (Algarve)	4.602.701	2.278.136
Rua Augusta project (Lisbon)	4.354.552	1.567.454
Pousada de Alfama (Lisbon)	2.869.559	755.704
Pestana Vintage Porto expansion project (Oporto)	2.558.766	1.416.941
Pestana Delfim remodelation project (Algarve)	1.949.096	-
Golf course project (Algarve)	1.199.852	1.199.852
Pousada do Chiado – Valadares Palace (Lisbon)	592.780	-
Praia Formosa land (Madeira)	404.649	2.170.628
Others	1.156.547	1.589.252
	34.595.579	25.722.476

Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 beds and a total area of 60.000 m². The licence for architecture and construction was obtained in 2022 and will be built with innovative and more environmentally sustainable techniques. Pestana Dunas will confine with Pestana Porto Santo on the west and the proximity will allow for concentration and optimization between operations. The construction will be carried out in phases, starting in 2023, with the construction of 198 rooms, reception and swimming pool, with an estimated investment of 19.200.000 Euros for this phase.

Quinta da Amoreira refers to a pre-project for a 98-apartment apart-hotel in a plot of land in the Alvor region in Portimão (Algarve).

The land located north of Gramacho has a total area of approximately 100 ha. Following the development of the real estate project on the land on the north side of the road which connects Gramacho to Vila de Ferragudo, a change in the Urbanisation Plan for UPG-1 of UP1 from Ferragudo to Calvário – Lagoa was approved, granting Grupo Pestana a total building area of 39,760 sqm for the development of a new real estate project. With this urbanisation plan alteration, the Group presented the required projects to the City Hall to licence the construction of 303 villas and apartments with a construction area of 39,671 m² (Note 15). In 2022, the construction for an 18-hole golf course and a club house began and it is expected to be concluded in 2024 with total investment of 2.900.000 Euros.

The hotel in Rua Augusta, in Lisbon, relates to the refurbishment and construction of a new 4-star hotel unit with 89 rooms in Lisbon and with an expected investment in the amount of 7.750.000 Euros. The total investment so far is 4.354.552 Euros, of which 2.787.098 Euros were in 2022. The expected opening date for this new hotel is the first semester of 2023.

Pousada de Alfama concerns the construction of a new 4-star Pousada on Rua São Tomé, in Alfama, Lisbon, with 39 rooms. This unit has an underlying lease contract signed in 2019 for a 27-year period. The total expected investment amounts to 3.000.000 Euros and is expected to open in the first semester of 2023.

The Pestana Vintage Porto expansion project concerns the expansion of this unit through the acquisition of adjacent buildings with the aim of increasing the capacity of this unit. In 2022, the Group acquired a building in the amount of 1.137.150 Euros. It also signed a promissory contract for the acquisition of another building in the same area for 815.480 Euros, having paid a down payment of 114.000 Euros. For this building there is a lease agreement in force until the year 2029. In 2021, two buildings closer to the current hotel had already been acquired, on the same area, for the amount of 1.416.941 Euros

The renovation project of Pestana Delfim, in Algarve, is focused on modernizing this unit and to convert to an all-inclusive hotel. The total investment is expected to be 10.000.000 Euros divided into two phases. The first phase concerns the refurbishment of the rooms and is expected to be completed by the end of June 2023. The second phase is related to the renovation of the common areas, the improvement of existing spaces and the creation of new leisure areas, whose completion is scheduled for the first semester of 2024.

The Golf course project is related to a 20-ha land surrounding the hotels Pestana Alvor Praia and Pestana Delfim. Given its location, near Alvor beach, and aiming towards the diversification of services offered, the Group intends to construct a 9-hole golf course in the future.

Pousada Chiado – Valadares Palace relates to the acquisition of a store which will be part of the new hotel unit under “Pousada” brand, located in Chiado, Lisbon. This acquisition was following the new contract, explained above, celebrated between Enatur – Empresa Nacional de Turismo, S.A. and Grupo Pestana for 50 years.

In October 2022, the Group disposed of a land in Praia Formosa for the amount of 1.770.947 Euros to Quanlux, S.A..

Assets which are reversible to the State

Grupo Pestana recognizes in its financial statements assets related with the concession of the Pousadas de Portugal network and with gambling activities, which are reversible to the State at the end of the respective concessions without the right to any consideration. The net value of these assets as at 31 December 2022 is 5.188.821 Euros (2021: 6.775.118 Euros), and their useful life corresponds to their economic life or to the concession term, whichever is shorter.

Under the exploration assignment agreement, due to the units that were withdrawn from the Pousadas network in the last few years, the Group has now, as a definitive compensation without any conditions, an additional period of 3 years, with the guaranteed minimum term of this contract being extended to 31 December 2026.

Additionally, due to the cancellation by the competent entities of the financing operation of the Pousada da Serra da Estrela to Enatur, with the need already materialised to reintegrate the amounts of the Community funds in respect of the installation of the Pousada to the Portuguese State, and under this contract, Enatur has recognised in 2019 the Group's right to compensation for a period of 5,8 years. This recognition is subject to the resolute condition that Enatur wins the lawsuit brought against the Portuguese State for the return of said sums, since it acted in good faith at the time when it signed the respective contracts.

Considering the maximum limit for compensations foreseen in the exploration assignment agreement, the Group will only extend the contract to 31 December 2028. In the preparation of the Consolidated financial statements in 2019 the useful lives of the tangible fixed assets associated with the concession of the Pousada's network were revised since Enatur did not recognise in its own financial statements the reimbursement of the lawsuit brought against the State.

Impairment

Grupo Pestana has historically made very prudent investments, generally having a reduced cost per room in its fixed assets. Additionally, a significant part of these same assets has been revalued under IFRS 1 in 2010, with reference to the respective fair value as of 31 December 2008, but using real cash flows from 2009 and 2010 and with budgets for 2011, in full economic and financial crisis. All of these assets have depreciated since then.

In 2022 and 2021 all impaired assets were analysed as well as those that with external or internal indicators of impairment based on the following hierarchy: market indicators, external assessments, and internal assessments. When appropriate, internal evaluations were carried out in accordance with the discounted cash flow method, which reflects the best expectation at the time of the activity's evolution for the next 5 years, considering a growth rate in perpetuity of about 2% and using discount rates between 5,5% and 10% reflecting the risk and return expected by stakeholders.

Based on this approach, in 2022 the impairment losses on Pestana Quinta do Arco Nature & Rose Garden, Pestana Ilha Dourada in the amounts of 2.218.404 Euros and 199.540 Euros, respectively and Madeira Magic were reversed in the amounts of 825.000 Euros. In 2022, there was also an impairment loss on Pestana Colombos of 432.105 Euros, whose contract ends in 2023, with no renewal forecast for this date. In 2021 the impairment loss on Pestana Quinta do Arco Natures & Rose Garden hotel's building, in Madeira, in the amount of 1.628.846 Euros was reversed.

Sensitivity analyses were performed on the internal valuation model, with the following assumptions: (i) in a pessimistic scenario with an increase in the WACC rate of 0.5% and simultaneously reductions in cash flows of 10%, as well as: (ii) in an optimistic scenario of maintaining the WACC rate and increasing cash flows by 10%, none of which has been considered as probable to occur. If we had used the assumptions under the pessimistic scenario accumulated impairment losses recognized as at 31 December 2022 would have increased by 1.030.000 Euros (2021: 390.000 Euros) and under the optimist scenario would have decreased by 608.000 Euros (2021: 450.000 Euros).

7. Intangible assets

During the year ended as at 31 December 2022 and 2021 the movements occurred in Intangible assets are as follows:

	GOODWILL	WEBSITE E SOFTWARE	TOTAL
AS AT 1 JANUARY 2022			
Acquisition cost	9.500.000	617.125	10.117.125
Accumulated amortization	-	(568.821)	(568.821)
Accumulated impairment	-	-	-
Net book value	9.500.000	48.304	9.548.304
Changes in 2022			
Additions	-	17.613	17.613
Amortization	-	(20.992)	(20.992)
	-	(3.379)	(3.379)
AS AT 31 DECEMBER 2022			
Acquisition cost	9.500.000	634.738	10.134.738
Accumulated amortization	-	(589.813)	(589.813)
Accumulated impairment	-	-	-
Net book value	9.500.000	44.925	9.544.925

	GOODWILL	WEBSITE E SOFTWARE	TOTAL
AS AT 1 JANUARY 2021			
Acquisition cost	9.500.000	611.625	10.111.625
Accumulated amortization	-	(549.801)	(549.801)
Accumulated impairment	-	-	-
Net book value	9.500.000	61.824	9.561.824
Changes in 2021			
Additions	-	5.500	5.500
Amortization	-	(19.020)	(19.020)
	-	(13.520)	(13.520)
AS AT 31 DECEMBER 2021			
Acquisition cost	9.500.000	617.125	10.117.125
Accumulated amortization	-	(568.821)	(568.821)
Accumulated impairment	-	-	-
Net book value	9.500.000	48.304	9.548.304

In June 2016, and following the corporate restructuring of Grupo Pestana, focusing on the subsidiary M.&J. Pestana, S.A. the financial investments held in the Autonomous Region of Madeira and in the Autonomous Region of the Azores, the single quota of Empresa de Cervejas da Madeira, Sociedade Unipessoal, Lda was acquired, resulting in the recognition of goodwill. As at 31 December 2022 and 2021, goodwill is 9.500.000 Euros.

The recoverability of goodwill is assessed on an annual basis with reference to 31 December, irrespective of the existence of indicators of loss of value. The recoverable amount was determined based on the value in use of the assets, calculated using the discounted cash flow valuation methodology, considering the market conditions, the value of the budgets set and approved by the Board, a growth rate in perpetuity of 2% and a discount rate between 5,75% and 8% that Grupo Pestana considers that reflects the best estimate of the associated specific risks.

A sensitivity analysis of the valuation model was performed considering a pessimistic scenario of an increase in the WACC rate by 0,5% and a 10% decrease in cash flows. On the application of this pessimistic scenario, the risk of a partial non-recoverability of goodwill as at 31 December 2022 would be 350.000 Euros.

8. Investment properties

During the year ended as at 2022 and 2021 the movements occurred in Investment properties are as follows:

	2022	2021
AS AT 1 JANUARY		
Acquisition cost	9.153.104	9.966.592
Accumulated depreciation	(2.947.778)	(3.008.830)
Accumulated impairment	(58.561)	(54.369)
Net book value	6.146.765	6.903.393
Disposals – acquisition cost	(963.180)	(813.488)
Disposals – accumulated depreciation	–	149.788
Depreciation	(72.266)	(88.736)
Impairment – charge	–	(4.192)
	(1.035.446)	(756.628)
AS AT 31 DECEMBER		
Acquisition cost	8.189.924	9.153.104
Accumulated depreciation	(3.020.044)	(2.947.778)
Imparidade acumulada	(58.561)	(58.561)
Net book value	5.111.319	6.146.765

As at 31 December 2022 and 2021 the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

In January 2022, the Group signed an irrevocable purchase and sale agreement for the land located in Angra dos Reis, Brazil, for the price of 11.450.000 Reais (1.781.131 Euros), obtaining a gain on the sale of 818.230 Euros (Note 31). The Group received the amount of 10.606.475 Reais (1.558.203 Euros), which is net of sales commission and income tax paid in Brazil by the buyers on behalf of Grupo Pestana. The public deed was celebrated in July 2022.

Disposals in 2021 refer to the sale of two houses located in São Gonçalo, Funchal, for 279.000 Euros and 330.000 Euros, with a gain of 27.767 Euros (Note 31) and a loss of 55.362 Euros (Note 32), respectively.

As at 31 December 2022 and 2021 Investment properties are mainly leased or intended to be leased and are detailed as follows:

	2022	2021
Commercial properties leased to third parties, Algarve	2.632.728	2.702.744
Funchal land, Madeira	2.342.455	2.342.455
Angra dos Reis land, Brazil	–	962.901
Others	136.136	138.665
	5.111.319	6.146.765

As at 31 December 2022 and 2021 the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

Amounts recognized in the Consolidated income statement concerning Investment properties are as follows:

	2022	2021
Rents obtained	231.992	201.756
Operating expenses	(43.569)	(42.993)
Depreciation	(72.266)	(88.736)
	116.157	70.027

9. Investments in joint ventures

The movements occurred in Investments in joint ventures during 2022 and 2021 are as follows:

	2022	2021
AS AT 1 JANUARY	3.325.404	4.535.112
Disposals (Note 39)	(844.508)	(1.625.000)
Gains/(Losses) from equity accounting (Note 33)	186.655	(84.708)
Share capital increases	-	250.000
Accessory contributions granted	-	250.000
AS AT 31 DECEMBER	2.667.551	3.325.404

Within the scope of the corporate reorganization project of the joint venture subsidiaries with Cristiano Ronaldo dos Santos Aveiro, on 23 November 2022, Grupo Pestana sold its investments in Pestana CR7 Madeira, to Pestana CR7 Holding, S.A., for a total amount of 1.125.000 Euros. With the scaling gains this company was incorporated with the aim of centrally monitoring the companies in Funchal, Madrid, Marrakech, and Manchester.

In March 2021, a share capital increase was realised in Pestana CR7 – Madeira Investimentos Turísticos, S.A., in the amount of 250.000 Euros, thus reinforcing the permanent capital of the investee to face its current liabilities. Accessory capital contributions were also made to Pestana CR7 – Lisboa Hotel Investimentos Turísticos, S.A., in the amount of 250.000 Euros.

In December 2021, Pestana CR7 Madeira, S.A. merged the hotel business in Portugal resulting from the partnership between Cristiano Ronaldo and Grupo Pestana, acquiring the right to use the asset Pestana CR7 Lisboa Lifestyle, with effect on 1 January 2022. For this asset, the Company entered into a lease agreement with the owner of the property for a period of 15 years, contemplating the payment of an annual fixed rent. Additionally, the property owner proceeded to the definitive transfer of the commercial establishment of Pestana CR7 Lisboa Lifestyle, with effect from 1 January 2022, with the equipment of the hotel continuing to be held by the property owner.

On 21 December 2021, the Group sold its investment in Pestana CR7 – Lisboa, S.A. for 6.713.711 Euros, as well as the accessory contributions granted at their nominal value of 1.625.000 Euros. The disposed shares were sold to the other partner, CR7 Lifestyle Unipessoal, Lda. for a total price of 8.338.711 Euros, with a gain of 6.713.711 Euros (Note 33). The investment was sold to the other Shareholder of the said entity, CR7 Lifestyle Unipessoal, Lda.

On December 2015, a Joint Venture Framework Agreement had been signed between Grupo Pestana and Cristiano Ronaldo dos Santos Aveiro with the aim of promoting, developing and exploring several hotel units. Accordingly, Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A., were incorporated, owned in 50% by Grupo Pestana, promoting the partnership “Pestana CR7” in Madeira. A set of decisions over the relevant activities that require the consent of both parties were defined, namely: approval of the business plan, the strategic plan and the annual budget; appointment of entity’s representative to participate in general meetings of its subsidiaries and determination of the entity’s vote; acquisition, disposal and charge of assets and contracting of bank financing of an amount higher than the predefined amount and not made within the ordinary course of business and not provided for in the annual budget; delegation of powers within the ordinary course of business to one or more directors or to an executive committee; incorporation of subsidiaries, creation of branches and creation of, or participation in, other forms of representation or corporate cooperation; subscription, acquisition and disposal of shareholdings or membership interests in other companies; approval and modification of any reward schemes, profit participation; the extension of the entity’s business purpose to other activities other than the operation of the project; and advance of profits, among others.

