

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

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

31 December 2023

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## Consolidated management report for 2023

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 2023.

### 1. Message to Stakeholders

After 50 years of activity, Grupo Pestana continues to show dynamism, innovation, vitality and resilience. Sensitive to market volatility, it applies strategies that enable it to continue to grow sustainably, generating value for all of its stakeholders.

The year 2023 confirmed the recovery of tourist activity to levels close to those recorded before the COVID-19 pandemic. This recovery saw a revival of the need to travel and discover other locations and other cultures through unique experiences.

Domestic flows recovered more rapidly, followed by international flows from neighbouring countries, while long-distance flows show a slower recovery. However, while the tourist situation returns to the dynamic that existed before the crisis, other segments show permanent structural changes that will have a decisive bearing on this activity in the future.

The dynamics of low-cost airlines associated with digitisation of the hotel booking process led to the accelerated growth of online travel agencies (OTAs), notably Booking.com and Expedia, which took advantage of the crisis years to gain a dominant market position. Traditional operators, with a more costly model, suffered significantly during the crisis, seeing their market shares and their ability to recover post-crisis threatened, leaving more room for OTA's to grow.

Business tourism, corporate travel, events, congresses and incentives reinvented themselves. New, more flexible working models, the growth of online meetings and the digitisation of administrative processes brought about a transformation of these types of events, leading hotels to adapt to the new needs.

After the global health crisis and a significant increase in people's saving rates over the last two years, demand in all sectors recovered rapidly. This demand could not be met immediately on the supply side, either because of logistical and output constraints in the supply chain or due to additional instability factors which have emerged in the meantime, including the wars in Ukraine and the Gaza Strip, resulting in a general increase in inflation and consequently in market interest rates, leading to new imbalances.

In spite of this climate of uncertainty – which, of course, the Grupo Pestana also has to face – our strategy during these years has been to continue investing structurally in the adoption of cutting-edge technologies that make it easier to communicate and improve the customer experience, increase the efficiency and productivity of internal processes, thus boosting the Group's incremental growth, and investing in improvements to the working conditions of our personnel and their opportunities for development. Hence, the technological investment that has enabled the Group's digital transition is supplemented with a commitment to enhance the skills of our human resources, with the following goals: firstly, improving the quality of the service provided, with the innovation and adaptation needed for the current business model, and secondly, providing our people with opportunities for professional and personal growth.

The good results from 2022 and 2023 do not fully compensate for the declines in profitability that we had to endure in the pandemic period, but they do demonstrate a noteworthy evolution we intend to continue. Therefore, and in line with the strategic options defined, the Group took the highly significant step of sharing the profits earned with its employees, in addition to the salary adjustments it decided to award, as a way of acknowledging their important contribution.

We have also taken advantage of this opportunity to meaningfully reduce the existing debt owed to the financial institutions that support us, especially debt that were remunerated at variable interest rates, thus contributing to the reduction of the respective financial costs and increasing the Group's financial autonomy. The Group thus gains greater future investment capacity, with the ability to seize opportunities rapidly: an example of this occurred in January 2024 with the acquisition of a new hotel in Orlando (USA).

Strengthening ESG measures has again become a priority. Accordingly, proceeding with the action plans already defined, various programmes within the Group have been launched that will contribute significantly to improving sustainability scores in the medium term. This effort was already clearly visible in 2023, which saw a carbon footprint reduction of more than 10% when measured by CO2 consumption per occupied room.

Despite being apprehensive about increased market volatility, we are confident that in collaboration with our stakeholders we will continue to create value in the near future, thus setting the stage for the next 50 years of Grupo Pestana.

## **2. Overview of the world economy**

In 2023, the global economy continued its development trajectory marked by various challenges and opportunities. This year saw a gradual recovery from the crisis triggered by the COVID-19 pandemic, with several regions witnessing robust economic growth, albeit at different rates.

In Europe, economic recovery was encouraging, with many countries managing to control the spread of the virus and resume their commercial activities. The continent has benefited from greater political stability, along with significant investments in infrastructure and technology. Countries such as Germany, France and Spain have led the way, driving the economic recovery of the European Union.

In Portugal, this recovery was fast-paced in sectors such as tourism, catering and entertainment, although at the end of the year indicators of cooling began to appear, especially in terms of investment in certain sectors more vulnerable to the northern European market, in response to growing uncertainties.

The United States economy continued to grow, driven by stimulus policies and a business-friendly environment. Investment in technology, renewable energy and infrastructure played a crucial role in the country's economic expansion. Despite challenges such as inflation and labour shortages, the United States remained an important engine of the global economy.

In Asia, China stood out as one of the main drivers of regional and global economic growth. The country continued its transition to an economy more geared towards domestic consumption and invested heavily in innovation and technology. Other Asian countries, such as India and Japan, have also experienced solid growth, contributing to the region's economic resilience.

Summary of Economic Outlook, % change\*

Country	2022					2023				
	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment**	Exchange rate***	Inflation
UK	4.3%	4.8%	4.1%	0.9%	9.1%	0.3%	0.5%	4.0%	-2.0%	7.3%
France	2.5%	2.3%	7.1%	0.0%	5.2%	0.8%	0.6%	7.1%	0.0%	4.9%
Germany	1.9%	3.9%	5.3%	0.0%	6.9%	-0.2%	-0.9%	5.7%	0.0%	5.9%
Netherlands	4.4%	6.5%	3.5%	0.0%	10.0%	0.0%	-0.2%	3.5%	0.0%	3.8%
Italy	3.9%	5.0%	8.1%	0.0%	8.2%	0.7%	1.5%	7.7%	0.0%	5.6%
Spain	5.8%	4.7%	12.9%	0.0%	8.4%	2.4%	2.1%	12.1%	0.0%	3.5%
Russia	-2.1%	-1.4%	3.9%	20.1%	13.7%	3.2%	5.6%	3.2%	-21.2%	5.9%
US	1.9%	2.5%	3.6%	12.3%	8.0%	2.5%	2.2%	3.6%	-2.6%	4.1%
Canada	3.8%	5.1%	5.3%	8.3%	6.8%	1.0%	2.0%	5.4%	-6.1%	3.8%
Brazil	3.1%	4.1%	9.3%	17.5%	9.3%	2.9%	3.1%	8.2%	0.7%	4.6%
China	3.0%	0.3%	3.2%	7.8%	2.0%	5.2%	8.7%	3.6%	-7.6%	0.3%
Japan	0.9%	2.1%	2.6%	-5.9%	2.5%	2.0%	0.9%	2.6%	-9.2%	3.2%
India	6.7%	8.1%	7.6%	5.7%	6.7%	7.0%	3.8%	8.2%	-7.4%	5.7%

Source: Tourism Economics based on GEM as of 11.01.2024

\* Unless otherwise specified

\*\* Percentage point change

\*\*\* Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.

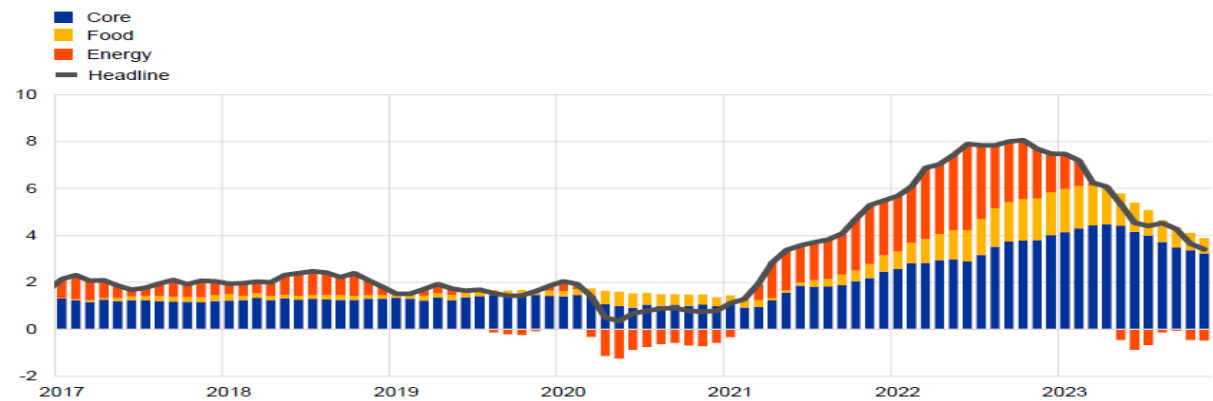
Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

Despite these positive developments, significant challenges have persisted in various parts of the world. The COVID-19 pandemic continued to impact some regions, especially those with limited access to vaccines. Moreover, commercial and geopolitical tensions between major economic powers such as the United States and China have created uncertainties in financial markets and international trade.

Inflation became a global concern in 2023, with increases in the prices of food, energy and other goods. Central banks around the world had to balance their monetary policies in order to control inflation without stifling economic recovery. In the case of Portugal, the Banco de Portugal took precautionary measures to ensure price stability and support economic growth.

OECD consumer price inflation

(annual percentage changes; percentage point contributions)



Sources: OECD and ECB staff calculations.

Notes: OECD inflation excludes Türkiye and is calculated based on national consumer price indices and annual private final consumption expenditure weights expressed in purchasing power parity (PPP) terms. Core inflation refers to headline inflation excluding food and energy. The latest observations are for November 2023.

Source: ECB Report 2024/01

The war in Ukraine, caused by Russia’s invasion, continues to blaze after two years of advances and retreats. Hamas’s terrorist attack on Israel triggered a strong reaction involving troop incursions and bombardments of the Palestinian territory of Gaza, contributing decisively to the escalation of political and military tension throughout the Middle East and once again helping to keep energy prices high – prices that are hugely dependent on that region of the world. The great powers, the United States and China, continue their struggle for leadership in global markets. For Europe in general, which is highly dependent on international trade, this has entailed the need to diversify its trade partnerships and strengthen its ties with other countries and economic blocs.

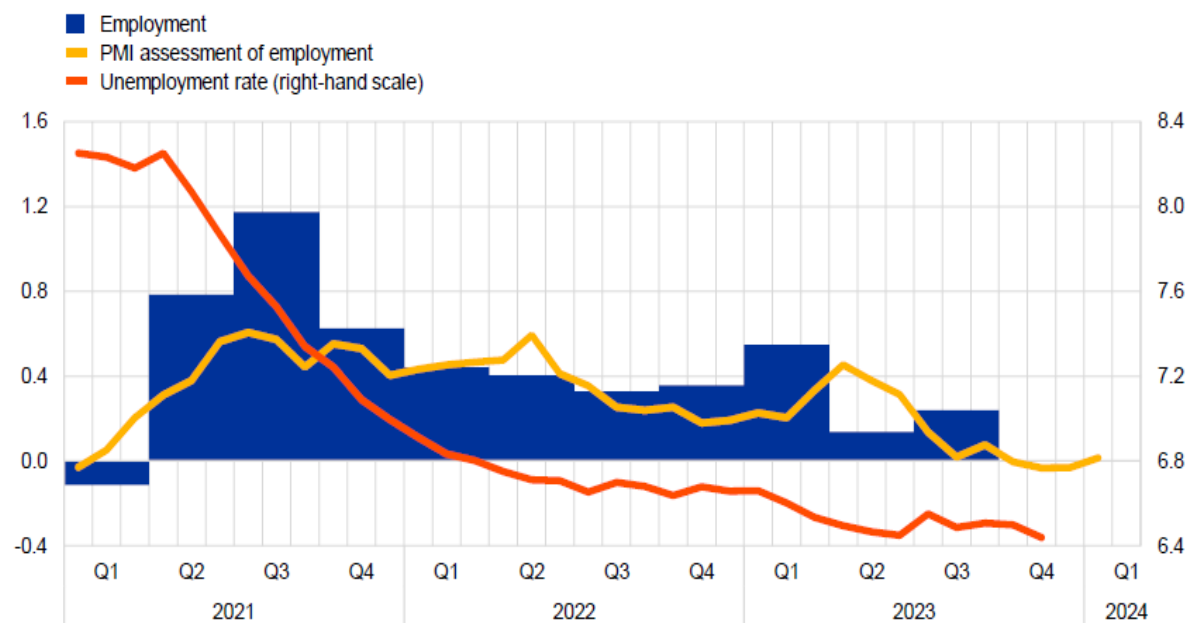
The pandemic accelerated the adoption of digital technologies in many sectors, driving innovation and digital transformation. In Europe, incentive programmes have pushed businesses and institutions to invest in digitisation and energy efficiency and adopt new business models to remain competitive in a rapidly changing world.

In addition to economic challenges, the climate crisis and social issues continued to demand attention in 2023. European countries have faced pressures to adopt policies and measures that promote environmental sustainability and reduce social inequalities.

Despite increasing levels of uncertainty, the labour market continued to behave very positively, reaching historically low levels of unemployment, thus making a decisive contribution to European GDP growth.

## Euro area employment, the PMI assessment of employment and the unemployment rate

(left-hand scale: quarter-on-quarter percentage changes, diffusion index; right-hand scale: percentages of the labour force)



Sources: Eurostat, S&P Global Market Intelligence and ECB calculations.

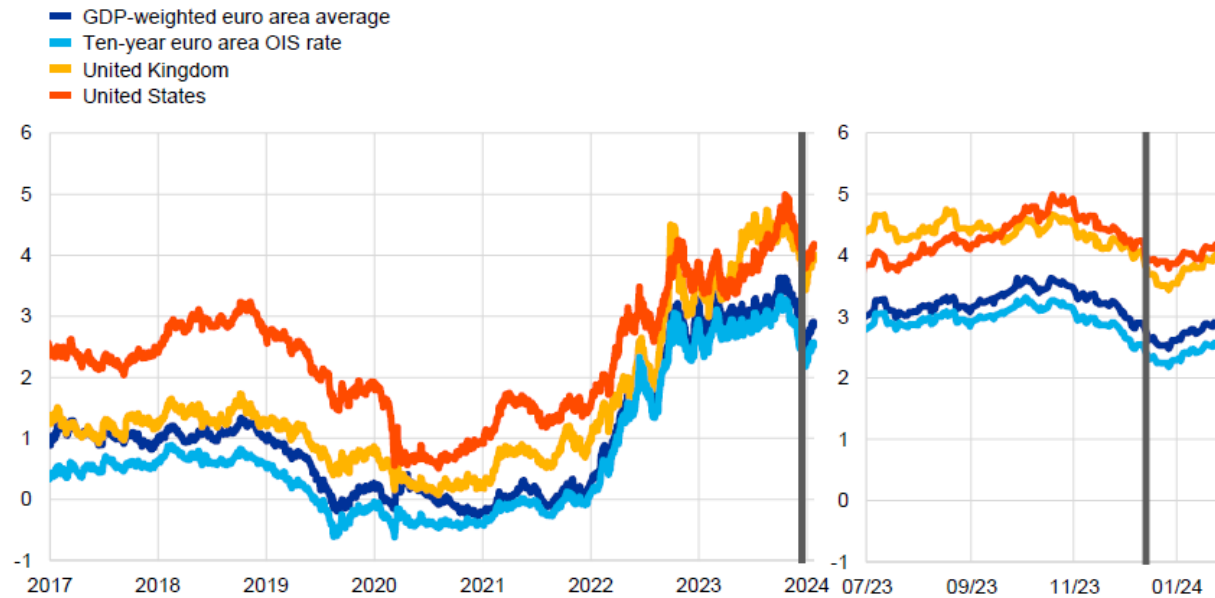
Notes: The two lines indicate monthly developments; the bars show quarterly data. The PMI is expressed in terms of the deviation from 50 divided by 10. The latest observations are for the third quarter of 2023 for employment, January 2024 for the PMI assessment of employment and November 2023 for the unemployment rate.

Source: ECB Report 2024/01

Against this backdrop, central banks were somewhat resistant to lowering interest rate levels in the market, on the one hand seeking to ensure consistency in lowering inflation in major markets, but on the other hand attempting to supply liquidity to these markets in order to prevent a new global financial crisis.

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

(percentages per annum)



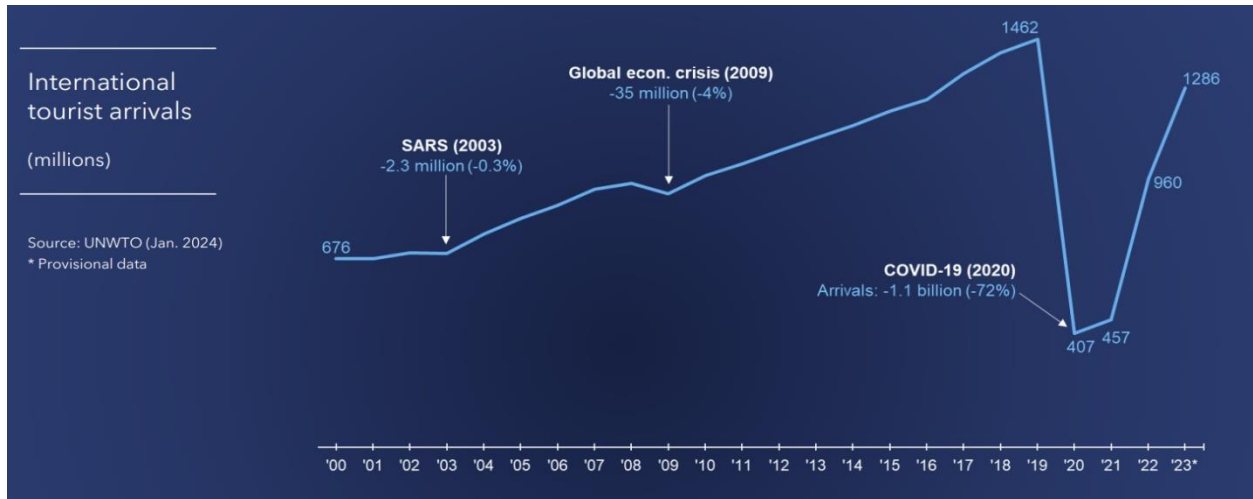
Sources: LSEG and ECB calculations.

Notes: The vertical grey lines denote the start of the review period on 14 December 2023. The latest observations are for 24 January 2024.

Source: ECB Report 2024/01

### 3. Tourism

2023 witnessed a revolution in the tourism sector, driven by a series of social, technological and environmental changes. With the global COVID-19 pandemic increasingly under control, travel restrictions were eased in many parts of the world, allowing a significant resurgence of international tourism.



Source: UNWTO World Tourism Barometer 2024/01

One of the most striking trends was the increase in sustainable and responsible tourism. Travellers become increasingly aware of the environmental and cultural impact of their journeys, opting for destinations and companies that adopt sustainable practices. From hotels and tour operators committed to reducing waste and emissions to a preference for less exploited destinations as an alternative to mass tourism, there has been a noticeable shift towards more conscious tourism.

In addition, technology has played a key role in transforming the tourist experience. Mobile apps offering personalised tour guides, augmented reality to enrich visits to tourist attractions, and the expansion of artificial intelligence to improve the management of tourist destinations are just some of the innovations that shape the way people travel.

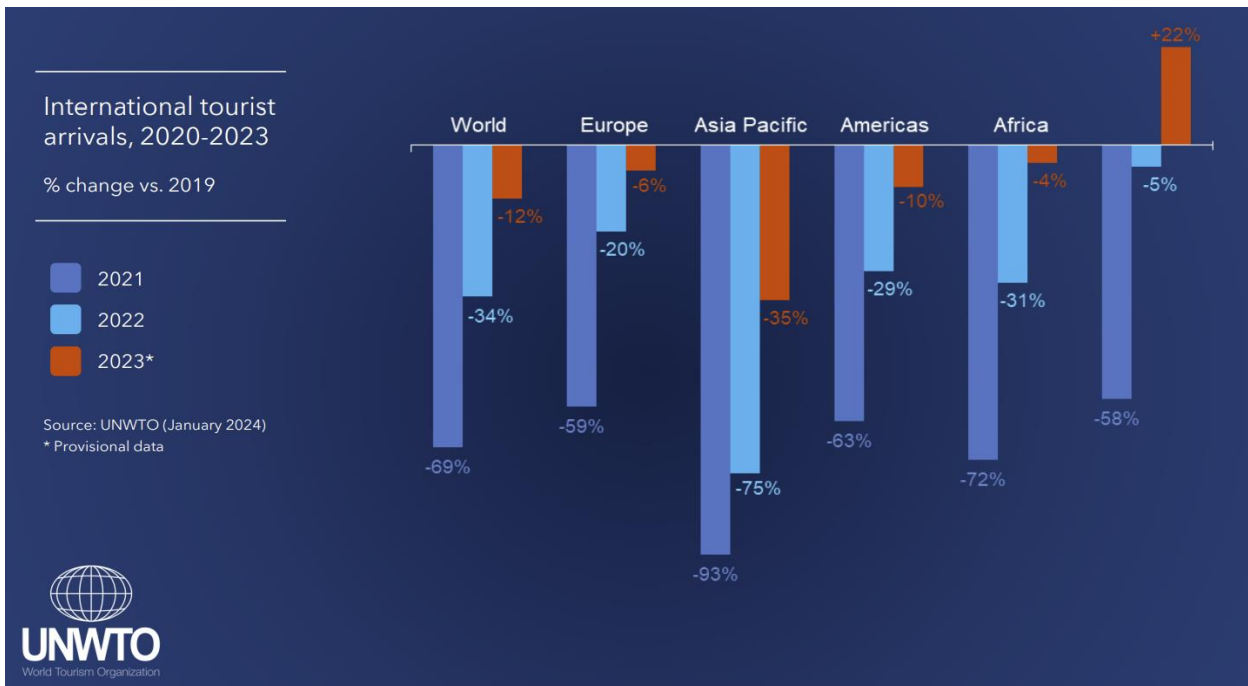
Domestic tourism also flourishes in many regions as people seek travel experiences closer to home, driven by the desire to explore their own countries and support the local economy while also seeking to avoid the variables arising from long-distance trips.