As at 31 December 2022 Investments in joint ventures refer to the following entities:

Entity	% OWNE	FINANCIAL INVESTMENTS			ACCESSORY CONTRIBUTIONS			TOTAL INVESTMENT
		EQUITY METHOD	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	
Solpor – Sociedade de Turismo do Porto Santo Lda.	50,00%	2.237.551	–	2.237.551	430.000	–	430.000	2.667.551
		2.237.551	–	2.237.551	430.000	–	430.000	2.667.551

As at 31 December 2021 Investments in joint ventures refer to the following entities:

Entity	% OWNE	FINANCIAL INVESTMENTS			ACCESSORY CONTRIBUTIONS			TOTAL INVESTMENT
		EQUITY METHOD	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	
Solpor – Sociedade de Turismo do Porto Santo Lda.	50,00%	2.238.213	–	2.238.213	430.000	–	430.000	2.668.213
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	50,00%	219.691	–	219.691	437.500	–	437.500	657.191
		2.457.904	–	2.457.904	867.500	–	867.500	3.325.404

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Investments in joint ventures in 2022 and 2021 is as follow:

	2022	2021	
	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.	PESTANA CR7 – MADEIRA HOTEL INVESTIMENTOS TURÍSTICOS, S.A.
Opening net assets as at 1 January	74.395	75.708	107.484
Profit for the period	(1.325)	(1.312)	(168.101)
Share capital increase	-	-	500.000
Closing net assets as at 31 December	73.070	74.395	439.383
Group's share %	50,00%	50,00%	50,00%
Group's share in value	36.535	37.198	219.691
Adjustment of purchase price allocation	2.201.015	2.201.015	-
Carrying amount as at 31 December	2.237.551	2.238.213	219.691

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

10. Investments in associates

The movements occurred in Investments in associates during 2022 and 2021 are as follows:

	2022	2021
AS AT 1 JANUARY	11.624.633	12.060.539
Gains from equity accounting (Note 33)	547.378	5.094
Perimeter changes (Note 39)	(464.805)	-
Repayment of loans granted	(268.173)	(441.000)
AS AT 31 DECEMBER	11.439.033	11.624.633

On 28 October 2022, Grupo Pestana acquired from third parties 50,19% of the shares of Albar – Sociedade Imobiliária do Barlavento, S.A. for the amount of 724.135 Euros, including 25.000 Euros of Accessory contributions acquired at their nominal value. From that date onwards, Albar – Sociedade Imobiliária do Barlavento, S.A. was fully consolidated (Notes 39).

In 2022 and 2021 Enatur – Empresa Nacional de Turismo, S.A. repaid loans granted in the amount of 268.173 Euros and 441.000 Euros, respectively.

As at 31 December 2022 the Investments in associates refer to the following entities:

Entity	% OWNED	EQUITY METHOD			LOANS GRANTED			TOTAL INVESTMENT	GOODWILL INCLUDED
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL		
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	10.805.613	-	10.805.613	138.420	-	138.420	10.944.033	3.837.382
Lean Company Ventures II, S.A.	10,00%	-	-	-	495.000	-	495.000	495.000	-
		10.805.613	-	10.805.613	633.420	-	633.420	11.439.033	3.837.382

As at 31 December 2021 the Investments in associates refer to the following entities:

Entity	% OWNED	EQUITY METHOD			ACCESSORY CONTRIBUTIONS			LOANS GRANTED			TOTAL INVESTMENT	GOODWILL INCLUDED
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL		
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	10.371.573	-	10.371.573	-	-	-	406.593	-	406.593	10.778.166	3.837.382
Lean Company Ventures II, S.A.	10,00%	-	-	-	-	-	-	495.000	-	495.000	495.000	-
Albar - Soc. Imob. do Barlavento, S.A.	49,81%	286.582	-	286.582	64.885	-	64.885	-	-	-	351.467	-
		10.658.155	-	10.658.155	64.885	-	64.885	901.593	-	901.593	11.624.633	3.837.382

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Associates in 2022 and 2021 is as follow:

	2022		2021		
	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.	LEAN COMPANY VENTURES II, S.A.
Opening net assets 1 January	55.499.970	949.590	57.500.706	1.131.102	389.775
Profit for the period	885.797	(187.655)	12.591	(2.161)	559.815
Other changes in equity	(1.645.260)	–	(2.013.328)	–	–
Closing net assets 31 December	54.740.507	761.935	55.499.970	1.128.941	949.590
Group's share in %	49,00%	20,00%	49,00%	49,81%	20,00%
Group's share in value	26.822.848	152.387	27.194.985	562.326	189.918
Goodwill	3.837.382	–	3.837.382	–	–
Conversion to IFRS	(19.854.617)	–	(20.660.794)	–	–
Consolidation adjustments	–	(152.387)	–	(275.744)	(189.918)
Carrying amount 31 December	10.805.613	–	10.371.573	286.582	–

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

11. Financial assets at fair value through profit and loss

The movements occurred in Financial assets at fair value through profit and loss during 2022 and 2021 are as follows:

	2022	2021
1 JANUARY		
Acquisitions	7.698.928	5.939.627
Changes in fair value (Note 33)	9.460.572	671.448
Capital reimbursement	554.776	1.437.821
	(788.703)	(349.968)
31 DECEMBER	16.925.573	7.698.928

In 2022, Grupo Pestana S.G.P.S., S.A. and two subsidiaries subscribed 8.739 participation units in Iberis Bluetech Fund III, FCR for 9.001.170 Euros. This fund's policy is to invest in Research and Development (R&D) companies and projects, making this investment eligible under Portuguese tax incentives for Research and Development (SIFIDE II). The subsidiaries and Grupo Pestana S.G.P.S., S.A. will present the respective application until May 2023, which is expected to be approved by Agência Nacional de Inovação, S.A..

Also in 2022 Participation Units (UP's) of Faber Tech II – Fundo de Capital de Risco were subscribed for 459.402 Euros, having also undertaken the commitment to subscribe for another 750.000 UP's.

In 2021, the Group acquired 1.500.000 Participation Units (UP's) of Faber Tech II, FCR from Quanlux Unipessoal, Lda. which had subscribed the entire amount but only paid up the corresponding capital of 608.276 UP's until the date of the sale, in the amount of 608.276 Euros. Thus, the Group acquired on this date the 608.276 UP's for 608.276 Euros and took the responsibility for the payment of the remaining subscribed UP's in the amount of 891.724 Euros. In December, the Group paid up capital corresponding to 63.172 UP's in the amount of 63.172 Euros.

In 2022 changes in fair value corresponds to the valuation of the participation units based on the fund's quote of Iberis Bluetech Fund, FCR, EuVECA in the amount of 775.134 Euros and Faber Tech II, FCR in the amount of 44.307 Euros, respectively. The Iberis Bluetech Fund III had a devaluation of 264.965 in 2022. As at 31 December 2021, changes in fair value correspond to the valuation of the participation units based on the quote of Bluetech Fund in the amount of 711.761 Euros and of Faber Tech II in the amount of 848.764 Euros. In 2021, the negative change in fair value corresponds to the interest in Sociedade Turística Palheiro Golfe, S.A. in the amount of 122.704 Euros.

On May 2022, the Bluetech Fund, FCR, EuVECA made capital distributions without any redemption of participation units to its investors in the amounts of 788.703, in the form of a capital reduction and without any redemption of participation units. At the end of 2021, this same fund had already made two capital distributions to its subsidiaries, with the Group having received the total amount of 349.966 Euros, also in the form of a capital reduction and without any redemption of participation units.

The change in the fair value of Financial Assets at fair value through profit or loss was determined through the valuation of the investment units at the Fund's quotation at the end of the year. The quotation of this fund is classified in Level 2 of the fair value hierarchy (Note 13).

As at 31 December 2022 the Financial assets at fair value through profit and loss have the following detail:

Entity	% OWNED	FAIR VALUE
Iberis Bluetech Fund III, FCR	n.a.	8.736.205
Iberis Bluetech Fund, FCR, EuVECA	n.a.	6.018.033
Faber Tech II, FCR	n.a.	2.024.220
Others	-	147.115
		16.925.573

As at 31 December 2021 the Financial assets at fair value through profit and loss have the following detail:

Entity	% OWNED	FAIR VALUE
Iberis Bluetech Fund, FCR, EuVECA	n.a.	6.031.602
Faber Tech II, FCR	n.a.	1.520.511
Others	-	147.115
		7.698.928

12. Deferred tax assets and liabilities

As at 31 December 2022 and 2021 the balance recognized as Deferred taxes is presented in Consolidated statement of financial position at net value.

The impacts of the movements occurred in deferred taxes' items are as follows:

	2022	2021
Impact on income statement		
Deferred tax assets	(13.021.658)	(2.299.568)
Deferred tax liabilities	1.732.818	4.021.195
	(11.288.840)	1.721.627
Impact on equity		
Deferred tax assets	-	-
Deferred tax liabilities	(48.779)	-
	(48.779)	-
Net effect of deferred taxes	(11.337.619)	1.721.627

The tax rate applied to measure tax differences at the Consolidated statement of financial position date as at 31 December 2022 and 2021, ranges between 14,7% and 25,6%.

The movements occurring in Deferred tax assets for the years presented are as follows:

	RFAI AND SIFIDE	CARRY FORWARD TAX LOSSES	NET FINANCING CHARGES	IMPAIRMENT OF TANGIBLE FIXED ASSETS	LEASES	CONVENTIONAL SHARE CAPITAL REMUNERATION	OTHERS	TOTAL
1 JANUARY 2022	7.890.766	3.291.187	1.335.503	1.168.826	898.825	812.454	584.889	15.982.450
Constitution through income statement	78.636	-	-	-	71.404	-	350.874	500.914
Reversal through income statement	(7.890.766)	(3.276.229)	(1.335.503)	(725.478)	-	(294.596)	-	(13.522.572)
Changes on period	(7.812.130)	(3.276.229)	(1.335.503)	(725.478)	71.404	(294.596)	350.874	(13.021.658)
Offset of Deferred tax liabilities	78.636	14.958	-	443.348	970.229	517.858	935.763	2.960.792
	(78.636)	-	-	(443.348)	(970.229)	(517.858)	(935.763)	(2.945.834)
31 DECEMBER 2022	-	14.958	-	-	-	-	-	14.958

	RFAI AND SIFIDE	CARRY FORWARD TAX LOSSES	NET FINANCING CHARGES	IMPAIRMENT OF TANGIBLE FIXED ASSETS	LEASES	CONVENTIONAL SHARE CAPITAL REMUNERATION	OTHERS	TOTAL
1 JANUARY 2021	6.696.989	6.637.431	720.730	1.510.909	983.989	1.048.578	683.392	18.282.018
Impact of transition to IFRS 16	(2.264.530)	-	-	-	-	-	-	(2.264.530)
Constitution through income statement	4.433.790	-	614.773	-	-	22.890	-	5.071.453
Reversal through income statement	(975.483)	(3.346.244)	-	(342.083)	(85.164)	(259.014)	(98.503)	(5.106.491)
Changes on period	1.193.777	(3.346.244)	614.773	(342.083)	(85.164)	(236.124)	(98.503)	(2.299.568)
Offset of Deferred tax liabilities	7.890.766	3.291.187	1.335.503	1.168.826	898.825	812.454	584.889	15.982.450
	(7.626.332)	(3.120.824)	(1.335.503)	(1.168.826)	(898.825)	(812.454)	(584.868)	(15.547.633)
31 DECEMBER 2021	264.434	170.363	-	-	-	-	20	434.817

Investment and research & development (R&D) incentives

As of 31 December 2022, the remaining amount referring to deferred tax assets relating to the Portuguese incentives for investment (RFAI) and R&D (SIFIDE) acquired in previous years were fully recovered with all deferred taxes having been reversed in the amount of 7.555.110 Euros.

This includes 335.266 Euros not deducted from the 2019 and 2020 Pestana Alvor Blue incentive due to insufficient taxable profit. As a result of the sale of Pestana Alvor Blue, which had been considered as a relevant investment for Investment incentive RFAI between 2017 and 2020, the amount of 3.022.369 Euros must be repaid to the Portuguese tax authority since the minimum period for holding the asset for 5 years was not met. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros (Note 17).

As of 31 December 2021 due to the fact that it was not possible to deduct the entire tax benefit related to RFAI, deferred tax assets were recorded in the amounts of 1.282.429 Euros.

In 2021, the Group verified that its tax situation referring to the periods of 2020 and 2019 did not fully reflect the applicable tax benefits generated within the scope of the activities developed, since, for two of its subsidiaries, the appropriate deduction of the tax benefit generated under the appropriate deduction of the tax benefit generated under RFAI, solely and exclusively due to the methodology then adopted for calculation purposes, namely in relation to the application of the deduction rate to be applied to the relevant investments depending on their geographic location. Thus, a total amount of missing deductions of 2.653.285 Euros was calculated for the years of 2020 (1.351.849 Euros) and 2019 (1.301.436 Euros), having proceeded in November 2021 to the replacement of the 2020 corporate income tax declaration and in December 2021 submitted an addendum to the gracious complaint for 2019, previously filed in 2020. For these amounts, since at that date it was not possible to deduct the full tax benefit related to RFAI, deferred tax assets were recorded in the amount of 2.653.285 Euros. On 31 December 2021, part of the RFAI for the year 2020 in the amount of 763.825 Euros was deducted.

Also in 2021, in the sphere of the company Empresa de Cervejas da Madeira Lda., two applications were accepted within the scope of SIFIDE-RAM (Tax Incentives for Research and Development in the Autonomous Region of Madeira), with these approvals only being communicated by the Regional Association for the Development of Research, Technology and Innovation on 29 June 2021 and 17 November 2021, confirming the allocation of tax credits in the amounts of 286.418 Euros and 211.658 Euros, respectively, related to the years of 2019 and 2020 and that will be used in the sphere of the tax group. For the amount referring to 2019, an addendum to the administrative appeal of 2019, previously presented in 2020, was presented. The content of this addendum was acceded by the Tax Authorities. So that this tax credit could be considered in the assessment of that year, a deferred tax asset was recorded in the amount of 286.418 Euros. The amount referring to 2020 was fully deducted from the Group's tax payable for the year of 2021, in the amount of 211.658 Euros.

Carry forward tax losses

As of 31 December 2022, with the recovery of the activity of the companies that make up the tax consolidation (RETGS), a taxable profit was calculated, which was deducted from all deferred taxes remaining from tax losses generated in 2020, in the amount of 3.199.844 Euros. In May 2022, with the submission of the Group's corporate income tax statement, it was verified that the taxable income for 2021 was lower by 106.206 Euros, and on that date the reversal of the corresponding deferred tax asset was annulled. The remaining tax losses relate to the remaining subsidiaries not covered by the tax consolidation.

As of 31 December 2021, Grupo Pestana's results already started to recover, having determined a tax profit from which part of the tax losses generated in 2020, in the amount 3.223.915 Euros, have been deducted. Consequently, deferred tax assets in the same amounts were reversed. In May 2021, with the submission of the Group's corporate income tax form, it was found that the tax loss of 2020 was lower by 122.329 Euros, and on that date the corresponding deferred tax asset was reversed.

Net financing charges

In 2022, it was verified that all net financing costs for the period were deductible for tax purposes and that the result before depreciation, amortization, net financing costs and taxes, calculated for tax purposes, also allowed for the deduction of net financing costs which had not been accepted in the years 2021 and 2020. Accordingly, the respective deduction was made from the Group's taxable profit and the corresponding deferred tax was reversed in the amount of 1.335.503 Euros. In 2021, deferred tax assets amounting to 614.773 Euros were recorded, which could be deductible up to the fifth subsequent tax period.

Impact of transition to IFRS 16

In the 2019 tax period, considering the context of uncertainty regarding the fiscal treatment to be given in Portugal, regarding IFRS 16 adoption, to the Right of use asset and subsequent depreciation as well as the Lease liability and the financial expenses associated, the Group prudently decided to consider that: i) all correspondent amounts registered had no fiscal relevance; and that ii) the simultaneous recognition of the Right of use asset and Lease liability did not fit into the initial recognition exemption foreseen in IAS 12 and, therefore, registered deferred tax assets and liabilities at the commencement date and submitted the tax returns for 2019 in accordance with this tax treatment.

In 2021, the Group filed a complaint in which assumed that the useful life of the underlying assets for tax purposes is the fiscal useful life when lower than the period of the lease and the useful life of the underlying assets when higher than the period of the lease agreement, having thus cancelled the deferred tax liability recorded in 2020 in the amount of 2.755.456 Euros and determined a decrease in the tax benefits considered and deducted in 2019 of 2.264.530 Euros which result in an income tax receivable of 2.490.383 Euros. This understanding was accepted by the Tax Authorities within the scope of the granting, in March 2022, of the gracious complaint filed against the corporate income tax self-assessment for the 2019 tax period and this amount was received in July 2022.

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

	DEEMED COST (IFRS 1) ON TANGIBLE FIXED ASSETS	HEDGE ACCOUNTING RESERVES	DIFFERENCES IN DEPRECIATION RATE	OTHERS	TOTAL
1 JANUARY 2022	23.764.562	-	187.863	1.632.323	25.584.748
Constitution through capital	-	48.779	-	-	48.779
Constitution through income statement	-	-	-	108.848	108.848
Reversal through income statement	(1.765.189)	-	(76.477)	-	(1.841.666)
Changes on period	(1.765.189)	48.779	(76.477)	108.848	(1.684.039)
	21.999.373	48.779	111.386	1.741.171	23.900.709
Offset of Deferred tax assets	(1.819.154)	-	-	(1.126.680)	(2.945.834)
31 DECEMBER 2022	20.180.219	48.779	111.386	614.491	20.954.875

	DEEMED COST (IFRS 1) ON TANGIBLE FIXED ASSETS	DIFFERENCES IN DEPRECIATION RATE	OTHERS	TOTAL
1 JANUARY 2021	25.059.860	2.962.501	1.583.582	29.605.943
Impact of transition to IFRS 16	-	(2.755.456)	-	(2.755.456)
Constitution through income statement	-	-	48.741	48.741
Reversal through income statement	(1.295.298)	(19.182)	-	(1.314.480)
Changes on period	(1.295.298)	(2.774.638)	48.741	(4.021.195)
	23.764.562	187.863	1.632.323	25.584.748
Offset of Deferred tax assets	(14.057.843)	(187.863)	(1.301.927)	(15.547.633)
31 DECEMBER 2021	9.706.719	-	330.396	10.037.115

Deferred tax liabilities include the non-deduction for tax purposes of 100% of the excess recorded on the determination of the deemed cost.

13. Financial assets and liabilities

The accounting policies for measuring financial instruments in accordance with IFRS 9 were applied to the following financial assets and liabilities:

	AMORTIZED COST	FAIR VALUE THROUGH COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT AND LOSS	OTHER NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
31 DECEMBER 2022					
Financial assets					
Cash and cash equivalents	169.825.003	-	-	-	169.825.003
Trade and other receivables	65.012.337	-	-	12.447.905	77.460.242
Derivatives	-	197.122	-	-	197.122
Financial assets at fair value through profit and loss	-	-	16.925.573	-	16.925.573
	234.837.340	197.122	16.925.573	12.447.905	264.407.940
Financial liabilities					
Borrowings	301.723.110	-	-	-	301.723.110
Trade and other payables	59.503.650	-	-	10.217.750	69.721.400
Advances from customers	-	-	-	49.067.274	49.067.274
	361.226.760	-	-	59.285.024	420.511.784

	AMORTIZED COST	FAIR VALUE THROUGH COMPREHENSIVE INCOME	FAIR VALUE THROUGH PROFIT AND LOSS	OTHER NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
31 DECEMBER 2021					
Financial assets					
Cash and cash equivalents	74.138.656	-	-	-	74.138.656
Trade and other receivables	79.317.544	-	-	11.311.059	90.628.603
Financial assets at fair value through profit and loss	-	-	7.698.928	-	7.698.928
	153.456.200	-	7.698.928	11.311.059	172.466.187
Financial liabilities					
Borrowings	345.209.179	-	-	-	345.209.179
Derivatives	-	19.366	6.456	-	25.822
Trade and other payables	44.155.919	-	-	7.776.417	51.932.336
Advances from customers	-	-	-	17.296.224	17.296.224
	389.365.098	19.366	6.456	25.072.641	414.463.561

According to IFRS 13, Grupo Pestana established the way it obtains the fair value of its financial assets and liabilities. The levels used are presented in Note 3.8.

	31-12-2022			31-12-2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Financial assets at fair value through profit and loss	-	16.925.573	-	-	7.698.928	-
Derivatives	-	197.122	-	-	-	-
	-	17.122.695	-	-	7.698.928	-
Financial liabilities						
Derivatives	-	-	-	-	25.822	-
	-	-	-	-	25.822	-

14. Derivatives

As at 31 December 2022 and 2021 Grupo Pestana had interest rate swaps (hedging derivatives) as follows:

	31-12-2022		31-12-2021	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate swaps - non-current	197.122	-	-	25.822
	197.122	-	-	25.822

Detailed information about the characteristics and fair value of the swaps is as follows:

Classification IFRS 9	INITIAL REFERENCE VALUE	MATURITY	PAYMENT PERIOD	FEES RECEIVABLE/PAYABLE	FAIR VALUE AT 31-12-2022	FAIR VALUE AT 31-12-2021	VIARIATION
Hedging	5.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	197.122	-	197.122
Proportion hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,82%	-	(25.822)	25.822
					197.122	(25.822)	225.944

On 15 June 2022, Grupo Pestana contracted a new hedging derivative to cover the increase in interest rates with nominal amount of 5.000.000 Euros. These hedging derivatives have a maturity of 5 years and a yield of 2,36% plus Euribor 6M.

The change in the fair value of the derivatives financial instruments occurred in 2022 and 2021 were as follows:

	2022	2021
1 JANUARY		
Hedging derivatives - fair value changes	(25.822)	(85.600)
Trading derivatives - fair value changes (Note 34)	218.941	44.833
	4.003	14.945
31 DECEMBER	197.122	(25.822)

The changes in the fair value reserve related to cash flow hedges in 2022 and 2021 were as follows:

	2022	2021
1 JANUARY		
Hedging derivatives - fair value changes (Note 20)	(21.819)	(66.652)
Deferred tax (Note 12)	218.941	44.833
	(48.779)	-
31 DECEMBER	148.343	(21.819)

Derivative financial instruments classified as trading are financial instruments contracted to hedge economic risks in the Grupo Pestana (Note 4), but which are not eligible under IFRS for the application of hedge accounting and so the changes 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).

Grupo Pestana recognizes derivative financial instruments in accordance with IFRS 9. However, it is noteworthy that borrowings subject to hedging have spreads much lower than the current market conditions.

15. Trade and other receivables and Advances from customers

As at 31 December 2022 and 2021 Trade and other receivables are detailed as follows:

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables (i)	25.006.895	-	25.006.895	45.200.044	-	45.200.044
Other receivables (ii)	9.878.189	1.826.384	11.704.573	8.055.028	5.215.445	13.270.473
Prepayments (iii)	2.784.708	9.663.197	12.447.905	1.358.592	9.952.467	11.311.059
Accrued income (iv)	17.262.080	-	17.262.080	9.853.297	-	9.853.297
Taxes receivable (v)	11.038.789	-	11.038.789	10.993.730	-	10.993.730
	65.970.661	11.489.581	77.460.242	75.460.691	15.167.912	90.628.603
Advances from customers (vi)	(19.818.584)	(29.248.690)	(49.067.274)	(11.797.814)	(5.498.410)	(17.296.224)

Trade and other receivables have no significant difference between their carrying amount and fair value.

(i) Trade receivables

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables - group (Note 40)	2.040.909	-	2.040.909	384.926	-	384.926
Trade receivables - others	22.965.986	-	22.965.986	44.815.118	-	44.815.118
Doubtful debtors	3.301.204	-	3.301.204	3.661.739	-	3.661.739
	28.308.099	-	28.308.099	48.861.783	-	48.861.783
Impairment of trade receivables	(3.301.204)	-	(3.301.204)	(3.661.739)	-	(3.661.739)
	25.006.895	-	25.006.895	45.200.044	-	45.200.044

As at 31 December 2021, the balance of Trade receivables - others includes 25.468.507 Euros related to the real estate transaction Madeira Palácio Residences (Note 28). This value had as real guarantee the apartments not sold to third parties and it was totally received in 2022. This transaction is related to the acquisition of the former Madeira Palácio hotel in 2021 for a total amount of 48.051.200 Euros, located in one of the most modern housing areas in Funchal. This business included three components, a real estate component (Madeira Palácio Residences) ready to be sold, in a luxury condominium and first sea line, acquired for 28.751.200 Euros (Note 28), a second part (Madeira Acqua Residences) regarding the former hotel that will be transformed into 181 T1 to T4 apartments for sale acquired for 17.149.400 Euros (Note 16) and a third component related to lands in Praia Formosa acquired for 2.150.600 Euros.

Impairment of Trade receivables – movements of the year:

	2022	2021
1 JANUARY	3.661.739	4.459.072
Increases	-	450.651
Reversals	(347.986)	(272.943)
Utilizations	(12.549)	(975.041)
31 DECEMBER	3.301.204	3.661.739

(ii) Other receivables

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Other debtors – Group (Note 40)	1.577.931	1.826.384	3.404.315	529.128	1.823.157	2.352.285
Other debtors – others	8.682.578	-	8.682.578	7.854.498	3.392.288	11.246.786
Impairment of other receivables	(382.320)	-	(382.320)	(328.598)	-	(328.598)
	9.878.189	1.826.384	11.704.573	8.055.028	5.215.445	13.270.473

As at 31 December 2022 and 2021, the caption Other debtors – Group includes the receivable amount of 1.830.921 Euros and 1.865.640 Euros, respectively, from the sub-lease resulting from the derecognition of the Right of use asset concerning the sub concession agreement signed in 2016 for the private use of Pestana CR7 Funchal hotel until 2044, with Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A. (Note 3.18).

Other debtors – Group include receivables from companies included in the Special Taxation Regime for Group Companies (“RETGS”) (Note 17), but which are not part of the consolidation perimeter, amounting to 1.108.895 Euros and 7.879 Euros, in 2022 and 2021, respectively. The amount for 2022 is deducted of 585.542 Euros of withholding tax paid by one of the companies included in the RETGS.

As at 31 December 2022 and 2021, Other debtors includes the amount receivable from the Autonomous Region of Madeira for the sale in 2020 of SDM – Sociedade de Desenvolvimento da Madeira, S.A., for the amounts of 3.406.529 and 6.813.058 Euros, respectively, which was agreed to receive in two tranches of the same amount, until 30 June 2022 and 30 June 2023.

As at 31 December 2022 and 2021, Other debtors – others, also includes guarantees given to suppliers in the amount of 2.470.570 Euros and 1.864.606 Euros, respectively.

Impairment of Other receivables – movements of the year:

	2022	2021
1 JANUARY	328.598	173.347
Increases	53.722	155.251
31 DECEMBER	382.320	328.598

The ageing of balances without impairment is as follows:

	2022	2021
0 to 6 months	19.739.092	49.689.496
6 to 12 months	7.067.140	4.025.405
12 to 18 months	1.496.154	888.261
18 to 24 months	1.227.026	1.056.751
More than 24 months	7.068.056	2.810.604
	36.597.468	58.470.517

The ageing of balances with impairment is as follows:

	2022	2021
0 to 6 months	71.514	247.131
6 to 12 months	885.539	875.013
12 to 18 months	394.041	354.804
18 to 24 months	181.229	187.639
More than 24 months	2.151.201	2.325.750
	3.683.524	3.990.337

Impairment losses are calculated as described in Note 3.10. iii). It is worth noting that, due to the Grupo Pestana's careful management in the attribution of credit and respective collections, there is no significant incidents of default on receivables from customers so far. Therefore, despite the risk covered by credit insurance, it was never necessary to use this coverage, nor recognize any relevant impairment in these values.

(iii) Prepayments

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contract costs	952.655	8.420.226	9.372.881	266.301	9.952.467	10.218.768
Insurance	160.232	-	160.232	168.437	-	168.437
Other services	1.671.821	1.242.971	2.914.792	923.854	-	923.854
	2.784.708	9.663.197	12.447.905	1.358.592	9.952.467	11.311.059

As at 31 December 2022 and 2021 the balance of Contract costs relates exclusively to commissions paid related to sales of Pestana Vacations Club – Options contracts (Nota 3.21 ii).

Other non-current services include, essentially, the deferral of commissions on the sale of properties in the future Madeira Acqua Residences (Note 16).

(iv) Accrued income

As of 31 December 2022 and 2021, this caption essentially refers to the amounts that will be received upon the completion of the deeds of the housing units already delivered to owners, in the amount of 16.631.755 Euros and 8.908.858 Euros, respectively.

(v) Taxes receivable

As at 31 December 2022 and 2021 this caption is mainly related to VAT receivable.

In 2022, there were VAT refunds in the total amount of 3.722.519 Euros. In 2021 VAT refunds amounted to 4.269.049 Euros and in one of those refunds there was a correction made in the amount of 984.155 Euros, recognized in Other expenses (Note 32).

(vi) Advances from customers

Refers, mainly, to the amounts received along the construction works, amounting in total to 37.399.419 Euros (31 December 2021: 9.584.984 Euros) and maintenance fees charged in advance under timeshare contracts amounting to 9.424.337 Euros (31 December 2021: 5.169.126 Euros). The residual amount in 31 December 2022 and 2021 are mainly related to reservations made by tour operators, groups and individual customers.

16. Inventories

As at 31 December 2022 and 2021 Inventories are detailed as follows:

	2022	2021
Goods	1.366.158	870.773
Raw and subsidiary materials	3.752.581	2.572.517
Finished goods	1.067.938	837.078
Work in progress	115.589.805	85.051.756
	121.776.482	89.332.124
Impairment of inventories	(367.525)	(532.282)
	121.408.957	88.799.842

Finished goods and Work in progress are as follows:

	2022	2021
Madeira Acqua Residences (Madeira, Portugal)	27.767.281	17.836.099
Silves Golf Resort project (Algarve)	27.391.346	27.566.241
Porto Covinho (Porto Covo)	14.666.025	-
Fábrica, Apartaments & Lofts project (Madeira)	8.806.883	4.802.950
Norte of Gramacho land (Algarve)	7.959.006	7.959.006
The Valley – Nature Resort (Algarve)	7.941.234	4.450.856
Pestana Comporta Village Residences (Comporta)	7.862.318	5.660.869
Abrunheira project (Portalegre)	6.349.235	6.349.235
Tróia Eco-Resort project	2.664.375	2.466.427
Quinta das Maravilhas project (Madeira)	2.654.250	2.654.250
Beverages and packaging	1.233.702	958.870
Alvor land (Algarve) (Note 39)	1.062.579	-
Pine Village (Comporta)	279.278	4.527.453
Others	20.231	656.578
	116.657.743	85.888.834

The Madeira Acqua Residences project resulted from the acquisition in 2021 of the former hotel Madeira Palácio for the total value of 48.051.200 Euros, located on one of the most luxury living areas in Funchal. This acquisition included three components, namely a real estate area (Madeira Palácio Residences) ready to be sold, in a luxury condominium and first line of sea, a second part (Madeira Acqua Residences) regarding the former hotel that will be transformed into 181 T1 to T4 apartments for sale, acquired for 17.149.400 Euros and a third component related to lands in Praia Formosa (Note 6). Madeira Palácio Residences was sold in that same year to a real estate promotor for the total value of 40.000.000 Euros (Note 28). Madeira Acqua Residences will have a total estimated investment of 53.000.000 Euros, including the acquisition cost and is expected to be concluded in 2024.

The Silves Golf Resort project is a touristic project which will include two 4-star touristic resorts and 1 apart-hotel with a total of 269 accommodation units. The first tourist resort includes 175 accommodation units, with a total expected investment of 17.000.000 Euros, and which is already under construction. In 2022, the construction of Phase 1 continued and three villas were delivered to customers.

The Porto Covinho project concerns the acquisition of a land in Porto Covo for the development of a real estate project for 14.500.000 Euros.

The Fábrica, Apartaments & Lofts project, located in the heart of Funchal, Madeira island, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development. This project started in 2020 and has a total expected investment of 11.000.000 Euros, of which 4.000.000 Euros in 2022. Public deeds and respective deliveries to customers will be held in 2023.

The land North of Gramacho relates to a real estate project still in development.

The Valley Nature Resort relates to a real estate project located in South of Gramacho that started in 2020. This project is located on a plot of land with 30,14 hectares where 77 independent units are being constructed for sale and tourist exploitation, with an estimated total investment of 16.000.000 Euros. During 2022, the first 6 units were delivered to customers and 28 promissory contracts were carried out, with total deposits of 6.900.000 Euros.

Pestana Comporta Village is located 200 meters from Vila da Comporta, in Portugal, and 2 km from the beach where 75 units from T1 to T2 with swimming pool are being constructed. Due to the high demand for this type of development, all purchase promise contracts have already been executed, with total deposits amounting to 9.800.000 Euros. During 2021, the Group began the construction of the model-unit and proceeded with the infrastructure project. In 2022 the licence was obtained and the construction of the infrastructures was started. The construction is expected to be completed in the summer of 2024. The units will be delivered to customers at the end of 2024. The estimated total investment is 19.900.000 Euros, including the acquisition cost of the land.