However, the sector faced significant challenges. Increasing military conflict in different regions and the occurrence of extreme weather events such as hurricanes, forest fires and floods have affected the accessibility and safety of certain destinations, requiring an agile response and adaptive measures by the authorities and the tourism industry.

In addition, the uneven recovery in different parts of the world has highlighted the importance of global collaboration to ensure that tourism is a positive force for sustainable development and social inclusion.

Despite the emergence of the conflict in the Middle East, this was the region with the most marked recovery of tourist flows in 2023, followed by Europe, with particular importance for southern European countries, among which Portugal stands out.

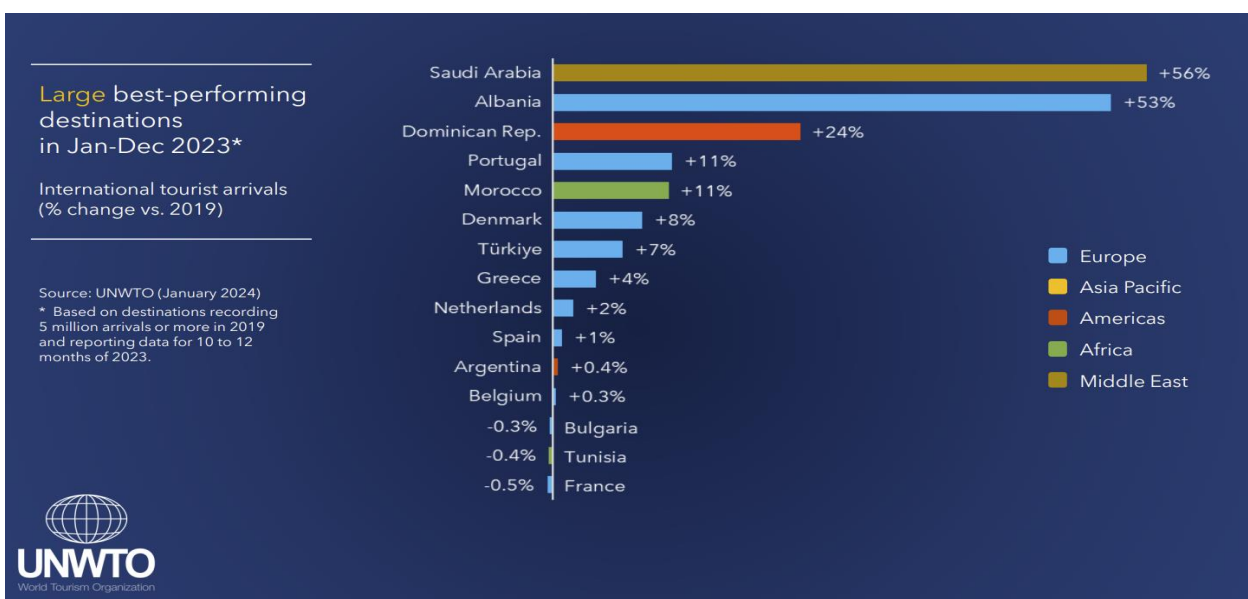




Fonte: UNWTO World Tourism Barometer 2024/01

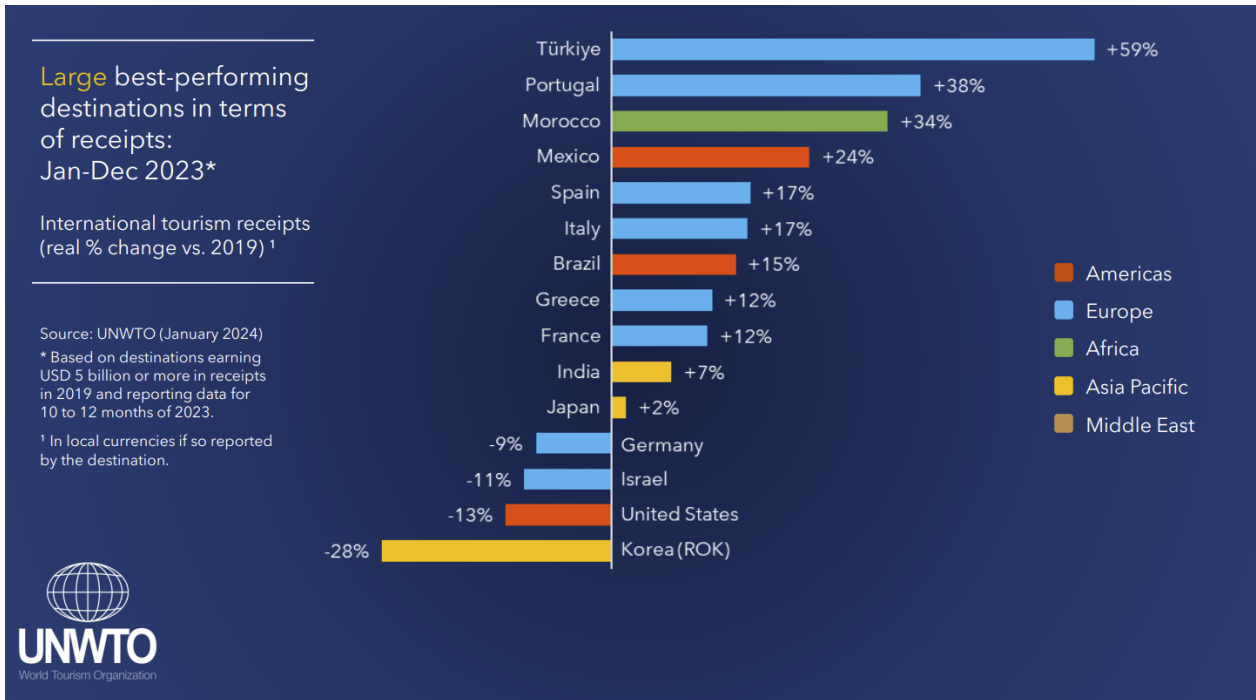
Going into a little more detail, it can be seen that the countries around the Mediterranean were those that most quickly surpassed the level of tourist arrivals recorded in 2019.

Saudi Arabia, with a very aggressive media campaign in several areas, notably major sporting events (organising the Dakar Rally and hiring superstars to play in its professional football championship), confirmed its return to the leading position among the large tourist destinations in terms of growth of arrivals compared to 2019. Next come Albania and the Dominican Republic, which also recorded very significant increases.



Source: UNWTO World Tourism Barometer 2024/01

Turkey, Portugal and Morocco are the countries that best convert this growing demand into revenue growth, and this is reflected in a significant increase in average accommodation prices at these destinations.

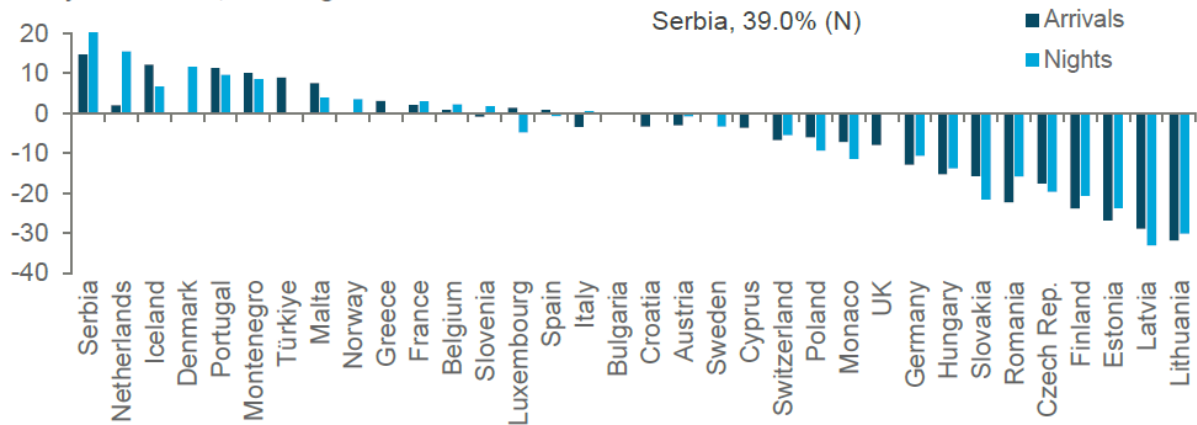


Source: UNWTO World Tourism Barometer 2024/01

According to the European Commission, focusing on the European market, the behaviour of tourist flows in the various countries can be summarised as follows:

### Foreign Visits and Overnights to Select Destinations

2023 year-to-date\*, % change relative to 2019 levels



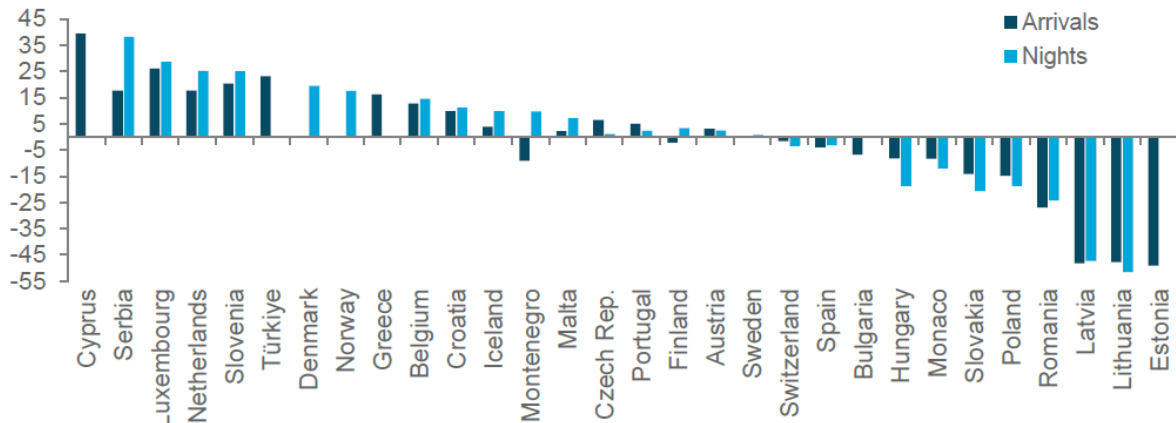
Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

Germany was among the European countries with the weakest economic performance in 2023. Factors such as high inflation, rising interest rates and high energy prices have had a slowing effect on sectors such

as retail, exports and industrial output. The combination of these factors led to a reduction in the flow of German tourists going abroad.

### German Visits and Overnights to Select Destinations

2023 year-to-date\*, % change relative to 2019



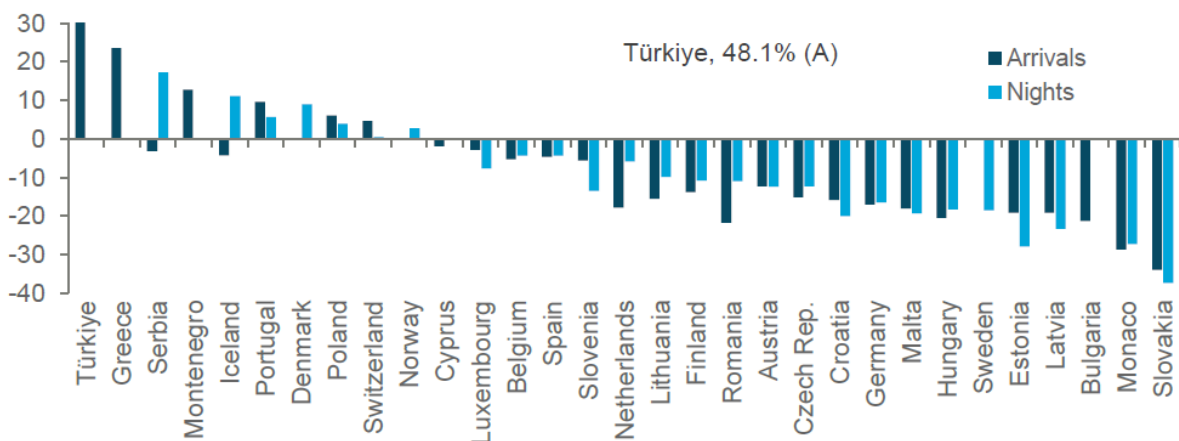
Source: TourMIS\* \*date varies (Jan-Dec) by destination

Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

Despite the anaemic behaviour of their economy in 2023, British people continued to travel to nearby destinations at levels close to those recorded in 2019. They took advantage of currency devaluation in countries such as Turkey to select their holiday destination, as a result of their tighter budgets.

### British Visits and Overnights to Select Destinations

2023 year-to-date\*, % change relative to 2019 levels



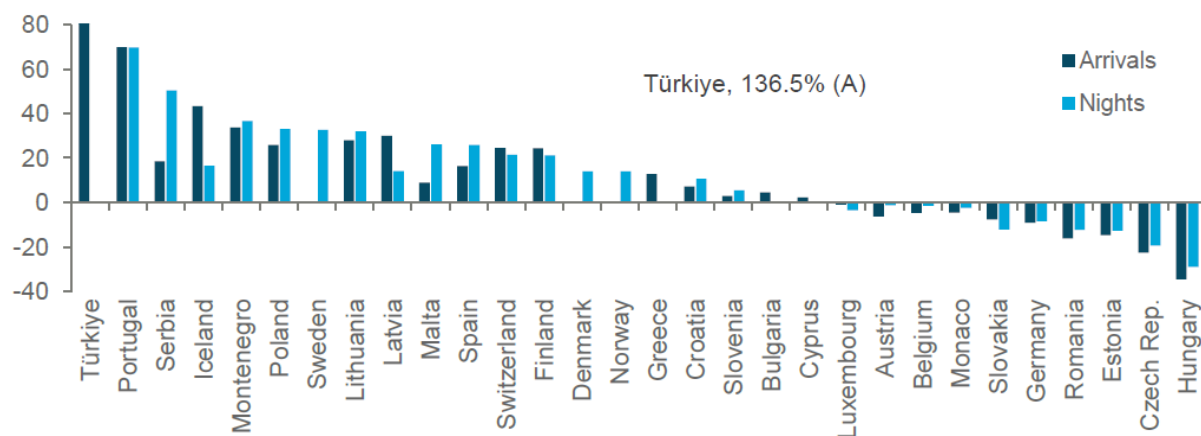
Source: TourMIS\* \*date varies (Jan-Dec) by destination

Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

The flow of American tourists to Europe intensified in 2023, with countries such as Turkey, Portugal and Poland notably among their favourites. The dynamics of this market and its high purchasing power have had a significant effect on the rise in the average price of accommodation at these tourist destinations.

## American Visits and Overnights to Select Destinations

2023 year-to-date\*, % change relative to 2019 levels



Source: TourMIS\* \*date varies (Jan-Dec) by destination

Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

## 4. Key figures

	2023	2022	Δ	Δ%
Number of rooms as at 31 December	7.829	7.835	(6)	0,0%
Revenue	457,1	375,4	81,7	21,7%
Gross Operating Profit (GOP)	180,5	166,7	13,8	8,3%
EBITDA	148,5	173,1	(24,6)	-14,2%
Adjusted EBITDA*	147,6	131,3	16,2	12,4%
Profit for the period	85,0	99,0	(14,0)	-14,1%
Net total financial debt	163,6	131,9	31,7	24,1%
Net debt (including IFRS 16)	295,7	284,2	11,5	4,0%
Net debt / Adjusted EBITDA*	2,00	1,64	0,36	22,0%
Net total financial debt / Adjusted EBITDA*	1,10	0,76	0,34	44,9%
Assets	977,7	1.090,0	(112,3)	-10,3%
Equity	351,0	361,2	(10,1)	-2,8%
Average room rate (ARR)	140,0	128,8	11,3	8,8%
% occupancy	68,8%	65,4%	3,4%	5,2%
Guest Satisfaction Index (GSI)	88,5%	87,7%	0,8%	0,9%

\*EBITDA excluding disposals of tangible fixed assets

## 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 2023 were the following:

- Acquisition of Pestana Vila Sol hotel and Vila Golf - Pestana Golf Resort, already operated by the Group in Vilamoura, Portugal, for approximately 40,6 million Euros. The right of use asset and the lease liability at the date of termination of the contract were approximately 12,7 million Euros and 14,9 million Euros, respectively, with an impact on the result of 2,2 million Euros;
- Renovation of Pestana Delfim, which was renamed to Pestana Blue Alvor Beach All Inclusive Hotel, especially in the bedroom area, with the aim of modernizing this hotel and converting it into an all-inclusive unit especially aimed at families. This investment has been planned in two phases, the first of which concerns the refurbishment of the rooms, which was completed in June 2023 with an investment of approximately 8,8 million Euros. The second phase concerns the renovation of the unit's common areas, the improvement of existing spaces and the creation of new leisure areas, to be completed in the first half of 2024;
- Refurbishment and modernization of the building and equipment of the Pestana Vila Lido Madeira Ocean Hotel (formerly Pestana Palms Ocean Hotel), a 5-star hotel located very close to the Lido bathing complex with an outdoor swimming pool overlooking the coastal cliffs of Funchal. The investment amounted to approximately 6,4 million Euros;
- Construction has begun on the future Pestana Dunas hotel on the island of Porto Santo, Madeira. This unit will have 396 beds and a total area of 60.000 m<sup>2</sup>. It will be built using innovative and more environmentally sustainable techniques and it will confine with Pestana Porto Santo on the west and this proximity will allow for concentration and optimization between both operations. Construction of 218 rooms, reception, indoor and outdoors swimming pool and a restaurant began in 2023. The investment made in 2023 was around 4,3 million Euros, with completion scheduled for the first half of 2025;
- Opening of Pestana Rua Augusta Lisboa Historic Downtown hotel, a four-star hotel with 89 luxury rooms, in October 2023. This hotel is located in the heart of the city, in downtown Lisbon, next to the Rua Augusta Arch, which leads to the Praça do Comércio, in front of the Tejo river. In 2018, the Group signed a 27-year lease for this property, with a fixed rent that is updated annually based on inflation. In 2023, around 3,8 million Euros were invested to complete the work and purchase all the furniture and equipment needed for the hotel to function;

- Opening in May 2023 of the four-star Pousada Alfama Charming Hotel, located in the historic centre of Lisbon in front of the Portas do Sol viewpoint, with 43 rooms. The property has a 27-year lease agreement signed in 2018, which is automatically renewed for the same period. Around 0,8 million Euros were invested in this project in 2023, which includes the completion of construction works and the purchase of all furniture and equipment;
- Acquisition of the house attached to the Pousada de Óbidos, which was already operated under a lease agreement, for approximately 1,6 million Euros. The right of use asset and the lease liability at the date of termination were approximately 0,1 million Euros;
- An energy efficiency project, which includes the purchase of heat pumps, condensing boilers and the implementation of photovoltaic panels systems on the roofs of the buildings and car parks of the various hotel units, for self-supply of energy, which will allow a significant reduction in the energy costs of each hotel unit with more efficient and less polluting equipment was started. The Group had expenditures of around 0,8 million Euros in 2023. This project is included in the scope of the application made in the Recovery and Resilience Plan (RRP) in the "Accelerate and Transform Tourism Program" in Portugal, from which the Group is expected to obtain a non-refundable incentive of 40% on the expenses that are approved as eligible and whose investment is completed up to and including 2025;
- Acquisition of another building for 0,8 million Euros, with the objective of continuing the expansion of Pestana Vintage Porto by increasing the number of rooms available. In 2022, the Group had already acquired a building in the same area for 1,1 million Euros;
- A series of rehabilitation works were carried out in different units in 2023, replacing and updating the condition of the facilities, in order to keep the assets in ideal conditions to optimize their operation. The total amount spent in the various units in 2023 was approximately 4,8 million Euros.