On a land with an area of about 450 ha, the Abrunheira project is formed by 13 touristic undertakings, divided in 10 tourist villages, 2 touristic apartments with houses and 1 hotel or apart-hotel, with an additional 32 plots of equipment, infrastructures and leisure spaces, including a golf course, a Club House and an equestrian centre. This project is intended to be undertaken through phases, with the first one having been submitted for approval in November 2019, corresponding to an area of 63 ha and is composed of 1 tourist village with 13 lodging units, two tourist apartments and 1 apart-hotel. In 2020, the application to the Rural Development Program (PDR 2020) has been approved to start an intensive olive grove project with an extension of 100 ha which implies the construction of dams which will enhance the attractiveness of the real estate component.

The Tróia project is related to the construction of houses and the infrastructures of a touristic village. In 2022 there are only 7 units to be delivered.

The Quinta das Maravilhas project, which is still in its licencing stage, refers to a building located on Rua das Maravilhas, in Funchal, which has a privileged location for the development of a residential complex of apartments and luxury houses. This project was acquired in 2021 for 2.700.000 Euros and its estimated investment is 12.000.000 Euros. It is expected to be completed in 2025. In 2022, there was no additional investment on this project.

The Alvor land, arises from the acquisition of 50,19% of the share capital of Albar – Sociedade Imobiliária do Barlavento, S.A. (Nota 39). A request clarification has already been submitted to the Municipality of Portimão, regarding the possibility of building a rural tourist development with 2.000 m² of construction and 60 accommodation units.

The Pine Village project regards an urban plot in Brejos da Carregueira de Baixo, parish of Comporta, acquired in 2021 by public auction for 7.300.000 Euros, with the purpose of selling plots with an already approved architectural project. During 2022 and 2021, promissory agreements have been signed for almost all of the plots. For these, the tradition of the land was verified since the customers can already start the licensing process and subsequent construction. The construction license was issued in January 2023 and the construction of infrastructure started immediately.

In 2022, the Cost of goods sold and materials consumed amounted to 52.128.156 Euros (31 December 2021: 77.319.092 Euros).

Impairment of Inventories – movements of the year:

	2022	2021
1 JANUARY		
Increases	532.282	422.439
Utilizations	(209.213)	(11.381)
31 DECEMBER	367.525	532.282

17. Income tax

The balances of Corporate income tax for the years ended 31 December 2022 and 2021 are as follows:

	31-12-2022		31-12-2021	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Current income tax	4.700	4.936.348	2.490.383	151.155
	4.700	4.936.348	2.490.383	151.155

The balance of Current income tax is detailed as follows:

	31-12-2022	31-12-2021
Additional advance payments	743.991	630.056
Advance payments	534.502	2.850
Withholding taxes	621.274	277.540
Withholding taxes – other companies (Note 15)	(585.542)	-
Current income tax estimate (Note 35)	(5.355.566)	(2.850.162)
Current income tax through accounts receivable or payable (Note 15 e 27)	(558.081)	1.788.561
Compensatory interest (Note 12)	(332.226)	-
Impact of transition to IFRS 16 (Notes 12 and 35)	-	2.490.383
	(4.931.648)	2.339.228

Grupo Pestana, S.G.P.S., S.A. is covered by the Special Taxation Regime for Group Companies (R.E.T.G.S.). Accordingly, the Group's current income tax is calculated based on the taxable profit of the companies included in the consolidation and under that taxation regime, according to the applicable rules. For companies not covered by the special taxation regime, current income tax is calculated based on their respective taxable profit or loss, according to the tax rules in the registered office of each company.

In 2022 and 2021, the balance recorded in liabilities corresponds to the amounts payable for corporate income tax for the period, surcharges and autonomous taxation net of deductible tax losses of 2020, the use of RFAI and SIFIDE tax benefits, additional advance payments made in 2022 and withholding taxes. In 2022 and 2021 income tax receivable of subsidiaries not included in R.E.T.G.S. is 1.148.469 Euros and 31.211 Euros, respectively.

18. Cash and cash equivalents

As at 31 December 2022 and 2021 Cash and cash equivalents are detailed as follows:

	31-12-2022	31-12-2021
Cash	2.824.559	1.250.157
Bank deposits	167.000.444	72.888.499
	169.825.003	74.138.656

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the Consolidated statement of cash flows for the period ended 2022 and 2021 is as follows:

	31-12-2022	31-12-2021
Cash	2.824.559	1.250.157
Bank overdrafts	(410.711)	(203.644)
Bank deposits	167.000.444	72.888.499
	169.414.292	73.935.012

19. Capital

As at 31 December 2022 and 2021 Capital is as follows:

	2022	2021
Share capital (i)	83.530.000	83.530.000
Other equity instruments:		
Share premium (ii)	33.690.973	33.690.973
Accessory contributions (iii)	7.779.027	7.779.027
	125.000.000	125.000.000

(i) Share capital

As at 31 December 2022 e 2021, Grupo Pestana, S.G.P.S., S.A.'s subscribed Share capital amounts to 83.530.000 Euros, represented by 83.530.000 fully paid shares with the nominal value of 1 Euro each. The detail of the Share capital as at 31 December 2022 and 2021 is as follows:

	NUMBER OF SHARES	SHARE CAPITAL
Shareholders		
Pestana International Holdings S.A.	82.694.700	82.694.700
Dionísio Fernandes Pestana	835.300	835.300
	83.530.000	83.530.000

As at 31 December 2022 and 2021, basic and diluted earnings per share are positive in 1,18 Euros and 0,36 euros, respectively.

(ii) Share premium

The caption Share premium refers to the excess of fair value of the amounts delivered by the Shareholders to Grupo Pestana, S.G.P.S., S.A. on paying-up the share capital. This balance can only be used for incorporation in future capital increases.

(iii) Accessory contributions

As at 31 December 2022 and 2021 Accessory contributions relate to:

Shareholders	31-12-2022	31-12-2021
Dionisio Fernandes Pestana	5.700.000	5.700.000
Pestana International Holdings S.A.	2.079.027	2.079.027
	7.779.027	7.779.027

In August 2021, a reimbursement of Accessory contributions was made to Pestana International Holdings S.A. in the amount of 420.973 Euros.

These Accessory contributions are not remunerated and do not have an established reimbursement date. Accessory contributions may only be reimbursed until the point where equity is not lower than the sum of the share capital and the legal reserve as disclosed in the Company's separate financial statements.

20. Other reserves

As at 31 December 2022 and 2021 the movements occurred in Other reserves were as follows:

	LEGAL RESERVE (i)	FAIR VALUE RESERVE C.F.H. (ii)	TOTAL
1 JANUARY 2021			
Profit for the period application	31.087.042	(66.652)	31.020.390
Change in fair value reserve – hedging derivatives (net of tax)	306.445	-	306.445
	-	44.833	44.833
31 DECEMBER 2021	31.393.487	(21.819)	31.371.668
Profit for the period application	1.375.942	-	1.375.942
Change in fair value reserve – hedging derivatives (net of tax)	-	170.162	170.162
31 DECEMBER 2022	32.769.429	148.343	32.917.772

(i) Legal reserve

In accordance with the applicable commercial law in Portugal, at least 5% of the annual net profit must be used to increase the legal reserve until it is equal to 20% of the issued share capital. This reserve is not available for distribution except in the event of 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)

This reserve is not available for distribution and includes the effective portion of changes in fair value of hedging derivatives (Note 14). This reserve also includes the deferred tax impact related to the changes in fair value that are not tax deductible, at the reporting date.

21. Retained earnings

As at 31 December 2022 and 2021 Retained earnings' movements were as follows:

	TOTAL
1 JANUARY 2021	127.164.366
Profit for the period application	(19.469.066)
Distributions (Note 36)	(15.000.000)
31 DECEMBER 2021	92.695.300
Profit for the period application	28.200.814
Distributions (Note 36)	(25.000.000)
Transfers of Non-controlling interests (Note 22)	29.880
31 DECEMBER 2022	95.925.994

22. Non-controlling interests

As at 31 December 2022 and 2021 Non-controlling interests' movements were as follows:

	2022	2021
1 JANUARY	8.392.242	7.996.626
Profit for the period	2.341.586	395.617
Transfers for Retained earnings (Note 21)	(29.880)	-
31 DECEMBER	10.703.948	8.392.242

Non-controlling interests relate to the following investments:

	31-12-2022		31-12-2021	
	% HELD	VALUE	% HELD	VALUE
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	48,00%	7.021.071	48,00%	5.463.227
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.	40,00%	3.682.877	40,00%	2.929.015
		10.703.948		8.392.242

23. Provisions

The movements in Provisions were as follows:

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
1 JANUARY 2022	2.795.053	264.854	1.325.006	4.384.913
Increases	20.000	-	-	20.000
Decreases	-	(166.274)	-	(166.274)
Utilizations	(30.000)	(20.463)	(1.687)	(52.150)
Changes on period	(10.000)	(186.737)	(1.687)	(198.424)
31 DECEMBER 2022	2.785.053	78.117	1.323.319	4.186.489
Current balance	30.000	45.648	1.033.657	1.109.305
Non-current balance	2.755.053	32.469	289.662	3.077.184
	2.785.053	78.117	1.323.319	4.186.489
1 JANUARY 2021	2.805.842	304.582	1.488.484	4.598.908
Decreases	(10.789)	(39.728)	(108.299)	(158.816)
Utilizations	-	-	(55.179)	(55.179)
Changes on period	(10.789)	(39.728)	(163.478)	(213.995)
31 DECEMBER 2021	2.795.053	264.854	1.325.006	4.384.913
Current balance	40.000	159.592	951.956	1.151.548
Non-current balance	2.755.053	105.262	373.050	3.233.365
	2.795.053	264.854	1.325.006	4.384.913

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

(i) Litigations and claims in progress

There are lawsuits and arbitration proceedings ongoing against some Group subsidiaries, classified as probable losses. These provisions were recorded based on the opinion of internal and external legal advisors, in order to address the probable outflow of resources with these claims.

The subsidiary Empresa de Cervejas da Madeira, Lda. (ECM) received an inspection carried out by Customs in Lisbon related to Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, an officious liquidation in the amount of 2.029.130 Euros with the addition of 321.270 Euros of compensatory interest. Until 2014, this claim was on hierarchical court appeal and the subsidiary ECM had constituted bank guarantees, and no outflow was expected to occur based on the opinion of reputable external advisors. However, in 2015, the court has taken its decision which was unfavourable to ECM. Despite the extraordinary judicial administrative appeal that was immediately submitted, considering the development occurred in the process, Grupo Pestana recognized a provision in the total amount of 2.755.052 Euros.

The lawsuit is currently under judicial review, and there are no further developments that imply changes to the balance of the provision, which was classified as a current liability. According to the external lawyer in charge of the process, the process is not expected to be concluded and paid within one year, so this provision is classified as a non-current liability.

(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 and apartments.

(iii) Other provisions

Following a promissory sale contract celebrated in 2011 in which the client committed to buying a lodging unit in the Pestana Tróia Eco-Resort and after several attempts the deed was not realized, therefore Grupo Pestana's subsidiary Carvoeiro Golfe, S.A. decided to exert its right to resolve the contract having booked the entirety of the advance received as revenue, in the amount of 950.000 Euros.

However, also in 2017, Carvoeiro Golfe, S.A. was notified that the process 324/14.0TELSB-AZ was being instated and was requested to post a bank guarantee in the amount of 950.000 Euros in favour of the Portuguese state. The Public Ministry was of the understanding that there was substantiated reason to consider that the money delivered by the promissory buyer at the time of the celebration of the promissory sale contract came from illicit sources.

Therefore, even though Carvoeiro Golfe, S.A. always acted in good faith and in accordance with the law, and as is registered in the order it had condition to consider the act as formally valid and, consequently, withhold as its own the amount corresponding to the advance, following a prudent approach Grupo Pestana decided to book a provision in the same amount in the eventuality that the Portuguese state executes the mentioned bank guarantee.

In 2022, there is no evolution regarding this process, the bank guarantee remains active and this provision continues to prudently be presented in current liabilities.

The remaining Other provisions result from ordinary and inherent business risks.

24. Borrowings

The classification of Borrowings concerning the term (current and non-current) and nature at the end of the periods is as follows:

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bank loans	24.774.193	160.547.547	185.321.740	38.104.084	172.663.142	210.767.226
Bond loans	-	89.000.000	89.000.000	13.479.675	89.000.000	102.479.675
Commercial paper	22.000.000	5.000.000	27.000.000	444.444	31.777.778	32.222.222
Bank overdrafts	410.711	-	410.711	203.644	-	203.644
	47.184.904	254.547.547	301.732.451	52.231.847	293.440.920	345.672.767
Interests payable - accrual	1.779.978	-	1.779.978	1.424.439	-	1.424.439
Interests paid - deferral	(478.481)	(1.310.838)	(1.789.319)	(614.850)	(1.273.177)	(1.888.027)
	48.486.401	253.236.709	301.723.110	53.041.436	292.167.743	345.209.179

The future payments of the outstanding bank loans, bond loans and commercial paper, by currency of denomination as at 31 December 2022 and 2021 are as follows:

	2023	2024	2025	2026	2027	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	24.774.193	21.234.412	16.697.446	15.664.620	13.958.748	92.992.321	185.321.740
	24.774.193	21.234.412	16.697.446	15.664.620	13.958.748	92.992.321	185.321.740
Bond loans							
Euro	-	-	60.000.000	-	29.000.000	-	89.000.000
	-	-	60.000.000	-	29.000.000	-	89.000.000
Commercial paper							
Euro	22.000.000	-	-	-	-	5.000.000	27.000.000
	22.000.000	-	-	-	-	5.000.000	27.000.000
	46.774.193	21.234.412	76.697.446	15.664.620	42.958.748	97.992.321	301.321.740

	2022	2023	2024	2025	2026	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	38.104.084	26.599.907	20.080.591	15.969.108	14.035.834	95.977.702	210.767.226
	38.104.084	26.599.907	20.080.591	15.969.108	14.035.834	95.977.702	210.767.226
Bond loans							
Euro	13.479.675	-	-	60.000.000	-	29.000.000	102.479.675
	13.479.675	-	-	60.000.000	-	29.000.000	102.479.675
Commercial paper							
Euro	444.444	20.444.444	444.444	444.444	10.444.446	-	32.222.222
	444.444	20.444.444	444.444	444.444	10.444.446	-	32.222.222
	52.028.203	47.044.351	20.525.035	76.413.552	24.480.280	124.977.702	345.469.123

Bank loans

As at 31 December 2022 78% of the total borrowings are contracted at fixed rate and the remaining are mainly subject to variable interest rate of 12M, 6M, 3M and 1M Euribor and Libor plus spread.

In January 2022, a bank loan of 50.000.000 Euros was contracted for a period of 15 years, with a fixed rate and repayable in 60 quarterly instalments of capital and interest. The first instalment was paid in May 2022.

As part of the incentive system for Business Development and Qualification in the Autonomous Region of Madeira – Valorizar 2020, established with the Institute for Business Development of the Autonomous Region of Madeira (IDE-RAM), in 2022 the Group received 507.321 Euros, as a refundable subsidy to be amortized in 18 semi-annual fixed capital instalments ending in December 2033.

Also in 2022, Grupo Pestana paid off early 5 bank loans in the total amount of 31.193.838 Euros, whose contracted maturities were between 2027 and 2028.

In 2021, Grupo Pestana invested in a new project of great importance for the acquisition of the Madeira Palácio hotel for 48.051.200 Euros. This acquisition was financed through two loans, one bank loan in the amount of 20.000.000 Euros, received for the acquisition of Madeira Palácio Residences (Note 28), and another of 19.300.000 Euros referring to a real estate lease for the acquisition of Madeira Acqua Residences (Note 15) and for the land Praia Formosa (Note 6). The loan of 20.000.000 Euros would be paid in accordance with the actual pace of sales of Madeira Palácio Residences, which was fully amortized in 2022. The real estate leasing would be amortized in quarterly payments of capital and interest, with a capital grace period of 36 months and term in 2027, but with an initial payment of 6.800.000 Euros in 2021. As it is not a right of use asset under IFRS 16, the real estate leasing is presented as a bank loan.

In June 2021, the Group benefited from a conversion of 40% of a loan previously contracted into a non-repayable government grant under the terms of the financing of European Regional Development Fund (ERDF), in the amount of 527.267 Euros (Notes 26 and 31).

In 2021, the COVID-19 pandemic led the Portuguese State to adopt several measures to mitigate its financial impact on companies, including the provision of subsidized credit lines with State guarantees and capital moratoriums on bank loans. Grupo Pestana obtained subsidized credit lines with State guarantee in the amount of 6.351.314 Euros in 2021 and capital moratoriums of 9.903.557 Euros. Regarding interests, the Group decided to proceed with its payment.

Bond loans

All bond loans have a fixed interest rate.

Grupo Pestana has fully repaid the bond loan due on 15 July 2022 in the amount of 13.479.675 Euros.

On 5 November 2021, Grupo Pestana entered into a paying service contract with BBVA (Banco Bilbao Víscaia Argentaria) for the issuance by private subscription of 290 bonds with a nominal value of 100.000 Euros, in the total amount of 29.000.0000 Euros, called Grupo Pestana 2021/2027. This issue was initially foreseen to be 20.000.000 Euros, however since the demand was much higher than the targeted amount, it consequently led to an increase to 29.000.000 Euros. Most of the bonds were subscribed by entities that already held bonds of Grupo Pestana, namely that participated in the issuance of 60.000.000 Euros of green bonds in 2019.

In September 2019, the Group entered into a paying agent service contract with BBVA for the issuance by private subscription of 600 green bonds with a nominal value of 100.000 Euros, in the total amount of 60.000.000 Euros, called Pestana Green Bond. Green bonds are a debt instrument that allows companies to raise investment for existing projects or for new projects with environmental benefits associated. The funds obtained from this issue were used to refinance sustainable investments.

In 2021, Grupo Pestana fully repaid the bond loan due on 22 December 2021 and the partial payment of the bond loan due on 15 July 2022, in the amounts of 27.500.000 Euros and 1.520.325 Euros, respectively.

Commercial paper

In 2022, Grupo Pestana contracted a new commercial paper programs in the amount of 5.000.000 Euros and repaid 8.000.000 Euros in relation to the program for 10.000.000 Euros whose maturity would be in 2027. The remaining amount of this program is classified as current liabilities. Also, fully repaid the program whose amortization plan had an annual reimbursement of 444.444 Euros, 1.800.000 Euros are still available for use until the end of 2026.

These programs are remunerated at the Euribor rate for the respective issue term plus spread.

Covenants

Borrowings engaged by Group companies include, in some cases, clauses that require specific covenants to be accomplished such as: i) the maintenance of the subsidiaries share capital inside the group; and ii) the maintenance of ratios, namely related to the capital structure, profitability and indebtedness. Due to the impact of this pandemic crisis on the results of Grupo Pestana and although there are no difficulties in fulfilling its financial responsibilities, considering its financial structure, the Group agreed with the financial institutions to suspend the covenants provided in the loan agreements for 2021.

Unused contracted credit lines

Grupo Pestana holds, as at 31 December 2022, a set of unused contracted credit lines in Financial Institutions, with a total amount of 70.500.000 Euros related to authorized credit lines and overdrafts.

25. Lease liabilities

As at 31 December 2022 and 2021 Lease liabilities refer to:

	31-12-2022	31-12-2021
Current	18.734.878	13.020.831
Non-current:		
1 to 5 years	55.500.113	53.277.699
More than 5 years	78.103.547	80.579.934
	152.338.538	146.878.464

As at 31 December 2022 and 2021 Lease liabilities mainly refer to the following Right of use assets (Note 6):

- ▮ Beloura Golf – Pestana Golf & Resort
- ▮ Casino da Madeira
- ▮ Madeira Magic
- ▮ Pestana Carlton Madeira
- ▮ Pestana Cascais
- ▮ Pestana Churchill Bay
- ▮ Pestana Cidadela de Cascais
- ▮ Pestana Colombos
- ▮ Pestana Delfim
- ▮ Pestana Fisherman
- ▮ Pestana Ilha Dourada
- ▮ Pestana Lisboa Vintage
- ▮ Pestana Palácio do Freixo
- ▮ Pestana Quinta do Arco
- ▮ Pestana Royal
- ▮ Pestana Rua Augusta
- ▮ Pestana Sintra Golf
- ▮ Pousada de Viseu
- ▮ Pestana Viking
- ▮ Pestana Vila Sol
- ▮ Pousada de Alfama
- ▮ Pousada do Chiado – Palácio de Valadares (Nota 6)

- ▮ Pousada de Lisboa
- ▮ Pousada de Vila Real de Santo António
- ▮ Pousada de Viseu
- ▮ Rede de Pousadas
- ▮ Vila Sol – Pestana Golf & Resort

On 31 December 2021 Alto Golf – Pestana Golf & Resort was also included in Lease liabilities. This is a 18-hole course, located in Alvor, in an area of approximately 20 hectares, whose purchase option was executed in December 2022. Lease liabilities on 31 December 2021 amounted to 2.121.227 Euros and on the acquisition date amounted to 1.525.363 Euros.

In 2021, following the COVID-19 pandemic, some lease agreements were renegotiated to obtain reductions in fixed rents or to defer payments to minimize the impact of the temporary reduction in the activity of the units until June 2021. The impact of this renegotiation in liabilities and in other income was 1.400.714 Euros (Note 31).

26. Deferred revenue

As at 31 December 2022 and 2021 the detail of Deferred revenue is as follows:

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Pestana Vacations Club – D.R.H.P. (i)	16.769.932	68.814.579	85.584.511	14.614.716	78.325.461	92.940.177
Pestana Vacations Club – Options (ii)	2.987.850	27.237.291	30.225.141	1.180.064	31.006.418	32.186.482
Government investment grants (iii)	402.676	6.162.241	6.564.917	407.049	6.454.733	6.861.782
Temporary transfer of the Pestana Trademark (iv)	-	-	-	1.925.000	-	1.925.000
Others (v)	1.131.681	2.380.164	3.511.845	2.123.256	2.564.919	4.688.175
	21.292.139	104.594.275	125.886.414	20.250.085	118.351.531	138.601.616

(i) Pestana Vacation Club – Timeshare rights (Direitos reais de habitação periódica “D.R.H.P.”)

This balance refers to the sale of Pestana Vacations Club rights, which are deferred over the period of the award of temporary right of use of hotels and apartments at the Grupo Pestana (Note 3.21 ii)), which will end between 2023 and 2039.

The temporary reduction in the activity of the Vacation club units due to the COVID-19 pandemic have impacted the possibility of using the contracted right and the negotiation of new contracts between March 2020 and July 2021. Thus, for accommodation units for which use was made impossible by the pandemic and whose maintenance fees were paid during this period, Grupo Pestana decided to allow its use until the end of the contract, in the amount of 1.605.205 Euros in 2021.

The movement that occurred in 2022 and 2021 was as follows:

	2022	2021
1 JANUARY	92.940.177	99.251.593
Increases/Reductions	9.585.580	3.213.981
Consumption	(16.941.246)	(9.525.397)
Movements	(7.355.666)	(6.311.416)
31 DECEMBER	85.584.511	92.940.177

The increases/reductions relate to new contracts, upgrades and cancellations.

(ii) Pestana Vacation Club – Options

This item refers to the sale of the timeshare program Options. Revenue is recognized according to the redemption of points in the program and their validity date (Note 3.21 ii)). The customer acquires points that give him the right to use the accommodation without having to choose the specific hotel at that time.

The movement that occurred in 2022 and 2021 was as follows:

	2022	2021
1 JANUARY	32.186.482	33.167.500
Increases/Reductions	2.717.662	1.569.726
Consumption	(4.679.003)	(2.550.744)
Movement	(1.961.341)	(981.018)
31 DECEMBER	30.225.141	32.186.482

Increases/reductions relate to new contracts and cancellations.

(iii) Government grants

This balance relates to grants obtained, the revenue of which is recognized throughout the useful life of the subsidized assets which is comprised between 6 and 40 years.

In 2022, the Group benefited from a grant in the amount of 129.259 Euros for the Energy Renovation of Pousadas do Alentejo, in Portugal, which will be depreciated when it is available for use.

In June 2021, the Group benefited from a conversion of 40% of a loan previously contracted into a non-repayable subsidy under the terms of the financing of European Regional Development Fund (ERDF), in the amount of 527.267 Euros. This amount will be recognized over the useful life of the asset, until 2057 (Note 24).

(iv) Temporary transfer of Pestana Trademark

Due to the term of the current contract for the onerous and temporary transfer of the Pestana Trademark, in 2021 Grupo Pestana chose to reassess the value of the Trademark before defining the conditions for the new temporary transfer. Therefore, it hired an independent expert recognized in the market to carry out the respective valuation, using the royalty relief valuation approach. To determine the price for the onerous and temporary transfer of the Trademark, it also used an independent expert recognized in the market, having determined a price of 23.100.000 Euros for a period of three years, starting on 1 January 2022 and ending on 31 December 2024.

The onerous and temporary transfer of the Pestana Trademark was renewed with Pestana Management – Serviços de Gestão S.A., a Group company that has been exploring the Trademark, it being considered that it is the most appropriate entity to continue its exploitation. On the date of the signature of the contract, 22 December 2021, Grupo Pestana received the amount of 1.925.000 Euros, equivalent to the billing of the first quarter of 2022, with the subsequent billing to be issued monthly.

(v) Others

This caption includes the amount billed to Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A. relating to the agreement for the private use of plots integrated in the infrastructure constructed in Praça do Mar, for 28 years.

27. Trade and other payables

As at 31 December 2022 and 2021 the detail of Trade and other payables is as follows:

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade payables						
Suppliers (i)	35.660.223	–	35.660.223	26.688.255	–	26.688.255
Other payables						
Other payables	1.923.003	–	1,923.003	1,460.662	–	1,460.662
Other payables – group (Note 40) (ii)	619.137	–	619.137	1,805.267	–	1,805.267
Suppliers of property, plant and equipment	1,501.067	–	1,501.067	1,393.599	–	1,393.599
Taxes payable (iii)	3,491.540	–	3,491.540	2,204.872	–	2,204.872
Accrued expenses						
Wages and corresponding taxes	10,217.750	–	10,217.750	7,776.417	–	7,776.417
Construction works	3,750.039	–	3,750.039	1,666.857	–	1,666.857
Property taxes	1,378.862	–	1,378.862	1,993.989	–	1,993.989
Others (iv)	11,179.779	–	11,179.779	6,942.418	–	6,942.418
	69.721.400	–	69.721.400	51.932.336	–	51.932.336

Trade and other payables presented have no significant difference between carrying amount and fair value.

(i) Suppliers

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Suppliers - Group (Note 40)	9,964.656	-	9,964.656	7,727.784	-	7,727.784
Suppliers - other	25,695.567	-	25,695.567	18,960.471	-	18,960.471
	35.660.223	-	35.660.223	26.688.255	-	26.688.255

(ii) Other payables – group

Other payables – group essentially include the amount payable for tax losses ascertained in 2022 and 2021 by the companies included in the Special Taxation Regime for Group Companies (Note 17), but which are not part of the consolidation perimeter, in the amount of 550.814 Euros and 1.796.440 Euros, respectively.

(iii) Taxes payables

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Personnel income tax withheld	695.595	-	695.595	470.543	-	470.543
Value added tax	1,396.032	-	1,396.032	733.267	-	733.267
Social security contributions	1,231.408	-	1,231.408	883.883	-	883.883
Others	168.505	-	168.505	117.179	-	117.179
	3.491.540	-	3.491.540	2.204.872	-	2.204.872

(iv) Other accrued expenses

This caption includes accruals for operational expenses of individual reduced value, such as professional fees, cleaning, energy and commissions, among others.

28. Revenue

The detail of Revenue recognized in the Consolidated income statement is as follows:

	2022	2021
Hospitality business (i)	245.701.834	104.953.071
Real estate (ii)	40.167.519	97.281.769
Pestana Vacation Club (iii)	30.230.837	22.540.704
Beverages (industry) (iv)	30.804.664	22.790.456
Golf	11.411.436	6.541.940
Entertainment	9.427.110	5.304.261
Others (v)	7.700.000	2.775.184
	375.443.400	262.187.385

(i) Hospitality business

Despite the first quarter of 2022 still being affected by the pandemic, from April onwards the hospitality business had a significant positive evolution and, overall, touristic operators achieved results close to or higher than 2019's, which was the last pre pandemic year and one of the best ever in Portugal.

After 2 years of restrictions, people felt eager to travel and leave home, which, at first, benefited more the resort-type units, but from the second half of 2022 this effect was also felt in the city units. This accentuated increase in demand was also reflected in the average price, which generally increased across the sector. Unlike what happened in 2021, all of Grupo Pestana's units were open throughout the year, thus not only increasing their occupancy rates and average price compared to the previous year, but also achieving higher revenue than in 2019. Thus, hotel revenue increased by 134% compared to the previous year and 4% compared to 2019, excluding the units inaugurated in 2021 and 2022.

Additionally, and as had been the case since 2020, the mix of sales distribution channels has been changing and increasingly passing through direct and online sales channels, which allowed for greater flexibility and a consequent increase in revenue. Faced with this reality, Grupo Pestana continued its investment strategy in direct channels.

Madeira and Porto Santo recorded the best year ever in terms of revenue, with an increase of 131% compared to 2021 and 23% compared to 2019. These increases once again consecrate Madeira as a destination of choice for both international tourists, as well as domestic tourism, having even won the World Travel Awards in 2022 for "Best island destination in the world". Another determining factor that contributed to the rapid recovery of the tourism sector in the Autonomous Region of Madeira was the increase in the offer of flights at very competitive and affordable prices, namely Ryanair, which attracted more domestic tourists, as well as from the United Kingdom and Germany markets. The Regional Government, through the Madeira Promotion Association, is still developing measures with a view of capturing other international markets.

Hospitality revenue in Algarve also increased by around 89% and 23% compared to 2021 and 2019, respectively. This increase was motivated by the continuation of the focus on domestic tourism, but above all by the massive return of British tourists.

The Pousadas also presented excellent results in 2022, having increased sales by around 143% compared to 2021 and 12% compared to 2019, motivated by the strengthening of international demand for the Portuguese hotel market, as well as the consolidation of the operation from Pousada do Porto, Vila Real de Santo António and Churchill, which opened in 2021 and which for the first time have a full year of activity.

City destinations, namely Lisbon and Porto, also had a significant increase in sales compared to the previous year, having been only 3% below the sales made in 2019. In addition to the recovery of tourism, there was the inauguration of a new unit in Porto, the Pestana Douro Riverside in April 2022. It should also be noted that Lisbon and Porto were also awarded "Best metropolitan destination by the sea" and "Best urban destination" in 2022 by the World Travel Awards, respectively. Pestana Palace Lisboa hotel also won the award for "Best luxury business hotel".

The 2022 and 2021 detail of sales and services rendered in Hospitality business by country of origin are as follows:

Country	Hospitality business	
	2022	2021
Portugal	33,6%	53,3%
United Kingdom	19,2%	14,7%
Germany	8,9%	6,0%
United States	6,2%	2,4%
France	4,8%	4,1%
Spain	4,2%	4,0%
Ireland	2,8%	1,5%
Netherlands	2,2%	1,9%
Switzerland	1,8%	1,5%
Brazil	1,8%	0,8%
Poland	1,6%	0,8%
Belgium	1,4%	1,4%
Italy	1,2%	0,9%
Canada	1,1%	0,3%
Sweden	0,8%	0,7%
Denmark	0,8%	0,6%
Others	7,6%	5,1%
	100%	100%

(ii) Real estate

Grupo Pestana continued to follow its risk diversification strategy, not only in geographic terms, but also in different business segments, such as the residential and real estate business.

The real estate business continued to present excellent results in 2022 with a total revenue of approximately 40.200.000 Euros.

In 2022, 34 plots of Pestana Pile Village were sold for the amount of 13.754.350 Euros (2021: 22 plots – 8.371.800 Euros). This project resulted from an acquisition of a urban land located in Brejos da Carregueira, one of the most attractive and requested areas at sea-side in Portugal. In this project, Grupo Pestana only sells the lots and does not construct the plots.

The Valley Nature Resort project had its first 6 deliveries in 2022 for 2.620.000 Euros.