Grupo Pestana continues to reinforce its investment in the real estate business, without leaving the hotel business, with the ambition of increasingly accentuating diversification by type of business. The main investments in real estate projects made in 2023 were the following:

- Continuation of the Madeira Acqua Residences, in Madeira, which consists of converting the former Madeira Palácio hotel acquired in 2021 into 181 apartments for sale, of different types from 1 to 4 bedrooms. The deeds are almost entirely estimated for 2024. Up until 2023 constructions costs, including the acquisition cost of the land, amounted to 43,7 million Euros. The deposits made were 34,7 million Euros, as a result of the high demand of luxury properties on this privileged area of Madeira island. The deeds are estimated almost in their entirety for 2024;
- 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 with 30,14 hectares where 77 independent units are being constructed for sale and tourist exploration. During 2023, 34 units were delivered to customers and 33 promissory sales contracts were carried out, with total deposits of 21,3 million Euros, which includes houses already delivered;
- Continuation of Pestana Comporta Village, located 200 meters from Vila da Comporta, and 2 km from the beach where 75 units from 1 to 2 bedroom with swimming pool are being constructed. Due to the high demand for this type of development, all promissory sales contracts have already been executed, with total deposits amounting to 15,7 million Euros. The project is expected to be completed by the end of the summer of 2024, with delivery of the accommodation units estimated for the last quarter of 2024. The total investment so far amounts to 12,2 million Euros, of which 4,3 million Euros in 2023;
- Completion of the Fábrica, Apartments & Lofts project, located in the heart of Funchal city centre, involving the urban rehabilitation of the former Fábrica de Cervejas da Madeira into a luxury development in a gated community. This project has been fully deeded and delivered to customers in 2023;

- Acquisition of a plot of land for a future real estate project for 5,3 million Euros in Vilamoura next to the hotel and golf course acquired in 2023 by the Group;

The Group also has other projects that will contribute to strengthening the available inventory, namely the Silves Golf Resort 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 Residence with the signing of new tourist exploration contracts.

## 5.2 Results

In 2023, Grupo Pestana presented a total amount of revenue of 457,1 million Euros, which sets a new record, with an increase of 21,7% compared to 2022.

2023 marked the best year for hospitality business of the Group, which demonstrated the enormous desire of people to travel and step away from their home and routines, regardless of the macroeconomic conditions. Grupo Pestana continued to reinforce its investment in systems to ensure that customers increasingly come to its hotels through digital channels, thus maximizing its revenue, which is why it was possible to increase the average price of the Group's units, while also generally increasing occupancy rates.

Grupo Pestana's units reached revenues of around 278 million Euros representing an increase of around 12,4% compared to the previous year, with the consequent increase in GOP of 8,3. These results are intrinsically related to the increase in the average room rate, managing in many cases not only to maintain, but also to increase occupancy through the consolidation of demand in the domestic market, as well as in the external market, including the reinforcement of markets such as that of the United States of America. Strengthening these external markets is very relevant in the Group's loyalty and diversification strategy of the Group's feeder markets.

Madeira and Porto Santo recorded the best year ever in terms of revenue and GOP, with an increase of 20% and 24% compared to 2022, respectively. These results are related to the arrival of a new profile of tourists in Madeira, younger and eager to have new experiences, as well as the increase in the supply of affordable flights to the region, with between 4 and 5 direct daily connections for the United Kingdom and France, markets that had a greater contribution to the increase in revenue from these units.

Hospitality revenue in Algarve also increased by around 25% and 26% in GOP compared to 2022, excluding Pestana Blue Alvor impact, which was disposed of on the previous year. This increase was essentially motivated by the fact that the Algarve continues to be an attractive destination for foreign tourists, with the national market increasingly visiting the Algarve outside of the high season and more times a year. The opening of new air routes, high levels of occupancy and record numbers of passengers at Faro airport were indicators that 2023 would be a year of high tourist activity for the region, particularly in terms of foreign tourists.

The Pousadas de Portugal network also presented excellent results in 2022, having increased its sales by around 13% and in GOP by 14% compared to 2022, motivated by the increase in the average room rate, as well as the excellent performance of Lisbon's inns, including the recent Pousada Alfama Charming Hotel opened in May 2023.

City destinations, namely Lisbon and Oporto, recently awarded by the *World Travel Awards* as "Europe's Leading City Destination" and "Europe's Leading Seaside Metropolitan Destination", respectively, also experienced a large increase in their revenue compared to the previous year, with a growth of 29% in revenue and 39% in GOP. This evolution follows the continuous recovery of tourism to city destinations, as well as the opening of a new unit in Lisbon in October 2023, Pestana Rua Augusta, as well as the consolidation of the operation of the Pestana Douro Riverside which opened in 2022 and which had a full year of activity for the first time.

As in the hotel industry, the *Vacation Club and Options* business, due to its main tourist markets, namely United Kingdom and Germany, allowed the revenue generated in *Vacation Club and Options* to be maintained at around 28.3 million Euros.

The pure real estate sales business maintained an excellent results in 2023, essentially as a result of the sale of The Valley Nature Resort, Algarve, which registered 34 deliveries, as well as the conclusion of A 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, with all apartments delivered.

2023 was also marked by a profound development of the Group's real estate projects, which are still ongoing, and will be mostly completed in 2024 with the delivery of almost all of the houses, namely Madeira Acqua Residences and Pestana Comporta Village.

Grupo Pestana has a mostly variable cost structure, which allows the Group to be flexible in its management according to the evolution of demand. However, 2023 continued to be impacted by the effects of the war in Ukraine and also by the war in Palestine which began in October 2023, with inflation continuing to be felt generally throughout the economy, especially in the cost of energy. Despite this impact, the Group renegotiated its energy contracts in Portugal with effect from July and managed to significantly reduce its costs compared to the first half of 2023. Following the Group's sustainability policy and efforts, in 2023 the Group's carbon footprint was reduced by more than 10% when measured by CO2 consumption per occupied room.

In the current macroeconomic situation, with rising inflation and interest rates affecting family incomes, the Group has continued to strengthen the working and remuneration conditions of its employees.

In 2023, Grupo Pestana reached a 148,5 million Euros EBITDA, which represents an increase of 12,4% compared to 2022, excluding the impact of tangible fixed assets disposals. It should be noted that in 2022 the Pestana Blue hotel was sold with a capital gain of around 40 million Euros.

Finally, it is important to highlight that the EBITDA margin excluding the impact of real estate projects and capital gains from disposals of tangible fixed assets in 2023 and 2022 was approximately 32% and 35%, respectively.



	<b>2023</b>	<b>2022</b>
<b>31 December:</b>		
Rooms (total keys)	7.829	7.835
Hotel units	76	74
<hr/>		
<i>(Amounts in million Euros)</i>		
<hr/>		
Revenue:	457,1	375,4
Tourist activities	420,3	344,6
Non-tourist activities	36,8	30,8
GOP (a)	180,5	166,7
EBITDA (b)	148,5	173,1
EBITDA excluding disposals of tangible fixed assets	147,6	131,3
Depreciation / Amortization / Impairment / Investment subsidies	(41,9)	(38,9)
EBIT	106,6	134,2
Interest net	(13,7)	(17,0)
Income taxes (c)	(7,9)	(18,2)
<b>Net income including non-controlling interests</b>	<b>85,0</b>	<b>99,0</b>
<hr/>		
EBITDA margin (%)	32%	46%
EBITDA margin (%) excluding disposals of tangible fixed assets	32%	35%
EBIT margin (%)	23%	36%
ROE (%)	24%	22%
EPS	1,02	1,18
<hr/>		
EBITDA / Net interests (..x)	10,8	10,2
Average cost of net debt (%)	4,6%	6,0%

## 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 726,2 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.

Grupo Pestana also maintained its prudent liquidity policies and an adequate financial autonomy. The total non-remunerated funding represents 59% of the total adjusted assets, which reflects the strong of financial autonomy of the Group.

Given the significant increase in interest rates and the fact that they are expected to remain high, at least in the medium term, as well as the high level of liquidity generated by operations, the Group decided to pay in advance a significant portion of its variable rate debt, amounting to 49 million Euros. It is also noteworthy that 92,7% of the Group's total financial debt is at fixed rate, therefore, the general increase in index rates did not and will not have any significant impact on the Group's future results. In addition, the Group's debt is concentrated in the medium to long term and its payments are aligned with the Group's ability to generate cash.

Despite the significant investments made during the year, namely acquisition of Pestana Vila Sol and its adjacent golf course, as well as in CAPEX, the Group still managed to reduce its net debt by 26% compared to prior year. The Net Debt/EBITDA ratio excluding the disposals of tangible fixed assets is only 1,1. This means that, all things considered, the Group would only need a little less than one year's EBITDA to repay all its financial debt. Grupo Pestana also has available credit lines in the amount of 75 million Euros and has a working capital of 22,5 million Euros, which also demonstrates the excellent financial position of the Group, which justifies, among others, its risk profile at "investment" level with a positive outlook, according to the Ethifinance rating agency.

In 2023, 93,5 million Euros were distributed to shareholders in proportion to their respective holdings, namely 99% to the Group's holding company, Pestana International Holdings S.A. and 1% to the Ultimate Beneficial Owner, Dr. Dionisio Pestana. Approximately 1,5 million Euros were also distributed to non-controlling interests.

In December 2023, the group subscribed 5.826 participation units in the Iberis Bluetech Fund III, FCR, for 6.000.780 Euros. These funds' policy is to invest in Research and Development (R&D) companies and projects, reason why the investment is eligible under SIFIDE II (Portuguese tax incentives for Research and Development).

Also in 2023 other 2.000.000 participation units (UP's) have been subscribed, namely in Faber Blue Pioneers I, FCR at a unit value of 0,98 Euro, of which it made 0.5 million Euros, whereas, Faber Tech II – Fundo de Capital de Risco ("Fundo Faber Tech II"), already subscribed in 2022, raised capital of 0.3 million Euros.

In 2023, the subsidiaries operating in Madeira and the Azores opted to stop waiving the reduced corporate income tax rate in force in the autonomous region of Madeira and the Azores (RAM / RAA). They therefore no longer fulfil this requirement and are no longer tax consolidated at Grupo Pestana, S.G.P.S., S.A. level. Therefore, deferred taxes at 31 December 2023 were recalculated with a positive impact on the result of 1,5 million Euros. This change is explained by the decrease in deferred tax assets and deferred tax liabilities of 0,8 million Euros and 2,4 million Euros, respectively.

(Amounts in millions of Euros)								
<b>Net Assets</b>		<b>2023</b>	<b>% TOTAL</b>	<b>Var 23/22</b>	<b>2022</b>	<b>% TOTAL</b>	<b>Var 22/21</b>	<b>2021</b>
Investment (Fixed assets) (a)		682,4	94%	4%	654,4	90%	-4%	684,4
Deferred tax liabilities		-17,3	-2%	-18%	-21,0	-3%	110%	-10,0
<b>Total adjusted fixed assets</b>		<b>665,1</b>	<b>92%</b>	<b>5%</b>	<b>633,4</b>	<b>87%</b>	<b>-6%</b>	<b>674,4</b>
Investment (Fixed assets) (b)		35,2	5%	14%	31,0	4%	37%	22,6
Other non-current assets (c)		3,4	0%	3%	3,3	0%	-41%	5,6
Current assets - Current liabilities (d)		22,8	3%	-63%	61,7	8%	-36%	96,1
<b>Total adjusted assets</b>		<b>726,5</b>	<b>100%</b>	<b>0%</b>	<b>729,4</b>	<b>100%</b>	<b>-9%</b>	<b>798,7</b>
<b>Funding origins</b>								
Equity		351,1	48%	-3%	361,2	50%	26%	287,0
Collected deferred revenues (e)		118,6	16%	-6%	125,9	17%	-9%	138,6
Deferred sales costs (f)		-42,1	-6%	-6%	-45,0	-6%	-7%	-48,2
<b>Total non remunerated funding (adjusted equity)</b>		<b>427,6</b>	<b>59%</b>	<b>-3%</b>	<b>442,1</b>	<b>61%</b>	<b>17%</b>	<b>377,4</b>
Long term financial debt (g)		304,6	42%	-21%	386,8	53%	-9%	426,0
Other non-current liabilities (h)		3,2	0%	3%	3,1	0%	-6%	3,3
<b>Total non-current funding</b>		<b>735,4</b>	<b>101%</b>	<b>-12%</b>	<b>832,0</b>	<b>114%</b>	<b>3%</b>	<b>806,7</b>
Short term financial debt (g)		32,5	4%	-52%	67,2	9%	2%	66,1
Cash and cash equivalents		-41,4	-6%	-76%	-169,8	-23%	129%	-74,1
<b>Net current debt</b>		<b>-8,9</b>	<b>-1%</b>	<b>-91%</b>	<b>-102,6</b>	<b>-14%</b>	<b>1183%</b>	<b>-8,0</b>
<b>Total funding origins</b>		<b>726,5</b>	<b>100%</b>	<b>0%</b>	<b>729,4</b>	<b>100%</b>	<b>-9%</b>	<b>798,7</b>
Net debt (i)		295,7		4%	284,2		-32%	417,9
Net debt excluding IFRS 16		163,6		24%	131,9		-51%	271,1
EBITDA		148,5		-14%	173,1		98%	87,6
EBITDA*		147,6		12%	131,3		51%	87,2
Working capital		22,8		-63%	61,7		-36%	96,1
Net capex (j)		80,7		1048%	7,0		-59%	17,2
Capex under construction		29,6		-15%	34,6		34%	25,7
Net debt / EBITDA		1,99		21%	1,64		-67%	4,77
Net debt / EBITDA*		2,00		-7%	2,16		-55%	4,79
Net debt / EBITDA excluding IFR16 and disposals		1,10			0,76		-75%	3,09
Net debt / Adjusted equity		0,69		8%	0,64		-40%	1,08
Net debt / Total adjusted assets (%)		41%		4%	39%		-25%	52%
Liquidity ratio (%)		12%		-67%	37%		148%	15%

\*excluding disposals of tangible fixed assets

Notes:

(a) Includes Tangible fixed assets, Intangible assets, Investment properties and Non-current assets held for sale 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 and Trade and other payables

(i) Long term financial debt plus Net current debt

(j) Additions net of Disposals

## 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.

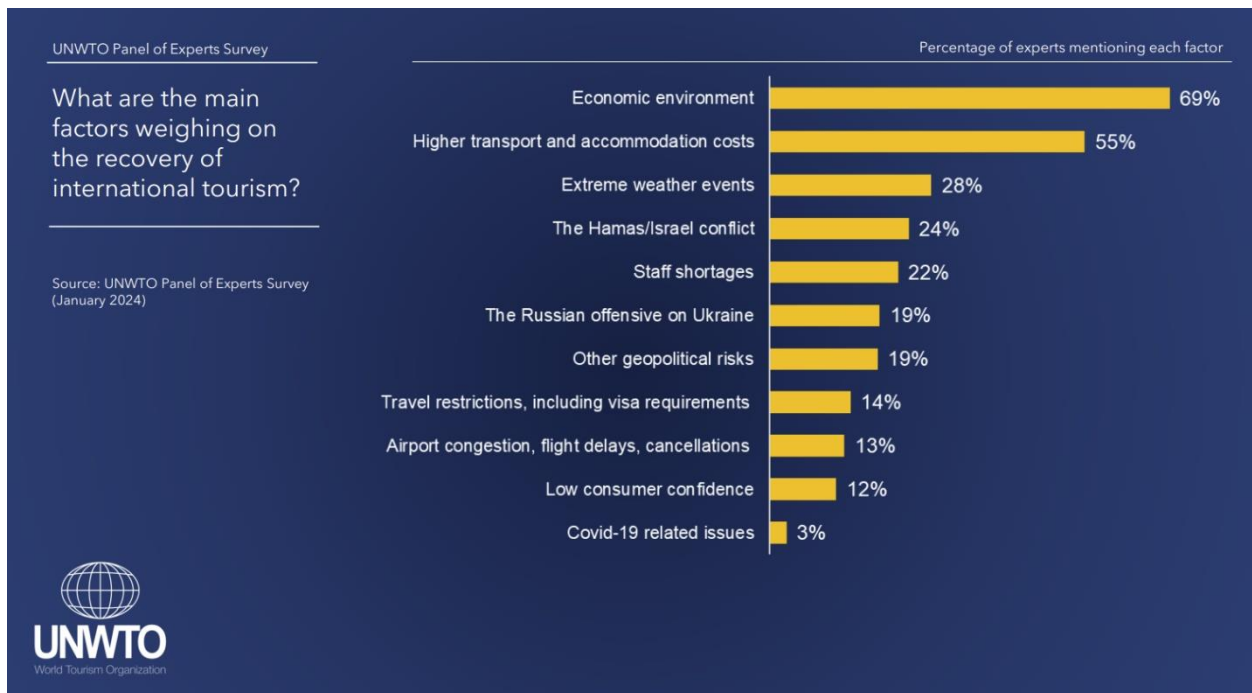
## 7. Relevant issues that occurred after the year end

At the General Shareholders' Meeting held on February 2024, the distribution of Retained earnings in the amount of 20.000.000 Euros was deliberated.

## 8. The near future

Uncertainty levels remain high. The escalation of regional conflicts increasingly involves military means and more sophisticated resources provided by the major world powers. Difficulties in supply chains have highlighted the fragility of our increasingly globalised economic model, leading some to seek new regional alliances that may allow them to increase their level of resilience but contribute to increased tensions between countries.

Rising inflation led major central banks to rapidly raise interest rate levels and discontinue the liquidity-boosting programmes they had implemented during the pandemic years.

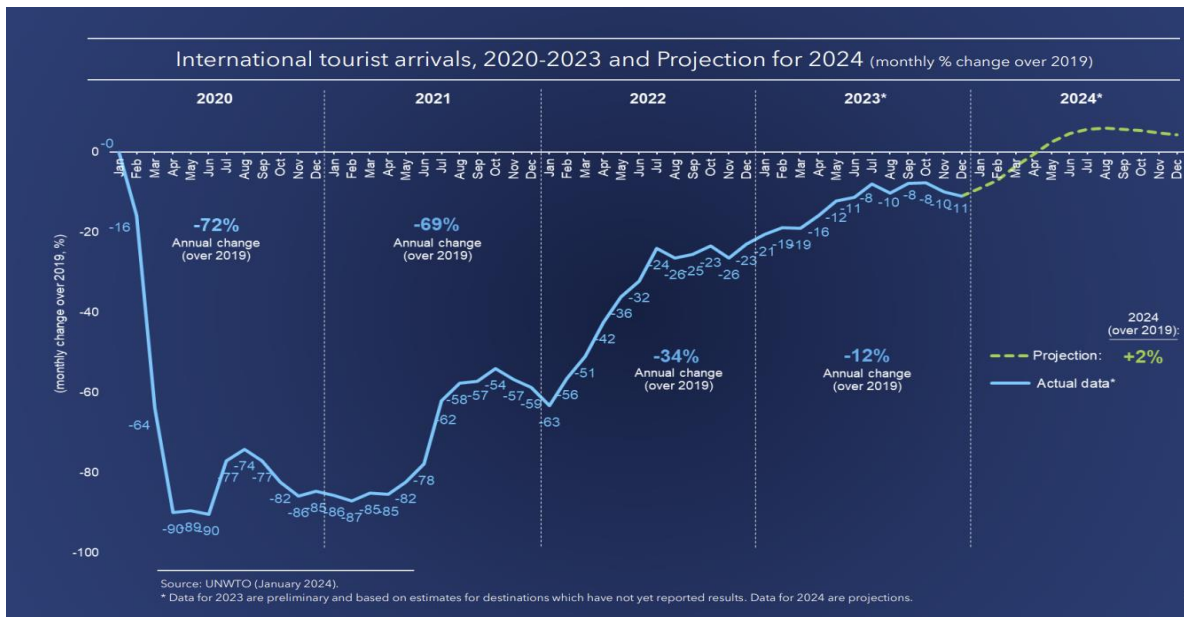


Source: UNWTO World Tourism Barometer 2024/01

Despite this volatility, tourism is a sector which demonstrates great resilience. It should be noted that although the pandemic crisis reduced tourist activity to historic lows, there have been no bankruptcies of important corporate groups in the tourist sector over the last two years.

Tourist demand has returned to the growth levels seen over the last 50 years, and the value added by this activity has risen above pre-pandemic levels. The sector is therefore developing very positively.

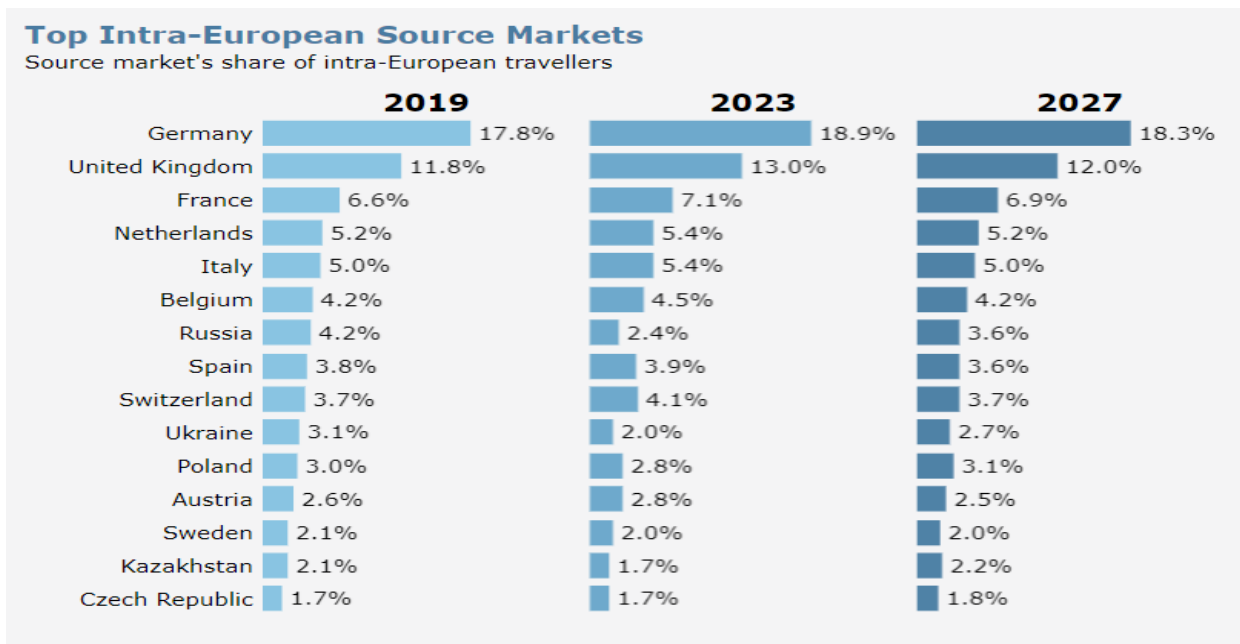
The combination of all these factors makes projections for the near future difficult.



Source: UNWTO World Tourism Barometer 2024/01

The major countries of western Europe – Germany, the United Kingdom and France – continue to account for a very large share (around 40%) of intra-European tourist flows and are therefore critical markets for the performance of tourist destinations, especially those in southern Europe.

A significant proportion of European countries, as well as the USA, will hold parliamentary/presidential elections this year, which could determine economic stimulus measures. As part of these measures, definition of the level of wage increases by governments will be decisive for consumption trends and consequently the pace of decline in the rate of inflation.



Source: ETC Site 2024/02

## GTS Visitor Growth Forecasts, % change year

data/estimate/forecast	Inbound*					Outbound**				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
	d	e	f	f	f	d	e	f	f	f
<b>World</b>	10.7%	106.1%	36.0%	17.4%	11.3%	9.4%	107.4%	37.2%	17.0%	11.3%
<b>Am ericas</b>	22.2%	81.8%	25.8%	15.0%	8.1%	23.3%	88.0%	31.7%	12.6%	7.9%
North Am erica	21.3%	78.8%	25.0%	15.8%	8.7%	27.2%	84.3%	32.2%	12.2%	7.9%
Caribbean	80.3%	49.3%	15.2%	10.5%	7.2%	28.5%	72.9%	22.0%	15.8%	11.7%
Central & South Am erica	-8.6%	131.2%	36.5%	15.6%	6.9%	5.0%	109.9%	30.6%	14.6%	7.6%
<b>Europe</b>	23.9%	95.4%	17.3%	11.4%	8.8%	19.8%	100.6%	18.2%	12.2%	8.8%
ETC+2	19.9%	105.0%	16.6%	10.6%	7.8%	17.5%	109.1%	17.2%	11.1%	7.8%
EU 27	14.0%	110.9%	16.9%	10.3%	7.6%	16.1%	113.9%	16.9%	11.2%	7.7%
Non-EU	70.3%	46.8%	19.2%	16.0%	13.6%	36.4%	49.0%	25.3%	17.7%	14.5%
<b>Northern</b>	-3.4%	184.2%	17.1%	9.4%	6.7%	6.0%	199.9%	18.9%	11.7%	7.0%
<b>Western</b>	-5.0%	105.2%	17.2%	10.4%	6.4%	16.3%	90.9%	14.5%	11.3%	7.6%
<b>Southern/Mediterranean</b>	58.8%	91.8%	15.6%	9.4%	6.6%	22.8%	112.2%	22.8%	8.2%	6.7%
<b>Central/Eastern</b>	30.3%	39.6%	22.4%	22.3%	21.7%	35.4%	52.5%	22.4%	16.1%	13.7%
-Central & Baltic	11.6%	103.4%	20.2%	12.9%	12.6%	25.7%	76.8%	16.8%	12.1%	9.6%
<b>Asia &amp; the Pacific</b>	-66.4%	346.7%	179.8%	38.0%	19.3%	-59.0%	260.3%	173.2%	36.4%	20.3%
North East	-46.8%	101.8%	381.9%	46.9%	20.2%	-56.2%	99.4%	332.3%	52.1%	25.0%
South East	-88.1%	1241.1%	131.4%	33.3%	19.9%	-76.6%	756.2%	125.4%	21.1%	14.7%
South	-30.2%	232.1%	51.4%	23.6%	12.1%	-24.1%	210.5%	53.2%	13.3%	9.7%
Oceania	-79.9%	817.2%	93.6%	24.3%	17.2%	-68.1%	801.4%	73.5%	23.1%	16.1%
<b>Africa</b>	16.7%	85.2%	46.0%	20.9%	13.0%	8.1%	78.8%	45.2%	17.3%	11.0%
<b>M iddle East</b>	18.8%	159.3%	36.3%	12.9%	11.0%	50.3%	135.7%	27.2%	9.3%	9.9%

\* 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

The geographies of Europe are defined as follows:

Northern Europe is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;

Western Europe is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;

Southern/Mediterranean Europe is Albania, Bosnia-Herzegovina, Croatia, Cyprus, Greece, Italy, Malta, Montenegro, North Macedonia, Portugal, Serbia, Slovenia, Spain, and Turkey;

Central/Eastern Europe is Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine;

Central & Baltic Europe is Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, and Slovakia;

ETC+2 is all ETC members plus Sweden, and the United Kingdom

Source: Tourism Economics based on GTS as of 15.12.2023

Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

Taking these conditions into account, Grupo Pestana will continue its sustainable growth strategy, based on a strong financial position that allows it to act quickly when it detects investment opportunities it considers attractive and seeking risk diversification wherever possible.

The Group will continue to invest in technological innovation and enhancing the skills of its human resources as a way to improve customer service, thus making the unique experience it provides even better.

## **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 Grupo Pestana.

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 Grupo Pestana.



Funchal, 11 March 2024

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

## 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 2023 and 2022, 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, 11 March 2024

### 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

## Consolidated financial statements

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## Consolidated statement of financial position

(Amounts expressed in Euros)

	Notes	31 December	
		2023	2022
<b>Assets</b>			
<b>Non-current</b>			
Tangible fixed assets	6	700.570.564	675.371.647
Intangible assets	7	9.527.376	9.544.925
Investment properties	8	5.752.087	5.111.319
Investment in joint ventures	9	2.840.831	2.667.551
Investment in associates	10	11.701.729	11.439.033
Financial assets at fair value through profit and loss	11	20.666.742	16.925.573
Deferred tax assets	12	1.562.201	14.958
Derivatives	14	23.759	197.122
Trade and other receivables	15	9.413.473	11.489.581
		<b>762.058.762</b>	<b>732.761.709</b>
<b>Current</b>			
Inventories	16	109.514.322	121.408.957
Trade and other receivables	15	51.465.350	65.970.661
Income tax receivable	17	13.238.160	4.700
Cash and cash equivalents	18	41.410.081	169.825.003
		<b>215.627.913</b>	<b>357.209.321</b>
<b>Total Assets</b>		<b>977.686.675</b>	<b>1.089.971.030</b>
<b>Equity</b>			
Capital	19	125.000.000	125.000.000
Other reserves	20	35.199.704	32.917.772
Retained earnings	21	96.623.902	95.925.994
Profit for the period attributable to shareholders		82.003.580	96.608.868
Non-controlling interests	22	12.216.148	10.703.948
<b>Total Equity</b>		<b>351.043.334</b>	<b>361.156.582</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Provisions	23	3.166.786	3.077.184
Borrowings	24	188.202.900	253.236.709
Lease liabilities	25	116.352.928	133.603.660
Deferred tax liabilities	12	17.341.659	20.954.875
Deferred revenue	26	97.729.903	104.594.275
Advances from customers	15	–	29.248.690
		<b>422.794.176</b>	<b>544.715.393</b>
<b>Current</b>			
Provisions	23	1.112.339	1.109.305
Borrowings	24	16.797.228	48.486.401
Lease liabilities	25	15.746.818	18.734.878
Deferred revenue	26	20.897.542	21.292.139
Advances from customers	15	65.757.981	19.818.584
Trade and other payables	27	78.211.910	69.721.400
Income tax liabilities	17	5.325.347	4.936.348
		<b>203.849.165</b>	<b>184.099.055</b>
<b>Total Liabilities</b>		<b>626.643.341</b>	<b>728.814.448</b>
<b>Total Equity and Liabilities</b>		<b>977.686.675</b>	<b>1.089.971.030</b>

The following notes form an integral part of the Consolidated statement of financial position as at 31 December 2023.

## Consolidated income statement

(Amounts expressed in Euros)

	Notes	Period	
		2023	2022
Revenue	28	457.100.280	375.443.400
Cost of goods sold	16	(97.583.647)	(52.128.156)
External services and supplies	29	(137.725.840)	(131.309.893)
Personnel expenses	30	(74.218.941)	(60.268.936)
Charges of depreciation and amortization	6;7;8	(42.611.849)	(42.148.521)
Reversals of losses of tangible assets	6	259.161	2.810.839
Reversal / (Impairment) of receivables	15	(365.240)	294.264
Reversal / (Impairment) of inventories	16	19.463	(44.456)
Provisions	23	(141.955)	146.274
Other income	31	9.566.792	46.590.399
Other expenses	32	(7.411.447)	(7.847.801)
(Losses) / Gains on disposal of investments, equity method and financial assets at fair value through profit and loss	33	(1.724.023)	1.569.301
<b>Operating profit</b>		<b>105.162.754</b>	<b>133.106.714</b>
Financial expenses	34	(16.348.282)	(17.343.095)
Financial income	34	2.635.629	356.980
<b>Profit before tax</b>		<b>91.450.101</b>	<b>116.120.599</b>
Income tax	35	(6.430.811)	(17.170.145)
<b>Profit for the period</b>		<b>85.019.290</b>	<b>98.950.454</b>
<b>Profit for the period attributable to:</b>			
Shareholders of the group		82.003.580	96.608.868
Non-controlling interests	22	3.015.710	2.341.586
		<b>85.019.290</b>	<b>98.950.454</b>

The following notes form an integral part of the Consolidated income statement for the year ended 31 December 2023.

EBITDA	148.536.407	173.134.591
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## Consolidated statement of comprehensive income

(Amounts expressed in Euros)

		Period	
	Notes	2023	2022
<b>Profit for the period</b>		<b>85.019.290</b>	<b>98.950.454</b>
<b>Items that can be recycled through profit or loss:</b>			
Change in fair value of hedging derivatives	14	(173.363)	218.941
Tax impact in items booked directly in equity	12	32.418	(48.779)
Tax rate change impact	12	11.917	-
<b>Other comprehensive income for the period - net of income tax</b>		<b>(129.028)</b>	<b>170.162</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>84.890.262</b>	<b>99.120.616</b>
<b>Profit/(Loss) for the period attributable to:</b>			
Shareholders		81.874.552	96.779.030
Non-controlling interests		3.015.710	2.341.586
		<b>84.890.262</b>	<b>99.120.616</b>

The following notes form an integral part of the Consolidated statement of comprehensive income for the year ended 31 December 2023.

## Consolidated statement of changes in equity

(Amounts expressed in Euros)	Notes	Attributable to shareholders						Non-controlling interests	Total
		Capital							
		Share Capital	Other equity instruments	Share premium	Other reserves	Retained earnings	Profit/(loss) for the period		
<b>1 January 2023</b>		83.530.000	7.779.027	33.690.973	32.917.772	95.925.994	96.608.868	10.703.948	361.156.582
<b>Changes in the period</b>									
Profit for the period application	20;21				2.410.960	94.197.908	(96.608.868)	-	-
					<b>2.410.960</b>	<b>94.197.908</b>	<b>(96.608.868)</b>	-	-
Change in fair value reserve - hedging derivatives	14				(173.363)	-	-	-	(173.363)
Deferred tax adjustments	12				32.418	-	-	-	32.418
Tax rate change impact	12				11.917	-	-	-	11.917
Profit for the period							82.003.580	3.015.710	85.019.290
<b>Comprehensive income/(loss)</b>					<b>(129.028)</b>	<b>-</b>	<b>82.003.580</b>	<b>3.015.710</b>	<b>84.890.262</b>
<b>Transactions with shareholders in the period</b>									
Distributions	21;22;36	-	-	-	-	(93.500.000)	-	(1.503.510)	(95.003.510)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93.500.000)</b>	<b>-</b>	<b>(1.503.510)</b>	<b>(95.003.510)</b>
<b>31 December 2023</b>		<b>83.530.000</b>	<b>7.779.027</b>	<b>33.690.973</b>	<b>35.199.704</b>	<b>96.623.902</b>	<b>82.003.580</b>	<b>12.216.148</b>	<b>351.043.334</b>



		Attributable to shareholders							
		Capital							
(Amounts expressed in Euros)	Notes	Share Capital	Other equity instruments	Share premium	Other reserves	Retained earnings	Profit/(loss) for the period	Non-controlling interests	Total
<b>1 January 2022</b>		83.530.000	7.779.027	33.690.973	31.371.668	92.695.300	29.576.756	8.392.242	287.035.966
<b>Changes in the period</b>									
Profit for the period application	20;21				1.375.942	28.200.814	(29.576.756)	-	-
Transfers	21;22				-	29.880	-	(29.880)	-
					<b>1.375.942</b>	<b>28.230.694</b>	<b>(29.576.756)</b>	<b>(29.880)</b>	<b>-</b>
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
<b>Comprehensive income/(loss)</b>					<b>170.162</b>	<b>-</b>	<b>96.608.868</b>	<b>2.341.586</b>	<b>99.120.616</b>
<b>Transactions with shareholders in the period</b>									
Distributions	21	-	-	-	-	(25.000.000)	-	-	(25.000.000)
		-	-	-	-	<b>(25.000.000)</b>	<b>-</b>	<b>-</b>	<b>(25.000.000)</b>
<b>31 December 2022</b>		<b>83.530.000</b>	<b>7.779.027</b>	<b>33.690.973</b>	<b>32.917.772</b>	<b>95.925.994</b>	<b>96.608.868</b>	<b>10.703.948</b>	<b>361.156.582</b>

The following notes form an integral part of the Consolidated statement of changes in equity for the year ended 31 December 2023.

## Consolidated cash flow statement

(Amounts expressed in Euros)

	Notes	Period ended 31 December	
		2023	2022
<b>Cash flow from operating activities</b>			
Receipts from customers		487.053.026	414.346.579
Payments to suppliers		(228.126.519)	(208.270.377)
Payments to personnel		(70.449.742)	(57.318.076)
<b>Cash generated from operations</b>		<b>188.476.765</b>	<b>148.758.126</b>
Income tax (paid)/received		(19.326.081)	1.209.040
Other payments		(4.081.676)	(1.653.796)
<b>Net cash flow from operating activities</b>		<b>165.069.008</b>	<b>148.313.370</b>
<b>Cash flows from investing activities</b>			
Receipts related to:			
Tangible and intangible assets		6.028.021	80.175.928
Interest and similar income		1.963.670	271.493
Financial investments		4.161.637	1.913.703
Loans granted	10	138.420	268.173
Investment properties		-	1.558.203
Changes in consolidation perimeter	39	-	8.930
Payments related to:			
Tangible and intangible assets		(79.022.266)	(25.102.231)
Financial investments	9;10;11	(6.794.697)	(10.184.707)
<b>Net cash from investing activities</b>		<b>(73.525.215)</b>	<b>48.909.492</b>
<b>Cash flows from financing activities</b>			
Receipts related to:			
Borrowings	24	11.830.594	55.507.321
Payments related to:			
Borrowings	24	(107.322.599)	(99.654.704)
Dividends	21;22;36	(95.003.510)	(25.000.000)
Lease liabilities		(17.599.545)	(20.589.602)
Interest and similar expenses		(11.860.109)	(11.979.006)
<b>Net cash from financing activities</b>		<b>(219.955.169)</b>	<b>(101.715.991)</b>
<b>Changes in cash and cash equivalents</b>		<b>(128.411.376)</b>	<b>95.506.871</b>
Effects of exchange differences		(39.144)	(27.591)
Cash and cash equivalents at the beginning of the period	18	169.414.292	73.935.012
Cash and cash equivalents at the end of the period	18	<b>40.963.772</b>	<b>169.414.292</b>

The following notes form an integral part of the Consolidated cash flow statement for the year ended 31 December 2023.

## 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, the Group currently operates 108 units of tourist lodging totalling 11.763 rooms, which makes it the largest network of Portuguese origin, being in the top 25 European hotel network ranking and in the top 105 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 39 hotels (16 in Madeira, 8 in Algarve, 8 in Lisbon/Cascais/Sintra, 5 in Oporto, 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".

Units	Location	Units	Location
Casino da Madeira (a)	Madeira	Pestana Douro	Oporto
Madeira Magic (a)	Madeira	Pestana Palácio do Freixo (a)	Oporto
Pestana Carlton Madeira (a)	Madeira	Pestana Porto - A Brasileira (c)	Oporto
Pestana Casino Park	Madeira	Pousada do Porto - Rua das Flores	Oporto
Pestana Casino Studios	Madeira	Pestana Vintage Porto	Oporto
Pestana Churchill Bay (a)	Madeira	Pousada de Viseu (a)	Viseu
Pestana Colombos (a)	Madeira	Beloura Golf - Pestana Golf & Resort (a)	Sintra
Pestana Fisherman Village (a)	Madeira	Pestana Sintra Golf (a)	Sintra
Pestana Grand	Madeira	Alto Golf - Pestana Golf & Resort	Algarve
Pestana Grand Vacation Club	Madeira	Gramacho - Pestana Golf & Resort	Algarve
Pestana Ilha Dourada (a)	Madeira	Pestana Alvor Atlântico Residences (c)	Algarve
Pestana Madeira Beach Club	Madeira	Pestana Alvor Beach Club	Algarve

Pestana Miramar	Madeira	Pestana Alvor Praia	Algarve
Pestana Miramar Vacation Club	Madeira	Pestana Alvor South Beach	Algarve
Pestana Ocean Bay	Madeira	Pestana Blue Alvor Beach All Inclusive (a)	Algarve
Pestana Vila Lido Madeira Ocean	Madeira	Pestana Carvoeiro Gramacho (c)	Algarve
Pestana Vila Lido Vacation Club	Madeira	Pestana Carvoeiro Vale da Pinta (c)	Algarve
Pestana Porto Santo	Madeira	Pestana Dom João II	Algarve
Pestana Promenade	Madeira	Pestana Dom João II Beach Club	Algarve
Pestana Promenade Vacation Club	Madeira	Pestana Dom João II Villas	Algarve
Pestana Quinta do Arco (a)	Madeira	Pestana Gramacho Residences (c)	Algarve
Pestana Royal (a)	Madeira	Pestana Porches Praia (c)	Algarve
Pestana Village	Madeira	Pestana Porches Praia Vacation Club	Algarve
Pestana Village Vacation Club	Madeira	Pestana Vila Sol	Algarve
Pestana Lisboa Vintage (a)	Lisbon	Pousada de Vila Real de Santo António (a)	Algarve
Pestana Palace	Lisbon	Pestana Viking (a)	Algarve
Pestana Rua Augusta Lisboa Historic Downtown (a) (b)	Lisbon	Vila Golf - Pestana Golf & Resort	Algarve
Pousada Alfama Charming Hotel (a) (b)	Lisbon	Vale da Pinta - Pestana Golf & Resort	Algarve
Pousada de Lisboa (a)	Lisbon	Silves - Pestana Golf & Resort	Algarve
Pestana Cascais (a)	Cascais	Pestana Bahia Praia	Azores
Pestana Cidadela Cascais (a)	Cascais	Pousadas de Portugal (Rede) (a)	Portugal
Pestana Tróia Eco-resort (c)	Tróia		

(a) Lease/Concession contracts

(b) New units in 2023

(c) Management contract

These Consolidated financial statements were authorised for issue by the Board of Directors in the meeting held on 11 March 2024 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 2023. 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 the standards

a) The impact of the adoption of the amendments to standards that became effective as of 1 January 2023 is as follows:

- **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. This amendment had no impact 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). This amendment had no impact 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. These temporary differences are excluded from the scope of the exemption from recording deferred taxes upon initial recognition of assets or liabilities. This amendment is applied retrospectively. This amendment had no impact on the Group's Consolidated financial statements.
- **IAS 12** (amendment), 'International tax reform – Pillar two model rules'. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities impacted which, at this date, are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and ii) targeted disclosure requirements for affected entities (entities belonging to multinational groups that have consolidated revenues of 750 million Euros in at least two out of the last four years), such as: the fact that the exception was applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of Pillar Two rules between the date the legislation becomes enacted and the date it becomes effective. This amendment had no impact on the Group's Consolidated financial statements.

b) Amendments to standards that have been published and are mandatory on or after 1 January 2024 which have already been endorsed by the EU:

- **IAS 1** (amendment), 'Classification of liabilities as Non-current and Current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity has to defer its settlement for at least 12 months after the reporting date. They clarify 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, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance dates; and c) the facts and circumstances that indicate that the entity may have difficulty complying with covenants when it is required to do so. These amendments are applied retrospectively. The Group will apply this amendment when it becomes effective with no relevant 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 relevant expected impacts on the Group's Consolidated financial statements.
- c) Amendments to standards that have been published and are mandatory on or after 1 January 2024, but which the EU has not yet endorsed:
- **IAS 7** (amendment) and **IFRS 7** (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.
  - **IAS 21** (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined. The Group will apply this amendment when it becomes effective with no relevant 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 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 Group 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 Group companies.