Regarding Silves Golfe Resort, this is a touristic project composed by 2 4-star resorts and 1 apart-hotel. The Group is developing phase 1 of this project which will include 175 units. In 2022 and 2021, apartments were sold for the amount 1.833.760 and 1.080.000 Euros, respectively.

In 2021, Madeira Palácio Residences located in one of the most modern residential areas in Funchal, on the first line of the sea, was sold for 40.000.000 Euros.

Regarding the Coliseu project, located in São Miguel, Azores, all 56 apartments were sold in 2021 for the total value of 13.942.500 Euros. This project had an excellent location and it confirmed once again the quality projects that the Group is involved in, with great results.

In 2021 it was the end of the main project of the Group in the last years, Pestana Tróia Eco Resort with the delivery of the last 12,75 units of Lot 1., for the amount of 7.730.850 Euros. Lot 3 is also almost concluded and there were 4 deliveries for the amount of 5.350.000 Euros in 2021.

Real estate includes revenue recognized according to the measurement of performance obligation satisfaction based on the percentage of completion method, which corresponds to the proportion of incurred costs to the total estimated contract costs. The main project in 2022 concerns the requalification conclusion of the building on Avenida Casal Ribeiro, OASIS 28, with 60 apartments and 1 store, which generated revenue of 2.188.114 Euros (2021: 5.421.255 Euros). In 2022 and 2021, the amount recognized in revenue with respect to these contracts was 2.402.613 Euros e 5.883.240 Euros, respectively, and the costs amounted to 2.208.355 Euros e 5.583.263 Euros, respectively. As at 31 December 2022 and 2021, accumulated recognized revenue from these contracts in progress amounted to 9.092.045 Euros and 7.154.384 Euros, respectively, and the accumulated costs amounted to 8.616.568 Euros and 6.835.897 Euros, respectively. For all Construction contracts in progress it was possible to make a reliable estimate of their outcome.

Real estate revenue also includes the residence activity, namely the tourist exploration contracts for Pestana Troia Eco-Resort, which in 2022 represented accommodation revenue in the amount of 5.136.267 Euros (2021: 4.245.027 Euros), the tourist exploration of Pestana Gramacho and Pinta which continued to show good results with revenue of 6.406.972 Euros (2021: 4.597.203 Euros), as well as other residence units in the amount of 2.641.832 Euros (2021: 1.894.802 Euros). The remaining amount essentially refers to real estate management of 2.430.266 Euros (2021: 2.435.087 Euros).

(iii) Pestana Vacation Club

Similar to the hospitality business, the Vacation Club and Options business had a 34% increase in revenue compared to the previous year, mainly due to the reactivation of its main tourist markets, namely United Kingdom and Germany. In addition to having the units open for a larger number of days than in the year before there was also a consumption of those weeks that the customers had already paid and were not able to enjoy because of the pandemic. At that time, Grupo Pestana allowed customers to enjoy those weeks for the remaining of their contract and the amount of that impact was 2.800.000 Euros.

It is important to note that new Pestana Vacation Club contracts increased by 81% compared to 2021.

The 2022 and 2021 detail of sales and services rendered in Vacation Club (number of clients with signed contracts) by country of origin related to the number of customers are as follows:

Country	Pestana Vacation Club	
	2022	2021
United Kingdom	59,5%	59,3%
Germany	10,9%	10,7%
Portugal	7,8%	7,9%
Finland	7,7%	7,9%
Sweden	2,8%	2,9%
Norway	2,3%	2,3%
France	1,6%	1,7%
Denmark	1,4%	1,5%
Others	6,0%	5,8%
	100%	100%

(iv) Beverages Industry

In 2022, the commercial activity returned to its normal values and the sales increased by 35%.

The Portuguese market was the main reason for this increase. Despite, the first two months that were still much affected by the pandemic and its restrictions, from march onwards with the carnival celebrations and the increase in tourism in Madeira, the sales of the Group in this sector increased substantially. It is also important to highlight the 40% growth in the Porto Santo market compared to 2019.

(v) Others

In 2022 and 2021, the caption Others concerns the onerous and temporary assignment of the Pestana Brand to Pestana Management – Serviços de Gestão S.A.

In March 2020, by agreement between the parties, due to the effect of the COVID-19 pandemic, it was decided to extend until December 2021 the contract that had been initially signed for the period from 2018 to 2020.

29. External services and supplies

The detail of External services and supplies is as follow:

	2022	2021
Professional fees	30.902.952	15.098.768
Cleaning	21.972.762	10.927.086
Subcontracts	21.718.960	12.273.006
Commissions	13.968.081	5.699.807
Energy	13.192.540	6.993.991
Advertising	7.524.166	4.995.900
Maintenance	6.415.810	4.329.959
Rents	5.224.059	2.340.867
Property management exploration counterpart	4.578.021	3.555.774
Insurance	970.097	896.021
Others	4.842.445	3.199.521
	131.309.893	70.310.700

Grupo Pestana has a mostly variable cost structure which provides a robust resilience to upturns and downturns. However, 2022 was marked by the high increase in the cost of energy as well as inflationary pressures, which meant that the increase in costs was not only due to the increase in activity. The hospitality business as a whole experienced difficulties in recruiting due to a shortage of manpower, which resulted in a higher-than-expected increase in expenses associated with temporary work.

Rents in 2022 include 1.725.000 Euros for the Pestana Blue Alvor All Inclusive corresponding to the period from May to November, as per the agreement made after the sale of the hotel in May 2022 (Note 6) and which the Group operated until the end of November 2022. Additionally, there was also an increase in rents whose values vary depending on the respective revenue generated.

In accordance with Article 66, paragraph 1, section b) of the Portuguese Commercial Companies Code ("Código das Sociedades Comerciais"), it is hereby informed that the 2022 Group auditor's consolidated audit fees for all subsidiaries amounted 107.935 Euros. Audit services performed on the remaining companies included in the consolidation perimeter by other auditors amounted to 19.250 Euros.

There were no other service fees charged by the Group auditor. Fees for other services provided by related parties of the other auditors amounted to 22.500 Euros.

30. Personnel expenses

The detail of Personnel expenses is as follows:

	2022	2021
Board of Directors (including subsidiaries)		
Wages and salaries	1.281.628	1.350.560
Social security contributions	192.365	187.285
	1.473.993	1.537.845
Staff		
Wages and salaries	47.582.610	27.049.315
Social security contributions	9.915.891	6.443.169
Others	1.296.442	1.704.336
	58.794.943	35.196.820
	60.268.936	36.734.665

The average number of employees of companies from Grupo Pestana included in the consolidation perimeter in 2022 was 2.590 (31 of December of 2021: 2.141). The increase in activity, the improvement of working and remuneration conditions and the transfer of people who worked in the hotel business to other businesses during the pandemic explain the variation that occurred in Personnel expenses.

In 2022 and 2021 Personnel Expenses includes 3.348.600 Euros and 1.223.000 Euros, respectively, of profit sharing expenses.

In 2021 the Group used the various job maintenance programs granted by the government in response to the pandemic COVID-19, namely to the extraordinary support for the progressive resumption of activity by companies with a reduction in the normal working period and the new incentive for the normalization of business activity. These supports allowed the Group to reduce personnel expenses by approximately 7.250.000 Euros in 2021.

31. Other income

The detail of Other income is presented as follows:

	2022	2021
Gains on disposal of assets / investment properties	41.851.417	483.986
Supplementary income	2.081.662	2.051.266
Foreign currency exchange gains	1.348.380	795.739
Investment government grants	426.124	421.252
Rent concessions	-	1.400.714
Tax refund	8.280	317.905
Others	874.536	1.288.410
	46.590.399	6.759.272

In 2022, Gains on disposals essentially concerns the sale in May of Pestana Blue Alvor All Inclusive hotel, generating a gain in the amount of 40.002.992 Euros (Note 6). It is also included the profit on the sale of 10 apartments in the tourist resort Pestana Gramacho Residences, in the amount of 719.714 Euros (2021: 187.200 Euros) (Note 6).

In 2022 the Group entered into an irrevocable promissory agreement for the land located in Angra dos Reis, Brazil, for the price of 11.450.000 Reais (1.781.131 Euros), obtaining a gain on the sale of 818.230 Euros (Note 8). The public deed was celebrated in July 2022.

In 2021, two houses located in São Gonçalo, Funchal, were sold for the sale price of 279.000 Euros and 330.000 Euros, with a gain on the sale of 27.767 Euros (Note 8) and a loss on the sale of 55.362 Euros (Notes 8 and 32), respectively.

Supplementary income relates to the exchange of services and charges to Group companies that are not part of the consolidation perimeter of Grupo Pestana SGPS, SA.

In 2021, the item Tax Refunds refers to the decision of the court regarding a SISA process that had been ongoing since 2013. On 7 May 2021, the decision gave the Group reason, having been received, on 30 September 2021, the amount of 520.721 Euros. The net book value of the capitalized expense was 371.505 Euros on the case's settlement date, resulting in a gain of 159.216 Euros. It was also decided that the Group would have to be reimbursed for the costs incurred with the bank guarantee activated on the date of institution of the process, in the amount of 158.689 Euros, receiving it on 26 January 2022.

In 2021, rent concessions refers to total or partial reductions in the value of fixed rents.

In 2022, the Other item includes a non-refundable financial incentive granted to the beverage business located in Madeira, in the amount of 280.027 Euros for the 2020 financial year. This incentive is part of the "Madeira 14-20" Operational Program – Operating aid and expenses related to contracts and public service obligations in the outermost regions. In 2021, as part of the same program, and as it was also only approved in that year, this same heading included the amount of 350.000 Euros for the 2018 and 2019 financial years.

32. Other expenses

The detail of Other expenses is as follows:

	2022	2021
Taxes	4.056.118	3.454.027
Credit card commissions	1.535.362	555.944
Foreign currency exchange losses	877.459	33.922
Inventory gifts and samples	143.333	138.642
Losses on inventories	40.180	73.047
Disposal of tangible assets	24.192	-
Disposal of investment properties	-	55.362
Others	1.171.157	961.797
	7.847.801	5.272.741

Taxes refers essentially to expenses incurred with property taxes, with solid waste and sewage conservation rates. In 2021, Taxes include the correction made to the November 2021 VAT refund in the amount of 984.155 Euros (Note 15).

33. Gains on disposal of investments, equity method and financial assets at fair value through profit and loss

The detail of Gains on disposal of investments, equity method and financial assets at fair value through profit and loss is as follows:

	2022	2021
Disposal of joint venture Pestana CR7's – Madeira Hotel Investimentos Turísticos, S.A. (Note 9)	280.492	–
Disposal of joint venture Pestana CR7's – Lisboa Hotel Investimentos Turísticos, S.A. (Note 39)	–	6.713.711
Gains/(losses) from equity method in Joint ventures (Note 9):		
Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A.	187.317	(84.051)
Solpor – Sociedade de Turismo do Porto Santo, Lda.	(662)	(657)
Gains/(losses) from equity method in Associates (Note 10):		
Enatur – Empresa Nacional de Turismo, S.A.	434.040	6.170
Albar – Sociedade Imobiliária do Barlavento, S.A.	113.338	(1.076)
Gains in Financial assets at fair value through profit or loss (Note 11):	554.776	1.437.821
	1.569.301	8.071.918

34. Financial expenses and income

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

	2022	2021
Financial expenses		
Interest expenses	8.329.108	7.584.389
Lease liabilities' interest	6.836.866	6.922.162
Commissions and guarantee fees	1.434.463	1.277.178
Taxes	636.747	283.778
Interest rate swaps	77.161	50.966
Foreign currency exchange losses	28.750	–
	17.343.095	16.118.473
Financial income		
Interest income	158.592	103.250
Sublease interest	101.637	61.436
Interest rate swaps	6.483	–
Foreign currency exchange gains	1.157	82.003
Derivatives fair value (Note 14)	4.003	14.945
Dividends	–	21.923
Guarantee fees	85.108	207.190
	356.980	490.747

The variation in fair value of swaps corresponds in its entirety to the variation in fair value of derivative financial instruments considered as held for trading (Note 14).

In 2021, dividends were obtained from the Iberis Bluetech Fund, FCR EuVeca.

35. Income tax

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

	2022	2021
Current income tax:		
Current period income tax	5,355.566	2,850.162
Compensatory interest	332.226	-
Adjustments in respect of prior year estimates	193.513	(193.166)
Impact of transition to IFRS 16 (Note 12)	-	42.204
	5.881.305	2.699.200
Deferred income tax:		
Origin and reversal of temporary differences (Note 12)	11,288.840	(1,230.701)
Impact of transition to IFRS 16 (Note 12)	-	(490.926)
	11.288.840	(1.721.627)
	17.170.145	977.573

The income tax rates applicable to each subsidiary, in the calculation of the income tax to recognize in the Consolidated financial statements, are as follows:

	2022	2021
Tax rate	14,7%-21%	14,7%-21%
Municipal surcharge	0,0%-1,5%	0,0%-1,5%
State surcharge:		
> 1,500,000 and < 7,500,000	3,00%	3,00%
> 7,500,000 and < 35,000,000	5,00%	5,00%
> 35,000,000	9,00%	9,00%

Excluding Impact of transition to IFRS 16, the tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2022	2021
Profit before tax	116.120.599	30.949.946
Tax calculated at domestic tax rates applicable to profits in the respective subsidiaries	23.616.775	6.499.489
Difference in tax rate applied to deferred taxes	85.618	(125.845)
Income not subject to tax	(6.456.282)	(3.008.794)
Expenses not deductible for tax purposes	498.770	1.480.023
	17.744.881	4.844.873
RFAI and SIFIDE	(4.994.382)	(4.433.790)
State surcharge	3.010.693	850.698
Municipal surcharge	747.977	231.335
Autonomous taxation	135.237	126.345
Compensatory interests	332.226	-
Shortfall / (Excess) in income tax estimates	193.513	(193.166)
	17.170.145	1.426.295

Grupo Pestana, S.G.P.S., S.A. is taxed under the Special Taxation Regime for Group Companies ("RETGS"). Consequently, the current income tax is calculated based on the taxable profit/(loss) of the companies included in the consolidation and in said regime, according to this regime's rules.

RETGS includes all companies in which the Group holds directly or indirectly at least 75% of the share capital and that are resident in Portugal and taxed under the Portuguese Corporate Income Tax Code ("CIRC").

Under the terms of Article no. 69-A of the Portuguese Corporate Income Tax Code, the Group chose to widen the concept of Special Taxation Regime for Group Companies, to Pestana International Holdings, S.A, with Grupo Pestana, S.G.P.S., S.A. assuming the role defined in number 3 of the referred article, regarding the fulfilment of all obligations imposed on the dominant company.

For companies not covered by the special taxation regime, current income tax is calculated based on their respective taxable profit/(loss), according to the tax rules applied in the location of their registered office.

Income not subject to tax in 2022, essentially refers to part of the capital gain on disposal of Pestana Blue Alvor All Inclusive hotel and the reversal of impairment losses on tangible fixed assets (Note 6). The tax on the capital gain was calculated based on the assumption that the amount realized will be fully reinvested in the period between 2021 and 2024. As foreseen in Portuguese tax law, under the current assumption, the tax capital gain of 19.709.109 Euros had a tax payable of 4.138.913 Euros. In 2021, it essentially refers to capital gains obtained on the disposal of a joint venture and a reversal of impairment losses.

Expenses not deductible for tax purposes refers mainly to the excess recorded for the determination of deemed cost in tangible fixed assets (IFRS 1), as well as impairment losses.

The investment support tax regime ("RFAI") and research and business development tax incentive ("SIFIDE") lines include 3.022.369 Euros in return for the benefit used in previous years as a result of the sale of Pestana Blue Alvor, which had been considered a relevant investment eligible for the purposes of RFAI between 2017 and 2020, not having fulfilled the minimum holding period of 5 years. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros.

In 2022, Grupo Pestana and two subsidiaries subscribed 8.739 participation units in Iberis Bluetech Fund III, FCR for 9.001.170 Euros. This fund's policy is to invest in Research and Development (R&D) companies and projects, making this investment eligible under tax incentives for Research and Development. Grupo Pestana and these subsidiaries will present the respective application until May 2023, which is expected to be approved by Agência Nacional de Inovação, S.A.

36. Dividends

Dividends paid to shareholders in 2022 amounted to 25.000.000 Euros, corresponding to 0.30 Euros per share (2021: 15.000.000 Euros, resulting in 0.18 Euros per share).