When the Group's share of losses of an associate exceeds its interest in the associate, additional losses are provided for only to the extent that the Group has incurred 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 and loss are 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:

Moeda	31-12-2023	31-12-2022
GBP - Pound Sterling	0,8668	0,8872
NOK – Norwegian Krone	11,2239	10,5174
SEK – Swedish Crown	11,1254	11,1118
USD - US Dollar	1,1036	1,0675

## 3.4. 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 20 and 40 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 1 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.

### 3.5. 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.

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.

### **3.6. 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.

### **3.7. 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.

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.

### **3.8. 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.

### 3.9. 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) the hedging instrument and the hedged item qualify; ii) there is formal designation and documentation of the hedging relationship and the risk management objective defined by the management group; iii) the hedging relationship is effective.

A hedging relationship is effective if: i) there is an economic relationship between the hedging instrument and the hedged item; ii) the changes in fair value do not result mainly from credit risk; iii) the hedge ratio, in each transaction, is adequate and results from the quantity of the hedged item and the quantity of the hedging instrument that the entity effectively uses to hedge that quantity of the hedged item.

When dealing with trading derivatives, gains and losses in fair value are recognized in the Consolidated 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 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.

### 3.10. 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 a 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 debtors related to the beverage industry business are subject to impairment analysis for all contractual payments due and it is also checked whether there is any information available to indicate a default.

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 2023 and 2022 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.

## **3.11. 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.

### **3.12. 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.

### 3.13. 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.

### 3.14. Capital

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

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.

### 3.15. 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.

### 3.16. 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.

### **3.17. 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.

### **3.18. 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.

### 3.19. 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.

### 3.20. 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.

### 3.21. 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) Beverage industry

Revenue from this business corresponds to the fair value of the amount received or receivable from transactions carried out with customers in the normal course of activity. Revenue is recorded net of any taxes (including IEC), commercial discounts and financial discounts attributed.

Revenue is recorded in the Consolidated Income Statement when control over the product or service is transferred to the customer, that is, at the moment from which the customer becomes able to manage the use of the product or service and obtain all remaining economic benefits associated with it.

The Group considers that, given the nature of the product or service that is associated with the performance obligations assumed, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously throughout the contractual period defined.

(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.

### 3.22. 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 7,3% 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 2023 and 2022.

Considering Grupo Pestana's consolidated net financial debt as at 31 December 2023 (excluding Lease liabilities), an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of, approximately, 37.000 Euros (31 December 2022: 69.000 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, Commercial paper and Bank overdraft	
	2023	2022	2023	2022
A1	554.212	30.646.259	-	-
A2	22.577.043	453.848	107.525.806	2.014.629
A3	10.257.009	38.064.709	29.519.776	123.068.325
Aa3	-	10.477.435	-	-
Baa2	699.009	77.398.066	842.205	39.075.166
Baa3	413.914	208.388	-	20.000.000
Ba3	-	6.979.700	-	8.378.648
No classification	3.468.296	2.772.039	10.868.396	20.195.683
<b>Total</b>	<b>37.969.483</b>	<b>167.000.444</b>	<b>148.756.183</b>	<b>212.732.451</b>

### 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 analyses 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:

<b>31 December 2023</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
Borrowings:	21.245.857	122.541.361	91.638.338
- bank loans	15.178.276	46.446.619	81.684.979
- bond loans	-	56.100.000	-
- commercial paper	-	5.000.000	-
- bank overdrafts	446.309	-	-
- undiscounted interests payable until maturity	5.621.272	14.994.742	9.953.359
Lease liabilities	15.208.080	54.024.580	140.882.231
Trade and other payables - non group	67.095.194	-	-
<b>31 December 2022</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
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	-	-

#### 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 2023 and 2022 were the follows:

	<u>31-12-2023</u>	<u>31-12-2022</u>
Total borrowings	205.000.128	301.723.110
Total lease liabilities	132.099.746	152.338.538
Less: cash and cash equivalents	<u>41.410.081</u>	<u>169.825.003</u>
Net debt	295.689.793	284.236.645
Equity	<u>351.043.334</u>	<u>361.156.582</u>
Total capital	<u>646.733.127</u>	<u>645.393.227</u>
<b>Gearing</b>	<b>46%</b>	<b>44%</b>

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:

	<u>31-12-2023</u>	<u>31-12-2022</u>
Total borrowings	205.000.128	301.723.110
Total lease liabilities	132.099.746	152.338.538
Less: cash and cash equivalents	<u>41.410.081</u>	<u>169.825.003</u>
Net debt	295.689.793	284.236.645
Adjusted equity	<u>460.480.319</u>	<u>476.966.234</u>
Total capital	<u>756.170.112</u>	<u>761.202.879</u>
<b>Adjusted gearing</b>	<b>39%</b>	<b>37%</b>

#### 4.3. Accounting for derivative financial instruments

As at 31 December 2023 and 2022, 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 depreciation 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 2023 and 2022 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 construction	Total
<b>1 January 2023</b>									
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)
<b>Net book value</b>	<b>122.966.533</b>	<b>458.021.155</b>	<b>53.459.972</b>	<b>757.560</b>	<b>464.243</b>	<b>20.404</b>	<b>5.086.201</b>	<b>34.595.579</b>	<b>675.371.647</b>
<b>Changes in 2023</b>									
Additions	9.775.091	55.037.373	8.229.211	618.095	826.688	21.678	2.247.907	9.210.578	85.966.621
Disposals - acquisition cost	-	(427.166)	-	(207.471)	-	-	(1.069.401)	(4.617.281)	(6.321.319)
Disposals - accumulated depreciation	-	142.125	-	190.299	-	-	727.201	-	1.059.625
Disposals - accumulated impairment	-	839	-	-	-	-	-	-	839
Write-offs - acquisition cost	-	-	(65.428)	(186.160)	-	-	(139.284)	-	(390.872)
Write-offs - accumulated depreciation	-	-	46.547	186.160	-	-	139.284	-	371.991
Terminations - acquisition cost	-	(22.618.283)	-	(108.687)	-	-	-	-	(22.726.970)
Terminations - accumulated depreciations	-	9.274.754	-	108.687	-	-	-	-	9.383.441
Transfers	358.848	8.608.808	668.366	-	-	-	-	(9.636.022)	-
Transfers from Investment properties - acquisition cost (Note 8)	380.184	1.026.250	-	-	-	-	-	-	1.406.434
Transfers from Investment properties – acc. depreciation (Note 8)	-	(987.966)	-	-	-	-	-	-	(987.966)
Transfers to Investment properties - acquisition cost (Note 8)	-	(333.964)	-	-	-	-	-	-	(333.964)
Transfers to Investment properties – acc. depreciation (Note 8)	-	12.245	-	-	-	-	-	-	12.245
Depreciation	-	(32.725.998)	(7.959.829)	(475.060)	(424.674)	(8.384)	(906.404)	-	(42.500.349)
Impairment – charge	(50.000)	(422.538)	-	-	-	-	-	-	(472.538)
Impairment – reversal	-	731.699	-	-	-	-	-	-	731.699
	<b>10.464.123</b>	<b>17.318.178</b>	<b>918.867</b>	<b>125.863</b>	<b>402.014</b>	<b>13.294</b>	<b>999.303</b>	<b>(5.042.725)</b>	<b>25.198.917</b>
<b>31 December 2023</b>									
Acquisition cost	133.480.656	1.062.592.508	271.282.859	7.246.936	19.302.158	645.120	16.147.556	29.552.854	1.540.250.647
Accumulated depreciation	-	(584.656.894)	(216.904.020)	(6.363.513)	(18.435.901)	(611.422)	(10.062.052)	-	(837.033.802)
Accumulated impairment	(50.000)	(2.596.281)	-	-	-	-	-	-	(2.646.281)
<b>Net book value</b>	<b>133.430.656</b>	<b>475.339.333</b>	<b>54.378.839</b>	<b>883.423</b>	<b>866.257</b>	<b>33.698</b>	<b>6.085.504</b>	<b>29.552.854</b>	<b>700.570.564</b>

	<u>Land</u>	<u>Buildings and other constructions</u>	<u>Basic equipment</u>	<u>Transport equipment</u>	<u>Administrative equipment</u>	<u>Tools</u>	<u>Other tangible assets</u>	<u>Assets under construction</u>	<u>Total</u>
<b>1 January 2022</b>									
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)
<b>Net book value</b>	<b>128.026.671</b>	<b>488.596.399</b>	<b>58.878.206</b>	<b>911.289</b>	<b>549.843</b>	<b>29.052</b>	<b>4.002.518</b>	<b>25.722.476</b>	<b>706.716.455</b>
<b>Changes in 2022</b>									
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
	<b>(5.060.138)</b>	<b>(30.575.245)</b>	<b>(5.418.234)</b>	<b>(153.729)</b>	<b>(85.600)</b>	<b>(8.648)</b>	<b>1.083.683</b>	<b>8.873.103</b>	<b>(31.344.808)</b>
<b>31 December 2022</b>									
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)
<b>Net book value</b>	<b>122.966.533</b>	<b>458.021.155</b>	<b>53.459.972</b>	<b>757.560</b>	<b>464.243</b>	<b>20.404</b>	<b>5.086.201</b>	<b>34.595.579</b>	<b>675.371.647</b>

During the year ended as at 31 December 2023 and 2022, the movements occurred in Right of use assets, by asset type, are as follows:

	<u>Buildings and other</u>	<u>Basic equipment</u>	<u>Transport equipment</u>	<u>Total</u>
<b>1 January 2023</b>				
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)
<b>Net book value</b>	<b>127.631.074</b>	<b>631.925</b>	<b>246.533</b>	<b>128.509.532</b>
<b>Changes in 2023</b>				
Additions	5.566.166	251.010	334.122	6.151.298
Terminations - acquisition cost	(22.618.283)	-	(108.687)	(22.726.970)
Terminations - accumulated depreciations	9.274.754	-	108.687	9.383.441
Depreciation	(12.299.527)	(262.887)	(231.818)	(12.794.232)
Impairment - charge	(422.538)	-	-	(422.538)
	<b>(20.499.428)</b>	<b>(11.877)</b>	<b>102.304</b>	<b>(20.409.001)</b>
<b>31 December 2023</b>				
Acquisition cost	223.560.300	1.966.798	2.787.515	228.314.613
Accumulated depreciation	(114.566.059)	(1.346.750)	(2.438.678)	(118.351.487)
Accumulated impairment	(1.862.595)	-	-	(1.862.595)
<b>Net book value</b>	<b>107.131.646</b>	<b>620.048</b>	<b>348.837</b>	<b>108.100.531</b>

	<u>Buildings and other</u>	<u>Basic equipment</u>	<u>Transport equipment</u>	<u>Total</u>
<b>1 January 2022</b>				
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)
<b>Net book value</b>	<b>119.464.973</b>	<b>142.367</b>	<b>493.518</b>	<b>120.100.858</b>
<b>Changes in 2022</b>				
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
	<b>8.166.101</b>	<b>489.558</b>	<b>(246.985)</b>	<b>8.408.674</b>
<b>31 December 2022</b>				
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)
<b>Net book value</b>	<b>127.631.074</b>	<b>631.925</b>	<b>246.533</b>	<b>128.509.532</b>

#### Additions and Transfers, excluding Right of use assets and Assets under construction

The main additions in 2023 refer to:

- Acquisition of Pestana Vila Sol hotel and Vila Golf - Pestana Golf Resort golf course, which until the date of acquisition were classified as right-of-use assets, with this investment amounting to approximately 40.600.000 Euros (including taxes). The right-of-use asset and the lease liability at the date of termination were approximately 12.700.000 Euros and 14.900.000 Euros, respectively, so the impact is presented in Other income and gains as a gain of 2.195.153 Euros (Note 31);
- Renovation of Pestana Delfim, which was renamed to Pestana Blue Alvor Beach All Inclusive Hotel, especially in the bedroom area, with the aim of modernizing this hotel and converting it into an all-inclusive unit, with an investment of around 8.800.000 Euros;
- Refurbishment and modernization of the building and equipment of Pestana Vila Lido Madeira Ocean Hotel (formerly named Pestana Palms Ocean Hotel). The investment amounted to approximately 6.400.000 Euros;
- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.4) amounted to approximately 2.100.000 Euros (2022: 1.980.000 Euros);
- Acquisition of glass bottles for the beverage industry in the amount of approximately 1.700.000 Euros (2022: 1.700.000 Euros), already in line with the Group's policy regarding reusable packaging and the shipment of returnable barrels;

- The Group acquired the house attached to Pousada de Óbidos, which was already operated under a lease agreement, in the amount of approximately 1.600.000 euros. The right of use asset and the lease liability at the date of termination were around 111.000 Euros and 132.000 Euros, respectively;
- In 2023, additions to the Group's new hotel units amounted to approximately 3.800.000 Euros at Pestana Rua Augusta Lisboa Historic Downtown and around 800.000 Euros at Pousada de Alfama Charming Hotel. The transfers of fixed assets mainly concern these units, which opened in May 2023 in the case of the Pousada de Alfama Charming Hotel and in October 2023 in the case of the Pestana Rua Augusta Lisboa Historic Downtown;
- The remaining additions refer mainly to other renovations, improvements and the acquisition of equipment necessary to the normal operation of the Group's hotel units.

The main additions in 2022 refer to:

- 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;
- 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.

#### Right of use asset additions

As at 31 December 2023 and 2022, right of use assets refer, mainly, to buildings and other constructions as presented in Note 25.

Extension of Pestana Colombo's contract, which will now expire in October 2024, reflecting an increase in the right of use of approximately 472.000 Euros.

Also in 2023, adjustments were made to reflect changes to the lease payments resulting from a change in Consumer Price Index in the amount of around 5.000.000 Euros, namely in the following units: Pestana Blue Alvor Beach, Carlton Madeira, Pestana Churchill, Pestana Royal, Pousadas network and Pestana Viking.

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 2023 and 2022 are essentially related to the updating of the rent value according to inflation, including the extension of the term of some contracts.

#### Disposals

In 2023, Grupo Pestana sold a land located north of Gramacho to Pestana Properties – SIC Imobiliária fechada S.A. for 12.458.052 Euros, land allocated to a future golf course as well as a real estate project (Note 16). The sale value was defined based on an assessment carried out by an independent expert and certified by the Securities Market Commission.

The 2023 disposals also include a disposal of 1 apartment of Pestana Gramacho Residence for 357.125 Euros, which generated a Gain on disposal of 187.480 Euros (Note 31). 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 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.

#### Transfers from/to Investment properties

Transfers from Investment properties relate to a building in Alvor which is no longer rented out and has been converted into accommodation for Group employees (Note 8).

Transfers to Investment properties relate to houses in Madeira which are now leased to third parties (Note 8).

Assets under construction

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

	<u>2023</u>	<u>2022</u>
Pestana Dunas (Porto Santo)	12.847.698	8.561.640
Quinta da Amoreira (Algarve)	6.345.437	6.345.437
Pestana Vintage Porto expansion (Oporto)	2.617.565	2.558.766
Golfe course project (Algarve)	1.199.852	1.199.852
Praia Formosa Promenade project (Madeira)	920.199	-
Photovoltaic panels and heating equipment (Portugal)	887.805	-
Pousada Chiado - Valadares Palace (Lisbon)	620.280	592.780
Pestana Blue Alvor Beach refurbishment (Algarve)	446.505	1.949.096
Praia Formosa cliff land (Madeira)	404.649	404.649
North of Gramacho land (Algarve)	-	4.602.701
Pestana Rua Augusta Lisboa Historic Downtown (Lisbon)	-	4.354.552
Pousada de Alfama Charming Hotel (Lisbon)	-	2.869.559
Others	3.262.864	1.156.547
	<u><b>29.552.854</b></u>	<u><b>34.595.579</b></u>

Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 beds and a total area of 60.000 m<sup>2</sup>. 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 218 rooms, reception, swimming pool and a restaurant, with an estimated investment of around 26.300.000 Euros, with its opening scheduled for 2025.

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).

Pestana Vintage Porto expansion refers to the acquisition of buildings next to the Pestana Vintage Porto with the objective of continuing the expansion of this Pestana Collection unit. In 2022 the Group acquired a building for the amount of 1.137.150 Euros and in 2023 also acquired another building in the same area for 815.480 Euros. In 2022 the Group had already paid a deposit of 114.000 Euros. There is a lease agreement in force for this building until 2029 (Note 8).

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.

In the Praia Formosa Promenade project, the Group carried out cliff stabilization, landfill and foundation works for the construction of the new Promenade in Praia Formosa.

An energy efficiency project also started in 2023, which includes the purchase of heat pumps, condensing boilers and the implementation of photovoltaic panel systems on the roofs of the buildings and car parks of the various hotel units, for self-supply of energy, which will allow a significant reduction in the energy costs of each hotel unit with more efficient and less polluting equipment. The Group had expenditures of around 800.000 Euros in 2023, and this project is included in the scope of the application made in the Recovery and Resilience Plan (RRP) in the "Accelerate and Transform Tourism Program" in Portugal, from which it is expected to obtain a non-refundable incentive of 40% on the expenses that are approved as eligible and whose investment is completed up to and including 2025.

Pousada Chiado - Palácio de Valadares relates to the acquisition of a store, projects and studies necessary for licensing for the opening of a new hotel unit under “Pousada” brand, named “Palácio de Valadares”, 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.

The purpose of the refurbishment project at the Pestana Blue Alvor Beach All Inclusive is to modernize this hotel and convert it into an all-inclusive unit. The total investment is expected to amount approximately to 13.000.000 Euros, divided into two phases. The first phase concerns the refurbishment of the rooms and was completed at the end of the first half of 2023, corresponding to an investment of around 8.800.000 Euros. The second phase is related to the renovation of the unit's common areas, the improvement of existing spaces and the creation of new leisure areas, which is scheduled for completion in the first half of 2024, with a total investment estimated of around 4.200.000 Euros.

The Praia Formosa cliff land relates to a land acquired by the Group in 2021.

#### 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 2023 is 4.965.484 Euros (2022: 5.188.821 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. Thus, the useful life of these assets corresponds to their economic life or the term of the concession, namely 2028, whichever is the lowest.

#### 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 2023 and 2022 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 10% e 12%, reflecting the risk and return expected by stakeholders.

Based on this approach, in 2023 there was an impairment loss reversal on Madeira Magic in the amount of 731.699 Euros, having reinforced the impairment loss constituted on the value of the right to use Beloura Golfe in the amount of 400.000 Euros.

In 2022 there were impairment losses on Pestana Quinta do Arco Nature & Rose Garden, Pestana Ilha Dourada and Madeira Magic were reversed in the amounts of 2.218.404 Euros, 199.540 Euros and 825.000 Euros, respectively. In 2022, there was also an impairment loss on Pestana Colombos of 432.105 Euros.

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 2023 would have increased by 365.367 (2022: 1.030.000 Euros), and under the optimist scenario would have decreased by 265.214 Euros (2022: 608.000 Euros).