37. Contingencies

Grupo Pestana has the following contingent liabilities arising from bank guarantees provided:

	2022	2021
Mortgages		
Mortgages over hotel units	148.485.660	151.999.083
Mortgages over land	1.750.000	1.750.000
	150.235.660	153.749.083
Guarantees		
Sureties and Liability coverage	10.228.906	10.815.643
Bank guarantees	46.447.005	41.502.347
	56.675.911	52.317.990

Contingent assets

The special tax regime in Portugal for pure Holding Companies (with the legal status of “S.G.P.S.”), in effect until 31 December 2013, foresaw that capital gains or losses arising from the sale, under specified conditions, of equity shares held by these companies, would not concur for the calculation of taxable profit. On the other hand, this regime did not allow for the tax deduction of financial expenses associated with the acquisition of said equity shares. However, this regime was revoked on 1 January 2014, without the creation of any transitional regime.

Thus, under the revoked regime, the company Grupo Pestana S.G.P.S., S.A. had been taxed, between 2004 and 2013, on financial expenses associated with equity shares that (i) never benefitted from the exemption of taxation on capital gains or losses obtained under the regime; and (ii) that due to the revoking of the regime – cannot come to benefit from that exemption in the future.

In the current context, even though they may benefit from the participation exemption, provided for in article 51-C of the Portuguese Tax Code, Grupo Pestana understands that to impose on S.G.P.S.’s the taxation of past financial charges a requirement for access to the participation exemption, not being such taxation required to other companies that can also benefit from it, would be harmful to the constitutional principles of legality, equality, justice and proportionality.

In this context, the Group presented, in March 2017, a gracious complaint requesting the recovery of the tax levied on the financial expenses related to shares that did not benefit from the capital gains tax regime. As this administrative claim was dismissed by the Tax and Fiscal Affairs Authority of the Autonomous Region of Madeira, the Group presented, in November 2017, a judicial challenge in the Administrative and Fiscal Court of Funchal.

In June 2022, and in light of the unfavourable decision handed down by the Administrative and Tax Court of Funchal, the Group filed an Appeal with the Supreme Administrative Court, which is pending a decision.

Contingent liabilities

As at 31 December 2022, Grupo Pestana has ongoing judicial claims, assessed as contingent liabilities, of approximately 250.000 Euros.

38. Consolidation perimeter

The Subsidiaries included in the consolidation perimeter, by the full consolidation method, as at 31 December 2022 are as follows:

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	Real estate	31/12/2022	4.997.647	6.373.373	1.375.726	–	(16.549)	100,00%	100,00%
Albar – Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real estate	31/12/2022	1.182.850	1.208.440	25.590	–	(11.457)	100,00%	100,00%
Carlton Palácio – Soc. de Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	31/12/2022	43.978.882	134.055.287	90.076.405	36.792.741	5.522.642	100,00%	100,00%
Carvoeiro Golfe – Soc. de Mediação Imob., Unip. Lda.	Portugal	Real estate	31/12/2022	605.924	14.890.989	14.285.065	1.868.094	598.424	100,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf / Real estate	31/12/2022	59.218.214	113.033.982	53.815.768	64.197.902	7.812.220	100,00%	100,00%
Cota Quarenta – Gestão e Adm. de Centros Comercias, S.A.	Portugal	Real estate	31/12/2022	22.036.220	27.703.128	5.666.908	2.573.497	(119.852)	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Soc. Unip. Lda.	Portugal	Beverages	31/12/2022	7.150.096	30.808.725	23.658.629	31.696.495	(14.212)	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31/12/2022	16.351.573	18.717.536	2.365.963	2.765.404	498.105	100,00%	100,00%
Grupo Pestana Pousadas – Inv. Turísticos, S.A.	Portugal	Hospitality	31/12/2022	47.456.914	62.852.540	15.395.626	40.649.170	2.733.554	100,00%	100,00%
Herdade da Abrunheira – Proj. de Desenvolvimento Turístico e Imob., S.A.	Portugal	Real estate	31/12/2022	6.655.783	6.666.586	10.803	–	(42.294)	100,00%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality	31/12/2022	1.429.181	4.521.020	3.091.839	3.526.959	629.181	100,00%	100,00%
ITI – Soc. de Inv. Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	31/12/2022	65.835.429	79.238.244	13.402.815	38.877.733	9.284.399	100,00%	100,00%
M. & J. Pestana – Soc. de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	31/12/2022	143.684.301	402.984.087	259.299.786	75.925.102	18.069.135	100,00%	100,00%
Mundo da Imaginação – Projectos de Animação Turística, S.A.	Portugal	Entertainment	31/12/2022	1.008.071	3.393.647	2.385.576	443.862	(146.600)	100,00%	100,00%
Natura XXI, Lda.	Portugal	Real estate	31/12/2022	1.467.810	1.636.259	168.449	–	(36.358)	100,00%	100,00%
Pestana Cidadela – Inv. Turísticos, S.A.	Portugal	Hospitality	31/12/2022	10.820.762	20.167.743	9.346.981	7.479.211	1.380.876	100,00%	100,00%
Ponta da Cruz – Soc. Imob. e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	31/12/2022	14.626.881	26.558.368	11.931.487	11.101.850	3.307.696	52,00%	52,00%
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality	31/12/2022	9.207.193	15.660.095	6.452.902	7.064.424	1.884.655	60,00%	60,00%
Salvor – Soc. de Inv. Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	31/12/2022	138.907.452	264.228.840	125.321.388	69.384.237	66.129.989	100,00%	100,00%
Soc. de Inv. Hoteleiros D. João II, S.A.	Portugal	Hospitality / Timeshare	31/12/2022	1.314.328	3.854.007	2.539.679	600.588	(44.704)	100,00%	100,00%

The Subsidiaries included in the consolidation perimeter, by the full consolidation method, as at 31 December 2021 are as follows:

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	Real estate	31-12-2021	4.981.360	6.361.551	1.380.191	-	(28.681)	100,00%	100,00%
Carlton Palácio – Soc. de Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	31-12-2021	48.956.240	139.421.990	90.465.750	9.164.764	2.135.524	100,00%	100,00%
Carvoeiro Golfe – Soc. de Mediação Imob., Unip. Lda.	Portugal	Real estate	31-12-2021	492.014	887.577	395.563	978.265	484.514	100,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf / Real estate	31-12-2021	72.405.994	114.736.606	42.330.612	49.098.533	8.612.216	100,00%	100,00%
Cota Quarenta – Gestão e Adm. de Centros Comercias, S.A.	Portugal	Real estate	31-12-2021	37.156.072	54.888.968	17.732.896	41.132.567	8.461.614	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Soc. Unip. Lda.	Portugal	Beverages	31-12-2021	7.164.309	29.893.508	22.729.200	23.208.771	(143.617)	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2021	15.853.468	18.334.030	2.480.562	1.491.958	35.837	100,00%	100,00%
Grupo Pestana Pousadas – Inv. Turísticos, S.A.	Portugal	Hospitality	31-12-2021	46.431.547	60.351.741	13.920.194	20.445.604	386.716	100,00%	100,00%
Herdade da Abrunheira – Proj. de Desenvolvimento Turístico e Imob., S.A.	Portugal	Real estate	31-12-2021	6.698.076	6.720.807	22.731	-	(46.685)	100,00%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality	31-12-2021	7.206.062	11.832.753	4.626.691	15.710.806	3.289.982	100,00%	100,00%
ITI – Soc. de Inv. Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	31-12-2021	56.529.211	72.129.675	15.600.464	21.307.472	1.431.037	100,00%	100,00%
M. & J. Pestana – Soc. de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	148.466.821	376.718.907	228.252.086	36.971.062	536.487	100,00%	100,00%
Mundo da Imaginação – Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2021	1.154.671	3.570.471	2.415.800	196.044	(399.505)	100,00%	100,00%
Natura XXI, Lda.	Portugal	Real estate	31-12-2021	1.504.169	1.514.821	10.652	48.000	12.748	100,00%	100,00%
Pestana Cidadela – Inv. Turísticos, S.A.	Portugal	Hospitality	31-12-2021	11.439.886	15.727.233	4.287.347	2.768.410	102.325	100,00%	100,00%
Ponta da Cruz – Soc. Imob. e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	11.319.186	24.635.269	13.316.083	4.812.991	528.333	52,00%	52,00%
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality	31-12-2021	7.322.537	13.810.836	6.488.299	1.922.343	355.027	60,00%	60,00%
Salvor – Soc. de Inv. Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	95.777.463	228.801.116	133.023.653	36.392.894	2.530.421	100,00%	100,00%
Soc. de Inv. Hoteleiros D. João II, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	1.359.032	3.621.228	2.262.196	398.728	27.076	100,00%	100,00%

The Joint ventures included in the consolidation, under the equity method, as at 31 December 2022 and 2021, are as follows:

	2022	2021	
	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.	PESTANA CR7 – MADEIRA HOTEL INVESTIMENTOS TURÍSTICOS, S.A.	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.
Headquarters	Portugal	Portugal	Portugal
Activity	Real estate	Hospitality	Real estate
% owned	50,00%	50,00%	50,00%
% control	50,00%	50,00%	50,00%
Total non-current assets	-	4.252.626	-
Total current assets			
Of which cash and cash equivalents	3.797	696.440	5.326
Others	929.291	199.919	929.291
Total assets	933.088	5.148.985	934.617
Total non-current liabilities			
Of which financial liabilities	-	1.256.321	-
Others	-	1.805.280	-
Total current liabilities			
Of which financial liabilities	-	225.806	-
Others	18	547.195	221
Total liabilities	18	3.834.602	221
Total equity	933.070	1.314.383	934.395
Revenue	-	1.012.444	-
Charges of depreciation and amortization	-	(190.082)	-
Others	(1.325)	(877.320)	(1.312)
Operating results	(1.325)	(54.958)	(1.312)
Financial expenses	-	(142.118)	-
Financial income	-	-	-
Income tax	-	28.975	-
Loss for the period	(1.325)	(168.101)	(1.312)
Dividends received	-	-	-

The Associates included in the consolidation, under the equity method, as at 31 December 2022 and 2021, are as follows:

	2022		ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.	2021	
	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.		ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.
Headquarters	Portugal	Portugal	Portugal	Portugal	Portugal
Activity	Hospitality	Innovation	Real estate	Hospitality	Innovation
% owned	49,00%	10,00%	49,81%	49,00%	10,00%
% control	49,00%	20,00%	49,81%	49,00%	20,00%
Total non-current assets	72.069.150	1.399.414	–	74.941.356	1.720.236
Total current assets	1.895.958	13.115	1.191.680	1.084.213	79.036
Total assets	73.965.108	1.412.529	1.191.680	76.025.569	1.799.272
Total non-current liabilities	15.067.556	616.196	–	16.086.209	595.879
Total current liabilities	4.157.046	1.246	2.739	4.439.390	253.803
Total liabilities	19.224.602	617.442	2.739	20.525.599	849.682
Total equity	54.740.506	795.087	1.188.941	55.499.970	949.590
Revenue	2.619.734	–	–	1.652.169	–
Profit / (Loss) for the period	885.797	(154.503)	(2.161)	12.591	559.815
Dividends received	–	–	–	–	–

39. Changes in the perimeter

On 28 October 2022, Grupo Pestana acquired shares corresponding to 50,19% of the capital of Albar – Sociedade Imobiliária do Barlavento, SA for 699.135 Euros and the respective Accessory capital contributions, transacted at the nominal value of 25.000 Euros. As of that date, Albar – Sociedade Imobiliária do Barlavento, SA started to be fully consolidated.

On 23 November 2022, Grupo Pestana sold to Pestana CR7 Holding the stake it held in Pestana CR7 – Madeira Investimentos Turísticos, SA for the amount of 687.500 Euros, as well as the respective Accessory capital contributions, transacted at their nominal value of 437.500 Euros, corresponding to a total of 1.125.000 Euros and a capital gain of 280.492 Euros (Notes 9 and 33).

On 21 December 2021, Grupo Pestana sold its joint venture participation in Pestana CR7 – Lisboa, S.A. for the amount of 6.713.711 Euros, as well as of the respective Accessory capital contributions, traded at their nominal value in the amount of 1.625.000 Euros, thus corresponding to a total of 8.338.711 Euros and capital gain of 6.713.711 Euros (Note 33). The participation was sold to the other Shareholder of that entity, CR7 Lifestyle Unipessoal, Lda.

The financial position of Albar – Sociedade Imobiliária do Barlavento, S.A. with reference to the entry date is presented as follows:

	ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.
Purchase price	699.135
ASSETS	
Trade and other receivables	1.891
Inventories	1.467.300
Cash and cash equivalents	8.930
Total Assets at fair value	1.478.121
LIABILITIES	
Borrowings	60.000
Trade and other payables	25.145
Total Liabilities at fair value	85.145
Net assets	1.392.976
Investment already held by Grupo Pestana	582.300
Grupo Pestana interests acquired	810.676
% acquired	50,19%

The Income statement of Albar – Sociedade Imobiliária do Barlavento, S.A. between the entry date and 31 December 2022 is as follows:

	ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.
External services and supplies	(6.460)
Other expenses	(83)
Operating loss	(6.543)
Loss before tax	(6.543)
Income tax	14.958
Profit for the period	8.415
Profit for the period attributable to:	
Shareholders of the Group	8.415
Non-controlling interests	-
	8.415

40. Related parties

As at 31 December 2022 and 2021, Grupo Pestana is owned and controlled by Pestana International Holdings S.A., which holds 99% of the share capital. The ultimate owner of that Company is Mr. Dionísio Pestana, who also holds the remainder of the share capital.

Board of Director's remuneration

The members of the Boards of Directors of the companies that comprise Grupo Pestana were considered, in accordance with IAS 24, as the only key management personnel of the Group. During the years ended 31 December 2022 and 2021, the remuneration received by the Board of Directors is described in Note 30.

Transactions and balances with related parties

During 2022 Grupo Pestana carried out the following transactions with the following entities:

	DIVIDENDS PAID	SERVICES OBTAINED	INTEREST INCURRED	SALE OF INVENTORIES	SALE OF TANGIBLE FIXED ASSETS	SERVICES RENDERED	INTEREST EARNED	DISPOSAL OF FINANCIAL INVESTMENTS
Shareholder	25.000.000	17.259	20.000	-	-	113	-	-
Pestana International Holdings S.A.	24.750.000	17.259	20.000	-	-	113	-	-
Dionisio Fernandes Pestana	250.000	-	-	-	-	-	-	-
Associates	-	2.407.314	-	-	-	-	4.033	-
Enatur - Empresa Nacional de Turismo, S.A.	-	2.407.314	-	-	-	-	4.033	-
Other group companies	-	34.914.631	-	29.490	-	13.188.449	184.027	1.125.000
Hotéis do Atlântico - Soc. Imob. Gestão de Hotéis, S.A.	-	-	-	-	-	15.121	3.701	-
Pestana Management - Serviços de Gestão, S.A.	-	28.524.460	-	491	-	9.524.238	-	-
Pestana Segurança - Serviços Seg. Vigilância, Unip., Lda.	-	1.498.253	-	-	-	4.786	-	-
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	-	27.455	-	28.999	-	259.920	101.637	-
Intervisa Viagens e Turismo, Unipessoal Lda.	-	4.807.681	-	-	-	759.218	-	-
URP - Urban Renew - Projetos imobiliários SICAFI, S.A.	-	-	-	-	-	2.206.457	-	-
Pestana CR7 Holding, S.A.	-	-	-	-	-	-	-	1.125.000
Salvintur - Sociedade de Investimentos Turísticos, S.A.	-	-	-	-	-	126	-	-
ESGAP - Serviços Gestão e Admin. Partilhados, S.A.	-	9.675	-	-	-	-	-	-
Empreendimentos Turísticos, Lda.	-	-	-	-	-	202	-	-
Afrotours, S.A.	-	-	-	-	-	93	-	-
Pestana Marrocos, S.à.r.l.	-	-	-	-	-	6.835	-	-
Brasturinvest Investimentos Turísticos, S.A.	-	-	-	-	-	259.420	-	-
Pestana Miami, LLC	-	540	-	-	-	11.490	78.689	-
Pestana Manhattan 39, LLC	-	1.664	-	-	-	21.986	-	-
Pestana USA, Inc.	-	-	-	-	-	1.999	-	-
Pestana New York East Side 39 LLC	-	-	-	-	-	12.665	-	-
Pestana Inversiones, Unipessoal, Lda.	-	18.545	-	-	-	-	-	-
Pestana Management UK, Limited	-	7.382	-	-	-	40.814	-	-
Pestana Berlin S.à.r.l.	-	15.463	-	-	-	42.881	-	-
Desarrollos Hoteleros Barcelona S.A.	-	1.319	-	-	-	1.564	-	-
Global Mandalay, S.L.	-	496	-	-	-	409	-	-
Amesteldijk Hotel Ontwckeling B.V.	-	-	-	-	-	18.225	-	-
Pestana CR7 Madrid, S.L.	-	1.698	-	-	-	-	-	-
Other related parties	-	-	-	-	1.770.947	2.473	-	-
Quanlux, S.A.	-	-	-	-	1.770.947	2.473	-	-
Key management personnel	-	-	-	-	-	-	-	-
	25.000.000	37.339.204	20.000	29.490	1.770.947	13.191.035	188.060	1.125.000