## 7. Intangible assets

During the year ended as at 31 December 2023 and 2022 the movements occurred in Intangible assets are as follows:

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<b>1 January 2023</b>			
Acquisition cost	9.500.000	634.738	10.134.738
Accumulated amortization	-	(589.813)	(589.813)
Accumulated impairment	-	-	-
<b>Net book value</b>	<b>9.500.000</b>	<b>44.925</b>	<b>9.544.925</b>
<b>Changes in 2023</b>			
Write-offs – acquisition cost	-	(372.642)	(372.642)
Write-offs – accumulated depreciation	-	372.642	372.642
Amortization	-	(17.549)	(17.549)
	<b>-</b>	<b>(17.549)</b>	<b>(17.549)</b>
<b>31 December 2023</b>			
Acquisition cost	9.500.000	262.096	9.762.096
Accumulated amortization	-	(234.720)	(234.720)
Accumulated impairment	-	-	-
<b>Net book value</b>	<b>9.500.000</b>	<b>27.376</b>	<b>9.527.376</b>
	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<b>1 January 2022</b>			
Acquisition cost	9.500.000	617.125	10.117.125
Accumulated amortization	-	(568.821)	(568.821)
Accumulated impairment	-	-	-
<b>Net book value</b>	<b>9.500.000</b>	<b>48.304</b>	<b>9.548.304</b>
<b>Changes in 2022</b>			
Additions	-	17.613	17.613
Amortization	-	(20.992)	(20.992)
	<b>-</b>	<b>(3.379)</b>	<b>(3.379)</b>
<b>31 December 2022</b>			
Acquisition cost	9.500.000	634.738	10.134.738
Accumulated amortization	-	(589.813)	(589.813)
Accumulated impairment	-	-	-
<b>Net book value</b>	<b>9.500.000</b>	<b>44.925</b>	<b>9.544.925</b>

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 2023 and 2022, 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 3,5% and a discount rate between 8,5% e 9,5% 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, goodwill as at 31 December 2023 would continue to be fully recoverable.

## 8. Investment properties

During the year ended as at 2023 and 2022 the movements occurred in Investment properties are as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>		
Acquisition cost	8.189.924	9.153.104
Accumulated depreciation	(3.020.044)	(2.947.778)
Accumulated impairment	<u>(58.561)</u>	<u>(58.561)</u>
<b>Net book value</b>	<b><u>5.111.319</u></b>	<b><u>6.146.765</u></b>
Additions	831.468	-
Transfers to Tangible fixed assets – acquisition cost (Note 6)	(1.406.434)	-
Transfers to Tangible fixed assets – acc. Depreciation (Note 6)	987.966	-
Transfers from Tangible fixed assets – acquisition cost (Note 6)	333.964	-
Transfers from Tangible fixed assets – acc. Depreciation (Note 6)	(12.245)	-
Disposals – acquisition cost	-	(963.180)
Depreciation	<u>(93.951)</u>	<u>(72.266)</u>
	<b><u>640.768</u></b>	<b><u>(1.035.446)</u></b>
<b>31 December</b>		
Acquisition cost	7.948.922	8.189.924
Accumulated depreciation	(2.138.274)	(3.020.044)
Accumulated impairment	<u>(58.561)</u>	<u>(58.561)</u>
<b>Net book value</b>	<b><u>5.752.087</u></b>	<b><u>5.111.319</u></b>

As at 31 December 2023 and 2022 the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

The additions relate to the acquisition of a building in the municipality of Oporto for 815.480 Euros to increase the number of rooms available at Pestana Vintage Porto. A promissory contract for this acquisition had been signed in 28 November 2022 with a payment of 114.000 Euros. For this building there is a lease contract in force until 2029.

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.

As at 31 December 2023 and 2022 Investment properties are mainly leased or intended to be leased and are detailed as follows:

	<u>2023</u>	<u>2022</u>
Funchal land, Madeira	2.342.455	2.342.455
Commercial properties leased to third parties, Algarve	2.234.317	2.632.728
Buildings for expansion, Oporto	815.480	-
Others	359.835	136.136
	<u><b>5.752.087</b></u>	<u><b>5.111.319</b></u>

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

	<u>2023</u>	<u>2022</u>
Rents obtained	149.691	231.992
Operating expenses	(41.881)	(43.569)
Amortizations	(93.951)	(72.266)
	<u><b>13.859</b></u>	<u><b>116.157</b></u>

## 9. Investments in joint ventures

The movements occurred in Investments in joint ventures during 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	2.667.551	3.325.404
Gains from equity accounting (Note 33)	173.280	186.655
Disposals (Note 39)	-	(844.508)
<b>31 December</b>	<u><b>2.840.831</b></u>	<u><b>2.667.551</b></u>

Within the scope of the corporate reorganization project of the joint venture subsidiaries with Cristiano Ronaldo dos Santos Aveiro, in 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.

As at 31 December 2023 Investments in joint ventures refer to the following entities:

Entity	% owned	Financial investments			Accessory contributions			Total Investment
		Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total	
Solpor – Soc. De Turismo do Porto Santo Lda.	50,00%	2.410.831	–	2.410.831	430.000	–	430.000	2.840.831
		<b>2.410.831</b>	<b>–</b>	<b>2.410.831</b>	<b>430.000</b>	<b>–</b>	<b>430.000</b>	<b>2.840.831</b>

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

Entity	% owned	Participações financeiras			Prestações acessórias			Total Investment
		Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total	
Solpor – Soc. De Turismo do Porto Santo Lda.	50,00%	2.237.551	–	2.237.551	430.000	–	430.000	2.667.551
		<b>2.237.551</b>	<b>–</b>	<b>2.237.551</b>	<b>430.000</b>	<b>–</b>	<b>430.000</b>	<b>2.667.551</b>



The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Investments in joint ventures in 2023 and 2022 is as follow:

	<u>2023</u>	<u>2022</u>
	<b>Solpor – Sociedade Turismo do Porto Santo, Lda.</b>	<b>Solpor – Sociedade Turismo do Porto Santo, Lda.</b>
<b>Opening net assets 1 January</b>	<b>73.070</b>	<b>74.395</b>
Profit for the period	(1.300)	(1.325)
Share capital increase	-	-
<b>Closing net assets 31 December</b>	<b>71.770</b>	<b>73.070</b>
Group's share %	50,00%	50,00%
Group's share in value	35.885	36.535
Adjustment of purchase price allocation	2.374.946	2.201.015
<b>Carrying amount 31 December</b>	<b>2.410.831</b>	<b>2.237.551</b>

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 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	11.439.033	11.624.633
Gains from equity accounting (Note 33)	401.116	547.378
Repayment of loans granted	(138.420)	(268.173)
Perimeter changes (Note 39)	-	(464.805)
<b>31 December</b>	<b>11.701.729</b>	<b>11.439.033</b>

In 2023 and 2022 Enatur – Empresa Nacional de Turismo, S.A. repaid loans granted in the amount of 138.420 Euros and 268.173 Euros, respectively.

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).

As at 31 December 2023 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%	11.206.729	-	11.206.729	-	-	-	11.206.729	3.837.382
Lean Company Ventures II, S.A.	10,00%	-	-	-	495.000	-	495.000	495.000	-
		<b>11.206.729</b>	<b>-</b>	<b>11.206.729</b>	<b>495.000</b>	<b>-</b>	<b>495.000</b>	<b>11.701.729</b>	<b>3.837.382</b>

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	-
		<b>10.805.613</b>	<b>-</b>	<b>10.805.613</b>	<b>633.420</b>	<b>-</b>	<b>633.420</b>	<b>11.439.033</b>	<b>3.837.382</b>

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Associates in 2023 and 2022 is as follow:

	2023		2022	
	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.
<b>Opening net assets 1 January</b>	<b>54.740.507</b>	<b>761.935</b>	<b>55.499.970</b>	<b>949.590</b>
Profit for the period	818.604	(115.745)	885.797	(187.655)
Other changes in equity	(1.507.860)	33.152	(1.645.260)	-
<b>Closing net assets 31 December</b>	<b>54.051.251</b>	<b>679.342</b>	<b>54.740.507</b>	<b>761.935</b>
Group's share in %	49,00%	20,00%	49,00%	20,00%
Group's share in value	26.485.113	135.868	26.822.848	152.387
Goodwill	3.837.382	-	3.837.382	-
Conversion to IFRS	(19.115.766)	-	(19.854.617)	-
Consolidation adjustments	-	(135.868)	-	(152.387)
<b>Carrying amount 31 December</b>	<b>11.206.729</b>	<b>-</b>	<b>10.805.613</b>	<b>-</b>

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 2023 and 2022 are as follows:

	2023	2022
<b>1 January</b>	<b>16.925.573</b>	<b>7.698.928</b>
Acquisitions	6.794.696	9.460.572
Disposals	(505.215)	-
Changes in fair value (Note 33)	(2.298.419)	554.776
Capital reimbursement	(249.893)	(788.703)
<b>31 December</b>	<b>20.666.742</b>	<b>16.925.573</b>

In December 2023, Grupo Pestana subscribed 5.826 participation units in the Iberis Bluetech Fund III, FCR (Bluetech Fund III) for 6.000.780 Euros. These funds' policy is to invest in Research and Development (R&D) companies and projects, reason why the investment is eligible under SIFIDE II (Portuguese tax incentives for Research and Development). The subsidiaries will present the respective application until May 2024, which is expected to be approved by Agência Nacional de Inovação, S.A..

In May 2023, Grupo Pestana subscribed 2.000.000 participation units in the Faber Blue Pioneers I, FCR fund at a unit value of 0,98 Euro participation unit. In August and December 2023, Grupo Pestana paid in capital corresponding to 421.052 UP's and 103.066 UP's, respectively, for total amount of 513.394 Euros. Thus, and regarding Faber Blue Pioneers I, FCR fund, on 31 December 2023, the Group has a commitment to pay the amount of capital relating to 1.475.882 UP's subscribed and not yet paid in the amount of 1.486.606 Euros.

Also in 2023, the Group subscribed 280.523 Euros in Faber Tech II – Fundo de Capital de Risco ("Fundo Faber Tech II") fund. In 2022, the Group invested 459.402 Euros in this fund.

At the General Meeting of the subsidiary Turismo Fundos – SGOIC, S.A., held on 16 November 2023, the Group requested the redemption of the participation units it held in this fund in the amount of 69.782 Euros. This amount will only be paid in November 2025.

In June and November 2023, the Iberis Bluetech Fund, FCR, EuVECA (Bluetech Fund) made capital reimbursements to its investors, having Grupo Pestana received 96.536 Euros and 110.452 Euros, respectively, through a capital reduction without any redemption of participation units. In 2023 the Capital reimbursement caption also includes 42.905 Euros from a similar capital reduction occurred in November 2022. In 2022, Bluetech Fund had also distributed capital to its investors, with the Group receiving the amount of 788.703 Euros through a capital reduction without any redemption of participation units.

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..

In 2023, due to the change in market conditions caused by the sudden rise in interest rates which had a significant impact on the business models of the start-ups invested in by the fund, the Iberis Bluetech Fund, FCR, EuVECA carried out a public sale of PU's on the secondary market. This operation resulted in the sale of a significant number of PU's to a group of new investors, at a unit price of 702,31 Euros, according to the communication received from the Fund's management company in November 2023. Following this operation, the Group adjusted the valuation of all the units in its portfolio at that time to this new unit value, resulting in a reduction in the investment value of 1.696.146 Euros, also cancelling out the revaluations recorded in previous years. In 2023, the Group sold 620 investment units for the aforementioned market unit value of 702,31 euros.

The remaining change in fair value in 2023 correspond to the devaluation of the participation units based on the fund's Fabertech, Bluetech III, and FaberBlue in the amount of 413.504 Euros, 142.564 Euros and 46.205 Euros, respectively. In 2022, changes in fair value correspond to the valuation of Bluetech Fund and Fabertech in the amount of 775.134 Euros and 44.307 Euros, respectively, and to the devaluation of Bluetech III Fund of 264.965 Euros.

The change in the fair value of Financial assets at fair value through profit or loss was calculated by valuing the participation units at the fund's equity. These funds are classified as Level 3 in the fair value hierarchy, except for Iberis Bluetech Fund, FCR, Euveca, which is classified as Level 2 (Note 13).

As at 31 December 2023 the Financial assets at fair value through profit and loss have the following detail:

<u>Entity</u>	<u>% owned</u>	<u>Fair value</u>
Iberis Bluetech Fund III, FCR	n.a.	14.594.421
Iberis Bluetech Fund, FCR, EuVECA	n.a.	3.636.561
Faber Tech II, FCR	n.a.	1.891.239
Faber Blue Pioneers I	n.a.	467.188
Others	n.a.	77.333
		<b><u>20.666.742</u></b>

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

<u>Entity</u>	<u>% owned</u>	<u>Fair value</u>
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	n.a.	147.115
		<b><u>16.925.573</u></b>

## 12. Deferred tax assets and liabilities

As at 31 December 2023 and 2022 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:

	<u>2023</u>	<u>2022</u>
Impact on income statement		
Deferred tax assets	1.017.859	(13.021.658)
Deferred tax liabilities	4.098.265	1.732.818
	<u>5.116.124</u>	<u>(11.288.840)</u>
Impact on equity		
Deferred tax assets	-	-
Deferred tax liabilities	44.335	(48.779)
	<u>44.335</u>	<u>(48.779)</u>
<b>Net effect of deferred taxes</b>	<b><u>5.160.459</u></b>	<b><u>(11.337.619)</u></b>

The subsidiaries operating in Madeira and the Azores were taxed through a tax consolidation in Portugal (RETGS) until 2022, so their tax result contributed to the tax consolidated result calculated at Grupo Pestana, S.G.P.S., S.A. level.

To apply the RETGS, all companies must be subject to the general corporate income tax rate, which in Portugal is 21%. Until 2022 these subsidiaries had to waive the reduced corporate income tax rate applicable in the Autonomous Region of Madeira (RAM) and the Autonomous Region of the Azores (RAA) of 14,7% to be included in the tax consolidation.

In 2023, the subsidiaries operating in Madeira and the Azores opted to stop waiving the reduced corporate income tax rate in force in the RAM / RAA. They therefore no longer fulfil this requirement and are no longer tax consolidated at Grupo Pestana, S.G.P.S., S.A. level.

Therefore, deferred taxes at 31 December 2023 were recalculated with a positive impact on the result of 1.534.577 Euros and on equity of 11.917 Euros. This change is explained by the decrease in deferred tax assets and deferred tax liabilities of 818.347 Euros and 2.364.841 Euros, respectively.

The tax rate used to value the tax differences of these subsidiaries at the date of the Consolidated statement of financial position for the year ending 31 December 2023 is comprised between 14,7% and 18,7% (2022: 21% and 24,75%).

The tax rate applied to measure tax differences at the Consolidated statement of financial position date as at 31 December 2023 and 2022 is comprised between 14,7% and 26%.

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

	Investment and R&D incentives	Carry forward tax losses	Fair value	Impairment of tangible fixed assets	Leases	Subsidiary's capital increase incentive	Others	Total
<b>1 January 2023</b>	78.636	14.958	–	443.348	970.229	517.858	935.763	2.960.792
Constitution through income statement	1.194.635	367.566	472.895	–	152.574	3.709	–	2.191.379
Reversal through income statement	(78.636)	(14.958)	–	(198.920)	–	(244.819)	(636.187)	(1.173.520)
<b>Changes on period</b>	<b>1.115.999</b>	<b>352.608</b>	<b>472.895</b>	<b>(198.920)</b>	<b>152.574</b>	<b>(241.110)</b>	<b>(636.187)</b>	<b>1.017.859</b>
	1.194.635	367.566	472.895	244.428	1.122.803	276.748	299.576	3.978.651
Offset of Deferred tax liabilities	–	–	(472.895)	(244.428)	(1.122.803)	(276.748)	(299.576)	(2.416.450)
<b>31 December 2023</b>	<b>1.194.635</b>	<b>367.566</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1.562.201</b>

	Investment and R&D incentives	Carry forward tax losses	Net financing charges	Impairment of tangible fixed assets	Leases	Subsidiary's capital increase incentive	Others	Total
<b>1 January 2022</b>	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)
<b>Changes on period</b>	<b>(7.812.130)</b>	<b>(3.276.229)</b>	<b>(1.335.503)</b>	<b>(725.478)</b>	<b>71.404</b>	<b>(294.596)</b>	<b>350.874</b>	<b>(13.021.658)</b>
	78.636	14.958	–	443.348	970.229	517.858	935.763	2.960.792
Offset of Deferred tax liabilities	(78.636)	–	–	(443.348)	(970.229)	(517.858)	(935.763)	(2.945.834)
<b>31 December 2022</b>	<b>–</b>	<b>14.958</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14.958</b>

Investment and research & development (R&D) incentives

In 2023, deferred tax assets of 1.194.635 Euros were recognized in relation to the Portuguese benefit of the Investment Incentive Scheme ("RFAI") related to the investment in the future Pestana Dunas hotel, on the island of Porto Santo, that it has not yet been possible to deduct. These deferred taxes are expected to be recovered over the next nine years.

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.

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 (Note 35). Additionally, 335.266 Euros of RFAI from 2019 and 2020 Pestana Blue Alvor Beach incentive was not deducted, due to insufficient taxable profit. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros (Note 17).

Carry forward tax losses

As at 31 December 2023, deferred tax assets for tax losses were constituted in the amount of 367.566 Euros relating to accumulated tax losses, which are expected to be recovered over the next three years, by the subsidiary that will operate the future Pestana Dunas hotel on the island of Porto Santo.

As of 31 December 2022, with the full recovery of activity of the companies included in the tax consolidation, all remaining deferred taxes of Portuguese tax losses generated in 2020 were deducted 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.

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.



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
<b>1 January 2023</b>	21.999.373	48.779	111.386	1.741.171	23.900.709
Constitution through capital	-	(44.335)	-	-	(44.335)
Constitution through income statement	-	-	101.671	-	101.671
Reversal through income statement	(4.157.929)	-	-	(42.007)	(4.199.936)
<b>Changes on period</b>	<b>(4.157.929)</b>	<b>(44.335)</b>	<b>101.671</b>	<b>(42.007)</b>	<b>(4.142.600)</b>
	17.841.444	4.444	213.057	1.699.164	19.758.109
Offset of Deferred tax assets	(717.286)	-	-	(1.699.164)	(2.416.450)
<b>31 December 2023</b>	<b>17.124.158</b>	<b>4.444</b>	<b>213.057</b>	<b>-</b>	<b>17.341.659</b>
	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)
<b>Changes on period</b>	<b>(1.765.189)</b>	<b>48.779</b>	<b>(76.477)</b>	<b>108.848</b>	<b>(1.684.039)</b>
	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)
<b>31 December 2022</b>	<b>20.180.219</b>	<b>48.779</b>	<b>111.386</b>	<b>614.491</b>	<b>20.954.875</b>

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:

31 December 2023	Amortized cost	Fair value through comprehensive income	Fair value through profit and loss	Other non- financial assets and liabilities	Total
<b>Financial assets</b>					
Cash and cash equivalents	41.410.081	-	-	-	41.410.081
Trade and other receivables	48.350.579	-	-	12.528.244	60.878.823
Derivatives	-	23.759	-	-	23.759
Financial assets at fair value through profit and loss	-	-	20.666.742	-	20.666.742
	<b>89.760.660</b>	<b>23.759</b>	<b>20.666.742</b>	<b>12.528.244</b>	<b>122.979.405</b>
<b>Financial liabilities</b>					
Borrowings	205.000.128	-	-	-	205.000.128
Trade and other payables	64.798.442	-	-	13.413.468	78.211.910
Advances from customers	-	-	-	65.757.981	65.757.981
	<b>269.798.570</b>	<b>-</b>	<b>-</b>	<b>79.171.449</b>	<b>348.970.019</b>
31 December 2022	Amortized cost	Fair value through comprehensive income	Fair value through profit and loss	Other non- financial assets and liabilities	Total
<b>Financial assets</b>					
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
	<b>234.837.340</b>	<b>197.122</b>	<b>16.925.573</b>	<b>12.447.905</b>	<b>264.407.940</b>
<b>Financial liabilities</b>					
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
	<b>361.226.760</b>	<b>-</b>	<b>-</b>	<b>59.285.024</b>	<b>420.511.784</b>

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.

	31-12-2023			31-12-2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Financial assets at fair value through profit and loss	-	3.636.561	17.030.181	-	-	16.925.573
Derivatives	-	-	23.759	-	-	197.122
	<b>-</b>	<b>3.636.561</b>	<b>17.053.940</b>	<b>-</b>	<b>-</b>	<b>17.122.695</b>

#### 14. Derivatives

As at 31 December 2023 and 2022 Grupo Pestana had interest rate swaps (hedging derivatives) as follows:

	31-12-2023		31-12-2022	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – non-current	23.759	-	197.122	-
	<b>23.759</b>	<b>-</b>	<b>197.122</b>	<b>-</b>

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 31-12-2023	Fair value at 31-12-2022	Variation
Hedging	5.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	23.759	197.122	(173.363)
					<b>23.759</b>	<b>197.122</b>	<b>(173.363)</b>

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 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	197.122	(25.822)
Hedging derivatives - fair value changes	(173.363)	218.941
Trading derivatives - fair value changes (Note 34)	-	4.003
<b>31 December</b>	<b><u>23.759</u></b>	<b><u>197.122</u></b>

The changes in the fair value reserve related to cash flow hedges in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	148.343	(21.819)
Hedging derivatives - fair value changes (Note 20)	(173.363)	218.941
Deferred tax (Note 12)	44.335	(48.779)
<b>31 December</b>	<b><u>19.315</u></b>	<b><u>148.343</u></b>

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 3 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 much lower than the current market conditions.

## 15. Trade and other receivables

As at 31 December 2023 and 2022 Trade and other receivables are detailed as follows:

	<u>31-12-2023</u>			<u>31-12-2022</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Trade receivables (i)	23.741.961	-	23.741.961	25.006.895	-	25.006.895
Other receivables (ii)	4.389.068	1.846.998	6.236.066	9.878.189	1.826.384	11.704.573
Prepayments (iii)	4.961.769	7.566.475	12.528.244	2.784.708	9.663.197	12.447.905
Accrued income (iv)	8.208.079	-	8.208.079	17.262.080	-	17.262.080
Taxes receivable (v)	10.164.473	-	10.164.473	11.038.789	-	11.038.789
	<b><u>51.465.350</u></b>	<b><u>9.413.473</u></b>	<b><u>60.878.823</u></b>	<b><u>65.970.661</u></b>	<b><u>11.489.581</u></b>	<b><u>77.460.242</u></b>
<b>Advances from customers (vi)</b>	<b><u>(65.757.981)</u></b>	<b><u>-</u></b>	<b><u>(65.757.981)</u></b>	<b><u>(19.818.584)</u></b>	<b><u>(29.248.690)</u></b>	<b><u>(49.067.274)</u></b>

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

## i) Trade receivables

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - group (Note 40)	4.206.324	-	4.206.324	2.040.909	-	2.040.909
Trade receivables - others	19.535.637	-	19.535.637	22.965.986	-	22.965.986
Doubtful debtors	3.590.425	-	3.590.425	3.301.204	-	3.301.204
	<u>27.332.386</u>	<u>-</u>	<u>27.329.386</u>	<u>28.308.099</u>	<u>-</u>	<u>28.308.099</u>
Impairment of trade receivables	<u>(3.590.425)</u>	<u>-</u>	<u>(3.590.425)</u>	<u>(3.301.204)</u>	<u>-</u>	<u>(3.301.204)</u>
	<b><u>23.741.961</u></b>	<b><u>-</u></b>	<b><u>23.741.961</u></b>	<b><u>25.006.895</u></b>	<b><u>-</u></b>	<b><u>25.006.895</u></b>

Impairment of Trade receivables – movements of the year:

	2023	2022
<b>1 January</b>	3.301.204	3.661.739
Increases	295.431	-
Utilizations	(6.210)	(12.549)
Reversals	-	(347.986)
<b>31 December</b>	<b><u>3.590.425</u></b>	<b><u>3.301.204</u></b>

## ii) Other receivables

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Other debtors - group (Note 40)	246.542	1.674.125	1.920.667	1.577.931	1.826.384	3.404.315
Other debtors - others	4.594.655	172.873	4.767.528	8.682.578	-	8.682.578
Impairment of other receivables	<u>(452.129)</u>	<u>-</u>	<u>(452.129)</u>	<u>(382.320)</u>	<u>-</u>	<u>(382.320)</u>
	<b><u>4.389.068</u></b>	<b><u>1.846.998</u></b>	<b><u>6.236.066</u></b>	<b><u>9.878.189</u></b>	<b><u>1.826.384</u></b>	<b><u>11.704.573</u></b>

As at 31 December 2023 and 2022, the caption Other debtors - group includes the receivable amount of 1.803.298 Euros e 1.830.921 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 also include receivables from companies included in the Special Taxation Regime for Group Companies ("RETGS") (Notes 12 e 17), but which are not part of the consolidation perimeter, amounting to 46.492 Euros and 523.354 Euros, in 2023 and 2022, respectively. In 2023 and 2022, 125 Euros and 585.542 Euros, respectively, are being deducted of withholding tax paid by one of the companies included in the RETGS.

As at 31 December 2022, Other debtors include 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. The total amount of 6.813.058 Euros was agreed to receive in two tranches of the same amount, until 30 June 2022 and 30 June 2023.

As at 31 December 2023 and 2022, Other debtors - others, also includes guarantees given to suppliers in the amount of 1.926.774 Euros and 2.470.570 Euros, respectively.

Impairment of Other receivables - movements of the year:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	382.320	328.598
Increases	<u>69.809</u>	<u>53.722</u>
<b>31 December</b>	<u><b>452.129</b></u>	<u><b>382.320</b></u>

The ageing of balances without impairment is as follows:

	<u>2023</u>	<u>2022</u>
0 to 6 months	20.836.976	19.853.092
6 to 12 months	5.030.750	7.067.140
12 to 18 months	96.870	1.496.154
18 to 24 months	264.058	1.227.026
More than 24 months	<u>3.749.373</u>	<u>7.068.056</u>
	<u><b>29.978.027</b></u>	<u><b>36.711.468</b></u>

As at 31 December 2023 the ageing balances without impairment for more than 24 months include, balances with other Group companies, namely the sublease already mentioned, and balances relating to guarantees provided to suppliers with balances to be paid.

The ageing of balances with impairment is as follows:

	<u>2023</u>	<u>2022</u>
0 to 6 months	126.344	71.514
6 to 12 months	1.078.025	885.539
12 to 18 months	162.079	394.041
18 to 24 months	160.566	181.229
More than 24 months	<u>2.515.540</u>	<u>2.151.201</u>
	<u><b>4.042.554</b></u>	<u><b>3.683.524</b></u>

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

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Contract costs	1.047.427	7.566.475	8.613.902	952.655	8.420.226	9.372.881
Insurance	320.503	–	320.503	160.232	–	160.232
Other services	3.593.839	–	3.593.839	1.671.821	1.242.971	2.914.792
	<b>4.961.769</b>	<b>7.566.475</b>	<b>12.528.244</b>	<b>2.784.708</b>	<b>9.663.197</b>	<b>12.447.905</b>

As at 31 December 2023 and 2022 the balance of Contract costs relates exclusively to commissions paid related to sales of Pestana Vacation Club – Options contracts (Nota 3.21 ii).

In 2022, Other non-current services includes the deferral of real estate commissions for the future sale of Madeira Acqua and Pestana Comporta Village Residences (Note 16). In 2023, the sales commissions for these two projects were reclassified to current, since the deeds are almost entirely expected to be signed in 2024.

## iv) Accrued income

As of 31 December 2023, 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 7.337.920 Euros (31 December 2022: 16.631.755 Euros).

## v) Taxes receivable

As at 31 December 2023 and 2022 this caption is mainly related to VAT receivable.

In 2023 and 2022 there were VAT refunds in the total amount of 3.869.516 Euros and 3.722.519 Euros, respectively.

## vi) Advances from customers

Refers, mainly, to the amounts received along the construction works, amounting in total to 57.247.594 Euros (31 December 2022: 37.399.419 Euros) and maintenance fees charged in advance under timeshare contracts amounting to 5.408.252 Euros (31 December 2022: 9.424.337 Euros). The residual amount in 31 December 2023 and 2022 are mainly related to reservations made by tour operators, groups and individual customers.

In 2023, the Advances from customers that were in Non-current in the previous year regarding Madeira Acqua Residences and Pestana Comporta Villages were reclassified to Current since the deeds for those projects in progress are almost entirely expected to be signed in 2024.

## 16. Inventories

As at 31 December 2023 and 2022 Inventories are detailed as follows:

	<u>2023</u>	<u>2022</u>
Goods	1.541.298	1.366.158
Raw and subsidiary materials	3.621.950	3.752.581
Finished goods	1.169.586	1.067.938
Work in progress	<u>103.506.109</u>	<u>115.589.805</u>
	<u>109.838.943</u>	<u>121.776.482</u>
Impairment of inventories	<u>(324.621)</u>	<u>(367.525)</u>
	<b><u>109.514.322</u></b>	<b><u>121.408.957</u></b>

Finished goods and Work in progress are as follows:

	<u>2023</u>	<u>2022</u>
Madeira Acqua Residences (Madeira)	43.661.398	27.767.281
Silves Golf Resort project (Algarve)	26.194.568	27.391.346
Pestana Comporta Village Residences	12.196.441	7.862.318
Abrunheira project (Portalegre)	6.349.235	6.349.235
Vila Sol G3 (Algarve)	5.314.276	-
The Valley - Nature Resort (Algarve)	4.943.778	7.941.234
Quinta das Maravilhas project (Madeira)	2.654.250	2.654.250
Tróia Eco-Resort project	1.789.794	2.664.375
Beverages and packaging	1.292.677	1.233.702
Pine Village (Comporta)	279.278	279.278
Porto Covinho (Porto Covo)	-	14.666.025
A Fábrica, Apartments & Lofts project (Madeira)	-	8.806.883
Norte of Gramacho land (Algarve)	-	7.959.006
Alvor land (Algarve)	-	1.062.579
Others	<u>-</u>	<u>20.231</u>
	<b><u>104.675.695</u></b>	<b><u>116.657.743</u></b>

The Madeira Acqua Residences project, located in one of Funchal's most modern residential areas, resulted from the acquisition in 2021 of the former Madeira Palácio hotel for 19.300.000 Euros and aims to transform it into 181 flats for sale of different types from 1 to 4 bedrooms. Madeira Acqua Residences has a total planned investment of 53.000.000 Euros, including its acquisition cost. Public deeds are expected to be signed almost entirely in 2024.

The Silves Golf Resort project is a tourist 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 an expected total investment of 17.000.000 Euros. In 2023, the construction of Phase 1 continued and 6 accommodation units were delivered to customers.



Pestana Comporta Village is located 200 metres from the village of Comporta, in Portugal, and 2 km from the beach, where 75 1- and 2-bedroom units with swimming pools are being constructed. Due to the high demand for this type of development, all the purchase promise contracts have already been signed, with total deposits amounting 15.676.828 Euros (2022: 9.809.847 Euros). The construction of the infrastructure and accommodation units continued in 2023, and this project is expected to be completed by the end of summer 2024. The accommodation units will be delivered in the last quarter of 2024. The estimated total investment is 20.700.000 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.

Vila Sol G3 relates to a plot of land for a future real estate project acquired for 5.314.276 Euros, including taxes, in Vilamoura, in Algarve, next to the hotel and golf course also acquired in 2023 (Note 6).

The Valley - Nature Resort is a real estate project located in south of Gramacho that started in 2020. This project is located on a 30,14-hectare plot of land and involves the construction of 77 independent units are being constructed for sale and tourist exploitation, with an estimated total investment of 16.000.000 Euros. During 2023, 34 accommodation units were delivered to customers (2022: 6 accommodation units) and 33 promissory purchase contracts were signed (2022: 28 promissory purchase contracts), with total deposits of 21.283.238 Euros (2022: 6.923.041 Euros). Deposits for units already delivered are included in these amounts.

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 2.654.250 Euros and its estimated investment is 12.000.000 Euros. No expenditure was made on this project in 2023 and 2022.

The Tróia project is related to the construction of houses and the infrastructures of a touristic village. As at 2023 there were only 5 units to be delivered in plot 3.

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 at that time 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 is practically complete.

In 2023, the projects in Porto Covinho, Norte do Gramacho and the land in Alvor were sold to the Group company, Pestana Properties – SIC Imobiliária Fechada S.A., for the respective values of 14.670.000 Euros, 12.458.052 Euros and 1.492.000 Euros. The sales prices were defined based on assessments carried out by independent experts and certified by the Securities Market Commission. In the case of land in the North of Gramacho, the defined price also included land allocated to a future golf course that was still in the development phase (Note 6).

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 was fully completed with the delivery of all the apartments to customers in 2023 (Nota 28).

In 2023, the Cost of goods sold and materials consumed amounted to 97.583.647 Euros (31 December 2022: 52.128.156 Euros).

Impairment of Inventories – movements of the year:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	367.525	532.282
Reversals	(19.463)	44.456
Utilizations	<u>(23.441)</u>	<u>(209.213)</u>
<b>31 December</b>	<b><u>324.621</u></b>	<b><u>367.525</u></b>

## 17. Income tax

The balances of Corporate income tax for the years ended 31 December 2023 and 2022 are as follows:

	<u>31-12-2023</u>		<u>31-12-2022</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Current income tax	<u>13.238.160</u>	<u>5.325.347</u>	<u>4.700</u>	<u>4.936.348</u>
	<b><u>13.238.160</u></b>	<b><u>5.325.347</u></b>	<b><u>4.700</u></b>	<b><u>4.936.348</u></b>

The balance of Current income tax is detailed as follows:

	<u>2023</u>	<u>2022</u>
Advance payments	13.777.958	534.502
Additional advance payments	2.458.296	743.991
Withholding taxes	1.837.070	621.274
Withholding taxes – other companies (Note 15 and 27)	(1.310.848)	(585.542)
Tax benefits from previous years (Note 35)	1.429.990	-
Claim for regional tax (Note 35)	446.494	-
Reinstatement of tax benefits (Nota 35)	(504.274)	-
Current income tax estimate (Note 35)	(13.461.326)	(5.355.566)
Current income tax through accounts receivable or payable (Note 15 e 27)	3.239.453	(558.081)
Compensatory interest (Note 12 and 35)	<u>-</u>	<u>(332.226)</u>
	<b><u>7.912.813</u></b>	<b><u>(4.931.648)</u></b>

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.

Tax benefits from previous years relate to the excess tax paid in 2018 as a result of the investment scheme RFAI by two companies that are part of the tax consolidation in Portugal, which did not take into account the corresponding deduction to the localization of the investments. Therefore, the tax benefit was calculated by applying a rate of 10 per cent instead of the 25 per cent that should have been applied according to the Investment Tax Code in force in 2018 in relation to investments made in the North of Portugal. As a result,

income tax was overpaid in 2018 in the amount of 1.494.398 Euros. In June 2022 a tax act revision request was submitted for the 2018 tax period, which was partially approved at the beginning of January 2024 in the amount of 1.429.990 Euros.

In 2021 and 2022 the Group's subsidiaries operating in the Autonomous Regions of Madeira and the Azores applied the higher national Surtax rates provided in the Portuguese tax code instead of the reduced Regional Surtax rates, if their individual taxable income exceeded 1.500.000 Euros. Thus, in 2023, two complaints were submitted to the Portuguese tax authorities against the income tax paid for 2021 and 2022, requesting a partial refund of the tax overpaid in each of these periods, totalling 446.494 Euros.

The reinstatement of tax benefits corresponds to the amount generated under the RFAI during 2022 by one of the subsidiaries that is part of R.E.T.G.S., with two assets having been considered as relevant eligible investments which, due to a legislative amendment of 27 June 2022 (Law no. 12/2022) which took effect on 1 January 2022, are no longer eligible. It was found that in accordance with the national regional state aid map for the period from 1 January 2022 to 31 December 2027, approved by the European Commission, the region where the two new units that had been considered a relevant investment are located (Lisbon) is not considered an eligible region under the terms of Article 107(3)(c) of the Treaty on the Functioning of the European Union. As a result, the tax that was no longer paid in 2022 was calculated in the amount of 490,095 Euros, as well as the corresponding compensatory interest in the amount of 14.179 Euros.

Until the 2022 tax period, the subsidiaries operating in the Autonomous Regions of Madeira and the Azores were taxed through the tax consolidation in Portugal (RETGS), so their result contributed to the tax consolidated result calculated at Grupo Pestana, S.G.P.S., S.A. level. In 2023, the amount of tax payable by these subsidiaries is 4.303.142 Euros.

In 2023 and 2022 income tax receivable of subsidiaries not included in R.E.T.G.S. is 4.753.810 Euros and 1.148.469 Euros, respectively.

## 18. Cash and cash equivalents

As at 31 December 2023 and 2022 Cash and cash equivalents are detailed as follows:

	<u>31-12-2023</u>	<u>31-12-2022</u>
Cash	3.440.598	2.824.559
Bank deposits	<u>37.969.483</u>	<u>167.000.444</u>
	<b><u>41.410.081</u></b>	<b><u>169.825.003</u></b>

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 2023 and 2022 is as follows:

	<u>31-12-2023</u>	<u>31-12-2022</u>
Cash	3.440.598	2.824.559
Bank overdrafts	(446.309)	(410.711)
Bank deposits	<u>37.969.483</u>	<u>167.000.444</u>
	<b><u>40.963.772</u></b>	<b><u>169.414.292</u></b>

## 19. Capital

As at 31 December 2023 and 2022 Capital is as follows:

	<u>2023</u>	<u>2022</u>
Share capital (i)	83.530.000	83.530.000
Other equity instruments:		
Share premium (ii)	33.690.973	33.690.973
Accessory contributions (iii)	<u>7.779.027</u>	<u>7.779.027</u>
	<b><u>125.000.000</u></b>	<b><u>125.000.000</u></b>

### (i) Share capital

As at 31 December 2023 and 2022, 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 2023 and 2022 is as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>Share capital</u>
Pestana International Holdings S.A.	82.694.700	82.694.700
Dionísio Fernandes Pestana	<u>835.300</u>	<u>835.300</u>
	<b><u>83.530.000</u></b>	<b><u>83.530.000</u></b>

As at 31 December 2023 and 2022, basic and diluted earnings per share are positive in 1,02 Euros and 1,18 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 2023 and 2022 Accessory contributions relate to:

<u>Shareholders</u>	<u>31-12-2023</u>	<u>31-12-2022</u>
Dionísio Fernandes Pestana	5.700.000	5.700.000
Pestana International Holdings S.A.	<u>2.079.027</u>	<u>2.079.027</u>
	<b><u>7.779.027</u></b>	<b><u>7.779.027</u></b>

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 2023 and 2022 the movements occurred in Other reserves were as follows:

	Legal reserve (i)	Fair value Reserve C.F.H. (ii)	Total
<b>1 January 2022</b>	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
<b>31 December 2022</b>	<b>32.769.429</b>	<b>148.343</b>	<b>32.917.772</b>
Profit for the period application	2.410.960	-	2.410.960
Change in fair value reserve - hedging derivatives (net of tax)	-	(129.028)	(129.028)
<b>31 December 2023</b>	<b>35.180.389</b>	<b>19.315</b>	<b>35.199.704</b>

### (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 2023 and 2022 Retained earnings' movements were as follows:

	Total
<b>1 January 2022</b>	<b>92.695.300</b>
Profit for the period application	28.200.814
Distributions (Note 36 and 40)	(25.000.000)
Transfers from Non-controlling interests (Note 22)	29.880
<b>31 December 2022</b>	<b>95.925.994</b>
Profit for the period application	94.197.908
Distributions (Note 36 and 40)	(93.500.000)
<b>31 December 2023</b>	<b>96.623.902</b>

## 22. Non-controlling Interests

As at 31 December 2023 and 2022 Non-controlling interests' movements were as follows:

	<u>2023</u>	<u>2022</u>
<b>1 January</b>	10.703.948	8.392.242
Profit for the period	3.015.710	2.341.586
Dividends (Notes 36 e 40)	(1.503.510)	-
Transfers to Retained earnings (Note 21)	-	(29.880)
<b>31 December</b>	<b><u>12.216.148</u></b>	<b><u>10.703.948</u></b>

Non-controlling interests relate to the following investments:

	<u>31-12-2023</u>		<u>31-12-2022</u>	
	<u>% held</u>	<u>Value</u>	<u>% held</u>	<u>Value</u>
Ponta da Cruz - Soc. Imobiliária e de Gestão de Hotéis, S.A.	48,00%	7.380.661	48,00%	7.021.071
Porto Carlton - Soc. de Construção e Exploração Hoteleira, S.A.	40,00%	<u>4.835.487</u>	40,00%	<u>3.682.877</u>
		<b><u>12.216.148</u></b>		<b><u>10.703.948</u></b>

## 23. Provisions

The movements in Provisions were as follows:

	<b>Litigations and claims in progress (i)</b>	<b>Customer guarantees (ii)</b>	<b>Other provisions (iii)</b>	<b>Total</b>
<b>1 January 2023</b>	2.785.053	78.117	1.323.319	4.186.489
Increases	30.000	-	113.514	143.514
Decreases	-	(1.559)	-	(1.559)
Utilizations	-	-	(49.319)	(49.319)
Changes on period	30.000	(1.559)	64.195	92.636
<b>31 December 2023</b>	<b>2.815.053</b>	<b>76.558</b>	<b>1.387.514</b>	<b>4.279.125</b>
Current balance	60.000	44.089	1.008.250	1.112.339
Non-current balance	2.755.053	32.469	379.264	3.166.786
	<b>2.815.053</b>	<b>76.558</b>	<b>1.387.514</b>	<b>4.279.125</b>
	<b>Litigations and claims in progress (i)</b>	<b>Customer guarantees (ii)</b>	<b>Other provisions (iii)</b>	<b>Total</b>
<b>1 January 2022</b>	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)
<b>31 December 2022</b>	<b>2.785.053</b>	<b>78.117</b>	<b>1.323.319</b>	<b>4.186.489</b>
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
	<b>2.785.053</b>	<b>78.117</b>	<b>1.323.319</b>	<b>4.186.489</b>