Notes to the consolidated
financial statements

During 2021 Grupo Pestana carried out the following transactions with the following entities:

	DIVIDENDS PAID	SERVICES OBTAINED	INTEREST INCURRED	SALE OF INVENTORIES	SERVED RENDERED	INTEREST EARNED	ACQUISITION OF FINANCIAL INVESTMENTS	DISPOSAL OF FINANCIAL INVESTMENTS
Shareholders	15.000.000	11.373	20.000	-	14.165	-	-	-
Pestana International Holdings S.A.	14.850.000	11.373	20.000	-	14.165	-	-	-
Dionisio Fernandes Pestana	150.000	-	-	-	-	-	-	-
Joint ventures	-	204.512	-	15.788	204.062	103.320	-	-
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	-	74.468	-	15.788	201.350	103.320	-	-
CR7 Lifestyle Lisboa, S.A.	-	130.044	-	-	2.712	-	-	-
Associates	-	166.386	-	-	21.616	8.013	-	-
Enatur – Empresa Nacional de Turismo, S.A.	-	166.386	-	-	21.616	8.013	-	-
Other group companies	-	17.632.018	4.160	491	5.635.849	116.200	-	-
Hotéis do Atlântico – Soc. Imob. e de Gestão de Hotéis, S.A.	-	551	4.160	-	381	3.701	-	-
Pestana Management – Serviços de Gestão, S.A.	-	14.493.425	-	491	3.916.285	-	-	-
Pestana Segurança – Serviços Seg. Vigilância, Unip., Lda.	-	1.271.084	-	-	14.709	-	-	-
Intervisa Viagens e Turismo, Unipessoal Lda.	-	1.848.811	-	-	12.750	-	-	-
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	-	-	-	-	1.623.975	-	-	-
ESGAP – Serviços Gestão e Admin. Partilhados, S.A.	-	5.599	-	-	-	-	-	-
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	-	-	-	-	167	-	-	-
Pestana Marrocos, S.à.r.l.	-	-	-	-	4.258	-	-	-
Brasturinvest Investimentos Turísticos, S.A.	-	-	-	-	45.496	-	-	-
Pestana Miami, LLC	-	1.155	-	-	3.063	74.166	-	-
Pestana Manhattan 39, LLC	-	-	-	-	1.374	-	-	-
Pestana USA, Inc.	-	-	-	-	57	-	-	-
Pestana Management UK, Limited	-	1.206	-	-	22	-	-	-
Pestana Berlin S.à.r.l.	-	9.083	-	-	2.631	-	-	-
Desarollos Hoteleros Barcelona S.A.	-	255	-	-	1.158	-	-	-
Global Mandalay, S.L.	-	615	-	-	615	-	-	-
Amesteldijk Hotel Ontwkkeling B.V.	-	129	-	-	349	38.333	-	-
Pestana CR7 Madrid S.L.	-	105	-	-	8.559	-	-	-
Other related parties	-	-	-	-	-	-	608.276	8.338.711
Quantlux Unipessoal Lda.	-	-	-	-	-	-	608.276	-
CR7 Lifestyle Unipessoal, S.A.	-	-	-	-	-	-	-	8.338.711
Key management personnel	-	-	-	-	-	-	-	-
	15.000.000	18.014.289	24.160	16.279	5.875.692	227.533	608.276	8.338.711

At the end of 2022 and 2021 loans to/from related parties are detailed as follows:

	31-12-2022		31-12-2021	
	BORROWINGS	LOANS GRANTED	BORROWINGS	LOANS GRANTED
Associates	-	138.420	-	406.593
Enatur - Empresa Nacional de Turismo, S.A.	-	138.420	-	406.593
Key management personnel	-	-	-	-
	-	138.420	-	406.593

The balances arising from transactions with related parties as at 31 December 2022 are as follows:

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON-CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT	TRADE PAYABLES NON-CURRENT	TOTAL TRADE PAYABLES
Shareholder	251	-	-	251	17.259	-	17.259
Pestana International Holdings S.A.	251	-	-	251	17.259	-	17.259
Associates	71.728	-	-	71.728	96.004	-	96.004
Enatur - Empresa Nacional de Turismo, S.A.	71.728	-	-	71.728	96.004	-	96.004
Other group companies	3.546.861	1.826.384	-	5.373.245	10.470.530	-	10.470.530
Hotéis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	77.795	-	-	77.795	51.717	-	51.717
Djebel, S.A.	-	-	-	-	199.893	-	199.893
Pestana Management - Serviços de Gestão, S.A.	1.041.536	-	-	1.041.536	9.142.406	-	9.142.406
Pestana Segurança - Serviços de Seg. e Vigilância, Unipessoal, Lda.	19.370	-	-	19.370	451.642	-	451.642
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	58.393	1.826.384	-	1.884.777	17.885	-	17.885
Intervisa Viagens e Turismo, Unipessoal Lda.	1.794.249	-	-	1.794.249	283.502	-	283.502
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	-	-	-	-	13.861	-	13.861
URP - Urban Renew - Projetos imobiliários SICAFI, S.A.	71.975	-	-	71.975	-	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.A.	3	-	-	3	159.587	-	159.587
ESGAP - Empresa de Serv.Gestão e Administrativos Partilhados, S.A.	-	-	-	-	135.820	-	135.820
Salvorhotéis Moçambique - Investimentos Turísticos, S.A.	2.817	-	-	2.817	-	-	-
Wild Break 29 (PTY), Ltd	5	-	-	5	-	-	-
Empreendimentos Turísticos, Lda.	216	-	-	216	978	-	978
Afrotours, S.A.	368	-	-	368	-	-	-
Pestana Marrocos, S.à.r.l.	12.827	-	-	12.827	1.751	-	1.751
Brasturinvest Investimentos Turísticos, S.A.	295.422	-	-	295.422	400	-	400
Argentur Inversiones Turísticas S.A.	-	-	-	-	60	-	60
Pestana Miami, LLC	80.483	-	-	80.483	422	-	422
Pestana Manhattan 39, LLC	14.931	-	-	14.931	1.477	-	1.477
Pestana USA, Inc.	2.074	-	-	2.074	-	-	-
Pestana New York East Side 39 LLC	8.555	-	-	8.555	-	-	-
Pestana Inversiones, Unipessoal, Lda.	18.545	-	-	18.545	-	-	-
Pestana Management UK, Limited	22.723	-	-	22.723	5.511	-	5.511
Pestana Berlin S.à.r.l.	21.984	-	-	21.984	2.470	-	2.470
Desarollos Hoteleros Barcelona S.A.	-	-	-	-	862	-	862
Global Mandalay, S.L.	48	-	-	48	-	-	-
Amesteldijk Hotel Ontwckeling B.V.	2.542	-	-	2.542	-	-	-
Pestana CR7 Madrid, S.L.	-	-	-	-	286	-	286
Key management personnel	-	-	-	-	-	-	-
	3.618.840	1.826.384	-	5.445.224	10.583.793	-	10.583.793

The balances arising from transactions with related parties as at 31 December 2021 are as follows:

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON-CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT	TRADE PAYABLES NON-CURRENT	TOTAL TRADE PAYABLES
Shareholders	241	-	-	241	14.870	-	14.870
Pestana International Holdings S.A.	241	-	-	241	14.870	-	14.870
Joint ventures	93.702	1.823.158	-	1.916.860	3.991	-	3.991
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	93.702	1.823.158	-	1.916.860	3.991	-	3.991
Associates	23	-	-	23	5.941	-	5.941
Enatur – Empresa Nacional de Turismo, S.A.	-	-	-	-	5.941	-	5.941
Albar – Sociedade Imobiliária do Barlavento, S.A.	23	-	-	23	-	-	-
Other group companies	820.088	-	-	820.088	9.508.249	-	9.508.249
Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hotéis, S.A.	3.849	-	-	3.849	407.733	-	407.733
Djebel, S.A.	-	-	-	-	201.505	-	201.505
Pestana Management – Serviços de Gestão, S.A.	556.717	-	-	556.717	7.623.358	-	7.623.358
Pestana Segurança – Serviços de Segurança e Vigilância, Unip., Lda.	3.236	-	-	3.236	389.865	-	389.865
Intervisa Viagens e Turismo, Unipessoal Lda.	41.524	-	-	41.524	121.029	-	121.029
Rotas de África – Investimentos Turísticos e imobiliários, S.A.	260	-	-	260	10.003	-	10.003
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	65.146	-	-	65.146	-	-	-
Salvintur – Sociedade de Investimentos Turísticos, S.A.	74	-	-	74	129.798	-	129.798
ESGAP – Empresa de Serv.Gestão e Administrativos Partilhados, S.A.	-	-	-	-	136.233	-	136.233
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	2.800	-	-	2.800	-	-	-
Empreendimentos Turísticos, Lda.	1.047	-	-	1.047	-	-	-
Pestana Marrocos, S.à.r.l.	5.564	-	-	5.564	551	-	551
Brasturinvest Investimentos Turísticos, S.A.	21.042	-	-	21.042	-	-	-
Pestana Miami, LLC	74.166	-	-	74.166	-	-	-
Pestana CR7 Manhattan 39 LLC	1.459	-	-	1.459	-	-	-
Pestana USA, Inc.	60	-	-	60	-	-	-
Pestana Inversiones Unipessoal, Lda.	-	-	-	-	483.120	-	483.120
Pestana Berlin S.à.r.l.	2.631	-	-	2.631	4.669	-	4.669
Desarollos Hoteleros Barcelona S.A.	1.158	-	-	1.158	280	-	280
Global Mandalay, S.L.	652	-	-	652	-	-	-
Amesteldijk Hotel Ontwckeling B.V.	38.703	-	-	38.703	-	-	-
Pestana CR7 Madrid S.L.	-	-	-	-	105	-	105
Other related parties	2.345	-	-	2.345	6.189	-	6.189
CR7 Lifestyle Lisboa, S.A.	2.345	-	-	2.345	6.189	-	6.189
Key management personnel	-	-	-	-	-	-	-
	916.399	1.823.158	-	2.739.557	9.539.240	-	9.539.240

41. Note to the Consolidated cash flow statement

Reconciliation of the changes recognized in financial liabilities with the cash flow from financing activities presented in the Consolidated cash flow statement in 2022 and 2021:

	2021	CASH FLOWS		CASH FREE TRANSACTIONS		2022
		RECEIPTS	PAYMENTS	INCREASES	ACCRUAL / DEFERRAL	
Bond loans	102.157.176	-	(13.479.675)	-	661.722	89.339.223
Lease liabilities	146.878.464	-	(20.589.602)	19.212.810	6.836.866	152.338.538
Bank loans	210.632.078	50.507.321	(75.952.806)	-	(420.836)	184.765.757
Commercial paper	32.216.281	5.000.000	(10.222.222)	-	213.360	27.207.419
Cash flows from financing activities	491.883.999	55.507.321	(120.244.305)	19.212.810	7.291.112	453.650.937

	2020	CASH FLOWS		CASH FREE TRANSACTIONS			2021	
		RECEIPTS	PAYMENTS	INCREASES	RENT CONCESSIONS	TRANSFERS		ACCRUAL / DEFERRAL
Bond loans	102.340.734	29.000.000	(29.020.325)	-	-	-	(163.233)	102.157.176
Lease liabilities	155.065.118	-	(17.344.407)	3.636.305	(1.400.714)	-	6.922.162	146.878.464
Bank loans	187.757.051	26.415.566	(22.964.006)	19.300.000	-	(527.267)	650.734	210.632.078
Commercial paper	25.329.286	15.000.000	(7.944.444)	-	-	-	(168.561)	32.216.281
Cash flows from financing activities	470.492.189	70.415.566	(77.273.182)	22.936.305	(1.400.714)	(527.267)	7.241.102	491.883.999

42. Other information

EBITDA refers to Profit for the period excluding financial results, income taxes, gambling tax, depreciation, amortization and impairment of tangible/intangible assets and investment government grants, including dividends and other low value items.

	NOTES	2022	2021
Profit for the period		98.950.454	29.972.373
Income tax	35	17.170.145	977.573
Financial results	34	16.986.115	15.627.726
Charges of depreciation and amortization	6;7;8	42.148.521	42.132.992
Reversals and impairment losses of tangible assets	6	(2.810.839)	(1.624.654)
Gambling tax paid by Casino		1.116.319	854.189
Investment government grants	31	(426.124)	(421.252)
Dividends	34	-	21.923
Others			90.921
EBITDA		173.134.591	87.631.791

43. Subsequent events

At the General Shareholders' Meeting held on 8 February 2023, the distribution of Retained earnings in the amount of 25.000.000 Euros was decided.

Following the impacts of the COVID-19 pandemic and the implemented measures conceded to the several casinos in Portugal, on 2 March 2023 the Regional Government of Madeira decided to replicate these measures to Casino da Madeira and approved the extension of the concession for an additional three years until 2026.

Funchal, 28 March 2023

The Certified Accountant

Luis Miguel Miranda Fernandes

The Board of Directors

Dionísio Fernandes Pestana

Chairman

Hermanus Roelof Willem Troskie

Member

José Alexandre Lebre Theotónio

Member

José de Melo Breyner Roquete

Member

Pedro Miguel Fino da Silva

Member

Report and Opinion of the Supervisory Board

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

2022 Period

Dear Shareholders of
Grupo Pestana S.G.P.S, S.A.

In accordance with the law and statutes we present the Report on the supervisory activity developed by the Supervisory Board as well as our Opinion on the consolidated management report, consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes on the consolidated financial statements presented by Grupo Pestana S.G.P.S, S.A.'s Board of Directors (Company) regarding the 2022 period.

While exercising our powers, we monitored i) the verification of Accounting records and corresponding supporting documentation and ii) the assessment of the accounting policies and valuation criteria adopted by the Company, tasks performed by PricewaterhouseCoopers & Associados – SROC, Lda. (PwC) as the Company's Auditor.

The Supervisory Board became aware of the terms of the Auditor's Report for the period of 2022, issued with no reserves.

We also proceeded to analyse the Consolidated management report prepared by the Board of Directors which, in our understanding, is in accordance with the annual report, complements the information presented in the consolidated financial statements, reports the most significant facts regarding the Company's activity, therefore fulfilling all the applicable legal and statutory requirements.

In line with the previously presented, we are of the opinion that Grupo Pestana S.G.P.S, S.A.'s General Assembly approve the consolidated management report as well as the remaining accounting documents for the 2022 period.

Finally, the Supervisory Board would like to acknowledge Grupo Pestana S.G.P.S, S.A.'s Board of Directors, its Finance Directors and remaining employees, as well as the Auditor, PwC, for the cooperation and support provided while carrying out their work.

Lisbon, 30 March 2023

SIGNED ON THE ORIGINAL

Dr. José Manuel Castelão Costa
(President)

Dra. Rita de Sousa Franco Pais Beirão Gonçalves
(Member)

Dr. João Albino Cordeiro Augusto
(Member)



Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Grupo Pestana, S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2022 (which shows total assets of Euros 1,089,971,030 and total shareholders' equity of Euros 361,156,582 including a net profit of Euros 96,608,868), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Grupo Pestana, S.G.P.S. as at December 31, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the consolidated Directors' report in accordance with the applicable law and regulations;

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

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- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion; and
- g) communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes verifying that the information included in the consolidated Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Consolidated Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Directors' report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the consolidated Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

March 30, 2023

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hugo Miguel Patrício Dias, ROC no. 1432
Registered with the Portuguese Securities Market Commission under no. 20161042



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