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) had 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 non-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 2023, 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:

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	15.178.276	128.131.598	143.309.874	24.774.193	160.547.547	185.321.740
Bond loans	-	56.100.000	56.100.000	-	89.000.000	89.000.000
Commercial paper	-	5.000.000	5.000.000	22.000.000	5.000.000	27.000.000
Bank overdrafts	446.309	-	446.309	410.711	-	410.711
	15.624.585	189.231.598	204.856.183	47.184.904	254.547.547	301.732.451
Interests payable – accrual	1.427.879	-	1.427.879	1.779.978	-	1.779.978
Interests paid – deferral	(255.236)	(1.028.698)	(1.283.934)	(478.481)	(1.310.838)	(1.789.319)
	<b>16.797.228</b>	<b>188.202.900</b>	<b>205.000.128</b>	<b>48.486.401</b>	<b>253.236.709</b>	<b>301.723.110</b>

The future payments of the outstanding bank loans, bond loans and commercial paper, by currency of denomination as at 31 December 2023 and 2022 are as follows:

	2024	2025	2026	2027	2028	Following years	Total
<b>Bank loans</b>							
Euro	15.178.276	12.278.163	12.197.078	12.068.675	9.902.703	81.684.979	143.309.874
	<b>15.178.276</b>	<b>12.278.163</b>	<b>12.197.078</b>	<b>12.068.675</b>	<b>9.902.703</b>	<b>81.684.979</b>	<b>143.309.874</b>
<b>Bond loans</b>							
Euro	-	27.100.000	-	29.000.000	-	-	56.100.000
	-	<b>27.100.000</b>	-	<b>29.000.000</b>	-	-	<b>56.100.000</b>
<b>Commercial paper</b>							
Euro	-	-	-	5.000.000	-	-	5.000.000
	-	-	-	<b>5.000.000</b>	-	-	<b>5.000.000</b>
	<b>15.178.276</b>	<b>39.378.163</b>	<b>12.197.078</b>	<b>46.068.675</b>	<b>9.902.703</b>	<b>81.684.979</b>	<b>204.409.874</b>

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Following years</u>	<u>Total</u>
<b>Bank loans</b>							
Euro	24.774.193	21.234.412	16.697.446	15.664.620	13.958.748	92.992.321	185.321.740
	<b>24.774.193</b>	<b>21.234.412</b>	<b>16.697.446</b>	<b>15.664.620</b>	<b>13.958.748</b>	<b>92.992.321</b>	<b>185.321.740</b>
<b>Bond loans</b>							
Euro	-	-	60.000.000	-	29.000.000	-	89.000.000
	-	-	<b>60.000.000</b>	-	<b>29.000.000</b>	-	<b>89.000.000</b>
<b>Commercial paper</b>							
Euro	22.000.000	-	-	-	5.000.000	-	27.000.000
	<b>22.000.000</b>	-	-	-	<b>5.000.000</b>	-	<b>27.000.000</b>
	<b>46.774.193</b>	<b>21.234.412</b>	<b>76.697.446</b>	<b>15.664.620</b>	<b>47.958.748</b>	<b>92.992.321</b>	<b>301.321.740</b>

Bank loans

Bank loans have as collateral the mortgage over some assets which are booked as tangible fixed assets.

In 2023, considering the increase in variable interest rates and the expectation of them remaining high at least in the medium term and the high liquidity available, the Group decided to pay in advance loans remunerated at variable rate in the amount 16.133.767 Euros. In 2022, the Group had also decided to pay in advance 5 loans in the total amount of 31.193.838 Euros.

As part of the subsidized Covid credit lines, namely the Apojar Madeira credit line, in 2023 the Group received approval to convert the amount of 617.561 Euros into a non-refundable incentive, relating to the credit line expiring in 2025. In addition, it received an incentive of 230.594 Euros from the Incentive System for the Enhancement and Qualification of the Autonomous Region of Madeira for the application submitted with the energy efficiency project, repayable in 18 fixed semi-annual instalments of capital without interest and ending in 2035. In 2022, the same program approved and received a refundable incentive of 293.840 Euros, repayable in 18 fixed half-yearly instalments of capital without interest and ending in 2033.

In 2023 there was also the conversion of 308.800 Euros into a non-refundable amount of part of the Credit Line, obtained during the Covid pandemic period, as the Group met the criteria for maintaining jobs during that period.

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.

In 2022, the Group received 507.321 Euros related to a repayable government grant under the terms of the financing of European Regional Development Fund (ERDF) to be repaid in 18 fixed semi-annual capital instalments ending in December 2033.

The repayment of loan instalments bearing interest at variable rate is in the following quarters:

	<u>2023</u>
1st quarter	4.775.624
2nd quarter	2.976.811
3rd quarter	3.679.420
4th quarter	3.023.772
	<u>14.455.627</u>

As at 31 December 2023 89,9% 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 plus spread. (2022: 78%). As at 31 December 2023 Borrowings with fixed interest rate with a total nominal amount of 128.854.247 Euros, have a fair value of 107.309.983 Euros. However, these borrowing cannot be transacted by the Group.

### Bond loans

All bond loans have a fixed interest rate.

In 14 July 2023, the Group redeemed in advance, at a discount of 493.500 Euros (Note 35), the amount of 32.900.000 Euros of the bond loan signed in September 2019 with BBVA (Banco Bilbao Viscaia Argentaria) relating to the issue by private subscription of 600 green bonds, represented by securities in book-entry and registered form 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 associated environmental benefits. The funds raised from this issue were used to refinance sustainable investments. The remaining maturity date is September 2025.

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 Viscaia 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.

### Commercial paper

In 2022, Grupo Pestana contracted a new commercial paper program in the amount of 5.000.000 Euros having already repaid 8.000.000 Euros in relation to the program for 10.000.000 Euros whose maturity would be in 2027 and also fully repaid the program whose amortization plan had an annual reimbursement of 444.444 Euros.

These programs are remunerated at fixed interest rate.

### Unused contracted credit lines

Grupo Pestana holds, as at 31 December 2023, a set of unused contracted credit lines in Financial Institutions, with a total amount of 88.600.000 Euros related to authorized credit lines and overdrafts.

**25. Lease liabilities**

As at 31 December 2023 and 2022 Lease liabilities refer to:

	<u>31-12-2023</u>	<u>31-12-2022</u>
Current	15.746.818	18.734.878
Non-current		
1 to 5 years	50.163.774	55.500.113
More than 5 years	<u>66.189.154</u>	<u>78.103.547</u>
	<u><b>132.099.746</b></u>	<u><b>152.338.538</b></u>

As at 31 December 2023 and 2022 Lease liabilities mainly refer to the following Right of use assets (Note 6):

- Beloura Golf – Pestana Golf & Resort
- Casino da Madeira
- Madeira Magic
- Pestana Blue Alvor Beach
- Pestana Carlton Madeira
- Pestana Cascais
- Pestana Churchill Bay
- Pestana Cidadela de Cascais
- Pestana Colombos
- Pestana Fisherman Village
- Pestana Ilha Dourada
- Pestana Lisboa Vintage
- Pestana Palácio do Freixo
- Pestana Quinta do Arco
- Pestana Royal
- Pestana Rua Augusta
- Pestana Sintra Golf
- Pestana Viking
- Pousada Alfama Charming Hotel
- Pousada de Lisboa
- Pousada de Vila Real de Santo António
- Pousada de Viseu
- Pousadas de Portugal (Network)

## 26. Deferred revenue

As at 31 December 2023 and 2022 the detail of Deferred revenue is as follows:

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Pestana Vacations Club - D.R.H.P. (i)	16.257.141	64.499.474	80.756.615	16.769.932	68.814.579	85.584.511
Pestana Vacations Club - Options (ii)	3.308.245	25.372.125	28.680.370	2.987.850	27.237.291	30.225.141
Government investment grants (iii)	390.708	5.864.569	6.255.277	402.676	6.162.241	6.564.917
Others (iv)	941.448	1.993.735	2.935.183	1.131.681	2.380.164	3.511.845
	<b>20.897.542</b>	<b>97.729.903</b>	<b>118.627.445</b>	<b>21.292.139</b>	<b>104.594.275</b>	<b>125.886.414</b>

(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 2024 and 2039.

The movement that occurred in 2023 and 2022 was as follows:

	2023	2022
<b>1 January</b>	85.584.511	92.940.177
Increases/Reductions	9.194.290	9.585.580
Consumption	(14.022.186)	(16.941.246)
Movements	(4.827.896)	(7.355.666)
<b>31 December</b>	<b>80.756.615</b>	<b>85.584.511</b>

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

(i) 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 2023 and 2022 was as follows:

	2023	2022
<b>1 January</b>	30.225.141	32.186.482
Increases/Reductions	3.011.918	2.717.662
Consumption	(4.556.689)	(4.679.003)
Movements	(1.544.771)	(1.961.341)
<b>31 December</b>	<b>28.680.370</b>	<b>30.225.141</b>

Increases/reductions relate to new contracts and cancellations.

## (ii) 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.

As part of the Pestana Fisherman refurbishment and construction project, in 2022 the Group applied for an incentive from the Business Development Institute under the Valorizar 2020 (Integrated Project) Incentive System for the Enhancement and Qualification of the Autonomous Region of Madeira, in the amount of 500.000 Euros. In 2023, after completion of the IDE's inspection process to validate eligible expenses and compliance with objectives, it received a total of 329.421 Euros, of which 230.594 Euros was considered a refundable incentive in 18 fixed semi-annual instalments of interest-free capital ending in 2035 (Note 24) and 98.827 Euros as a non-refundable investment incentive.

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

## (iii) 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 2023 and 2022 the detail of Trade and other payables is as follows:

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
<b>Trade payables</b>						
Suppliers (i)	36.681.92	-	36.681.92	35.660.22	-	35.660.22
<b>Other payables</b>						
Other payables	1.810.231	-	1.810.231	1.923.003	-	1,923.003
Other payables - group (Note 40) (ii)	3.301.430	-	3.301.430	619.137	-	619.137
Suppliers of property, plant and equipment	2.910.183	-	2.910.183	1.501.067	-	1.501.067
<b>Taxes payable (iii)</b>	4.087.986	-	4.087.986	3.491.540	-	3.491.540
<b>Accrued expenses</b>						
Wages and corresponding taxes	13.413.468	-	13.413.468	10.217.750	-	10.217.750
Construction works	3.102.162	-	3.102.162	3.750.039	-	3.750.039
Property taxes	946.578	-	946.578	1.378.862	-	1.378.862
Others (iv)	11.957.950	-	11.957.950	11.179.779	-	11.179.779
	<b>78.211.910</b>	<b>-</b>	<b>78.211.910</b>	<b>69.721.409</b>	<b>-</b>	<b>69.721.409</b>
	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>

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

## (i) Suppliers

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - group (Note 40)	7.815.286	-	7.815.286	9.964.656	-	9.964.656
Suppliers - other	28.866.636	-	28.866.636	25.695.567	-	25.695.567
	<b>36.681.922</b>	<b>-</b>	<b>36.681.922</b>	<b>35.660.223</b>	<b>-</b>	<b>35.660.223</b>

## (ii) Other payables – group

Other payables - group essentially include the amount payable for tax losses ascertained in 2023 and 2022 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 1.975.347 Euros and 550.815 Euros, respectively. In 2023, this amount is deducted from withholding taxes amounting to 1.310.723 Euros.

## (iii) Suppliers of property, plant and equipment

In 2023, the increase in Suppliers of property, plant and equipment essentially relates to the refurbishment works in Pestana Blue Alvor Beach and in the new Pestana Vila Lido.

## (iv) Taxes payable

	31-12-2023			31-12-2022		
	Current	Non-current	Total	Current	Non-current	Total
Personnel income tax withheld	956.780	-	956.780	695.595	-	695.595
Value added tax	1.461.45	-	1.461.45	1.396.03	-	1.396.03
Social security contributions	1.437.12	-	1.437.12	1.231.40	-	1.231.40
Others	232.626	-	232.626	168.505	-	168.505
	<b>4.087.98</b>	<b>-</b>	<b>4.087.98</b>	<b>3.491.54</b>	<b>-</b>	<b>3.491.54</b>
	<b>6</b>	<b>-</b>	<b>6</b>	<b>0</b>	<b>-</b>	<b>0</b>

## (v) Others

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

## 28. Revenue

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

	<u>2023</u>	<u>2022</u>
Hospitality business (i)	278.425.640	245.701.834
Real estate (ii)	82.455.602	40.167.519
Beverages (industry) (iv)	36.754.685	30.804.664
Pestana Vacation Club (iii)	28.264.932	30.230.837
Golf	12.740.459	11.411.436
Entertainment	10.758.962	9.427.110
Others (v)	7.700.000	7.700.000
	<b><u>457.100.280</u></b>	<b><u>375.443.400</u></b>

### (i) Hospitality business

2023 marked the best year for hospitality business of the Group, which demonstrated the enormous desire of people to travel and step away from their home and routines, regardless of the macroeconomic conditions.

Grupo Pestana continued to reinforce its investment in systems to ensure that customers increasingly come to its hotels through digital channels, thus maximizing its revenue, which is why it was possible to increase the average price of the Group's units, while also generally increasing occupancy rates.

In Madeira and Porto Santo, the best year ever in terms of sales was recorded, having registered an increase of 20% compared to the previous year. This increase in revenue is related to the arrival of a new profile of tourists in Madeira, younger and eager to have new experiences, as well as the increase in the supply of flights at affordable prices to the region, with between 4 and 5 connections direct daily rates to the United Kingdom and France, markets that had a greater contribution to the increase in revenue for these units. It should be noted that the Pestana Palms Ocean Hotel unit was closed between 1<sup>st</sup> December 2022 and 30<sup>th</sup> September 2023 to carry out renovation and modernization work, having been reopened during the year as the Pestana Vila Lido Madeira Ocean Hotel, a 5-star hotel, located very close to the Lido Bathing Complex and offering an outdoor pool overlooking the coastal cliffs of Funchal.

The Algarve destination continues to be an attractive destination for foreign tourists, with the national market increasingly visiting the Algarve outside of the high season and more times a year. The opening of new air routes, high levels of occupancy and record numbers of passengers at Faro airport were indicators that 2023 would be a year of high tourist activity for the region, particularly in terms of foreign tourists. This context allowed sales in the Algarve to increase by around 25%, excluding the impact of the exit of Pestana Blue Alvor hotel in 2022.

The Pousadas de Portugal network also presented good results in 2023, having increased its sales by around 13% compared to 2022, essentially driven by the increase in the average price, as well as the excellent activity of the Lisbon units, which includes the new Pousada Alfama Charming Hotel opened in May 2023 and whose revenue was approximately 1.600.000 Euros.

City destinations, namely Lisbon and Oporto, also saw a significant increase in their sales compared to the same year last year of approximately 29%. This increase follows the continued recovery of tourism to city destinations, as well as the opening of a new unit in Lisbon, Pestana Rua Augusta in July 2023. It should also be noted that Lisbon and Oporto were also awarded in 2023 by the World Travel Awards with the awards for "Europe's Leading City Destination" and "Europe's Leading Seaside Metropolitan Destination", respectively.



The Group benefited from all these factors and thus achieved revenues higher than those recorded in 2022 by 13%.

The 2023 and 2022 detail of sales and services rendered in Hospitality business by country of origin are as follows:

País	Hospitality business	
	2023	2022
Portugal	30,8%	33,6%
United Kingdom	18,0%	19,2%
Germany	9,0%	8,9%
United States	7,8%	6,2%
France	5,3%	4,8%
Spain	4,2%	4,2%
Ireland	2,7%	2,8%
Netherlands	2,1%	2,2%
Switzerland	1,9%	1,8%
Brazil	1,9%	1,8%
Poland	1,4%	1,6%
Canada	1,4%	1,1%
Belgium	1,3%	1,4%
Italy	1,3%	1,2%
Sweden	1,0%	0,8%
Denmark	0,7%	0,8%
Others	9,2%	7,6%
	<b>100%</b>	<b>100%</b>

(ii) Real estate

The real estate business continued to present excellent results in 2023 with a total revenue of approximately 82.500.000 Euros, which represents 18% of Grupo Pestana's total revenue.

In 2023, the Group continued The Valley Nature Resort project, having delivered 34 units for around 17.300.000 Euros (2022: 6 units for 2.620.000 Euros), and also delivered 2 units at the Pestana Tróia Eco-Resort for approximately 2.600.000 Euros, with 5 lots still to be delivered.

A Fábrica, Apartments & Lofts project, located in the heart of Funchal, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development was completed in 2023, with all apartments being delivered for the amount of around 12.400.000 Euros.

In 2023, the projects in Porto Covinho, Norte do Gramacho and the land in Alvor were sold to the Group company, Pestana Properties – SIC Imobiliária Fechada S.A., for the respective prices of 14.670.000 Euros, 12.458.052 Euros and 1.492.000 Euros. The sales prices were defined based on assessments carried out by independent experts and certified by the Securities Market Commission. In the case of land in the North of Gramacho, the defined price also included land allocated to a future golf course that was still in the development phase (Note 6).

Regarding Silves Golfe Resort, this is a touristic project composed by two 4-star villas and an apart-hotel. The Group is developing phase 1 of this project which will include 175 accommodation units. In 2023 and 2022, villas and apartments were sold for the amount 2.000.000 Euros and 1.800.000 Euros, respectively.

In 2022, 34 plots of Pestana Pile Village were sold for around 13.800.000 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.

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. In 2023, the Group started the construction of Pestana Porto Covo which generated around 3.200.000 Euros in revenue, being at the date the main work in progress. This project will have an estimated construction cost of 31.300.000 Euros. 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 2.200.000 Euros. In 2023 and 2022, the amount recognized in revenue with respect to these contracts was 4.900.318 Euros and 2.402.613 Euros, respectively, and the costs amounted to 3.342.242 Euros and 2.208.355 Euros, respectively. As at 31 December 2023 and 2022, accumulated recognized revenue from these contracts in progress amounted to 4.822.716 Euros and 9.092.045 Euros, respectively, and the accumulated costs amounted to 3.342.242 Euros and 8.616.568 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, which had a slight reduction of occupancy in 2023 that were mitigated by the increase of average room rate, thus allowing a general increase in revenue. Pestana Gramacho and Pinta continued to show good results with revenue of 7.380.562 Euros (2022: 6.406.972 Euros), whereas Pestana Troia Eco-Resort represented accommodation revenue in the amount of 4.832.378 Euros (2022: 5.136.267 Euros). The remaining amount essentially refers to real estate management and gardening and maintenance services.

(iii) Pestana Vacation Club

With the contribution of its main tourist markets in the United Kingdom and Germany, Pestana Vacation Club made possible to maintain the revenue generated from periodic accommodation and Options contracts. It should be noted that the Group continues to make it possible to enjoy the contracted weeks whose use was impacted by the pandemic and whose maintenance fees were paid, but the revenue had been deferred for the remaining period of the contract. In 2023, the impact of this measure amounted to 826.050 Euros (2022: 2.774.434 Euros).

The 2023 and 2022 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:

País	Pestana Vacation Club	
	2023	2022
United Kingdom	60,3%	59,5%
Germany	11,0%	10,9%
Portugal	8,2%	7,8%
Finland	7,0%	7,7%
Sweden	2,7%	2,8%
Norway	2,2%	2,3%
France	1,6%	1,6%
Denmark	1,4%	1,4%
Others	5,6%	6,0%
	<b>100%</b>	<b>100%</b>

(iv) Beverages (industry)

In 2023, the beverage industry business benefited from the continued increase in tourism and the 15% increase in net sales compared to 2022 in the On-Trade market, which is currently the most representative in this business. Despite this, the Off-Trade market also saw an increase of around 20%, with growth in the Porto Santo market of around 18% compared to the previous year.

There was also an expansion of cask offer for Coral White and Pure Malt, as well as Coral Stout and Cider following the heavy investment in the acquisition of draught beer machines, that led to a revenue increase of 48% in Portugal mainland.

(v) Others

In 2023 and 2022, the caption Others concerns the onerous and temporary assignment of the Pestana Brand to Pestana Management – Serviços de Gestão S.A..

## 29. External services and supplies

The detail of External services and supplies is as follow:

	<u>2023</u>	<u>2022</u>
Professional fees	30.653.507	30.902.952
Subcontracts	25.733.619	21.718.960
Cleaning	23.508.342	21.972.762
Commissions	14.909.908	13.968.081
Energy	12.817.164	13.192.540
Advertising	7.871.833	7.524.166
Maintenance	7.328.758	6.415.810
Property management exploration counterpart	4.518.817	4.578.021
Rents	3.915.407	5.224.059
Insurance	1.189.139	970.097
Others	5.279.346	4.842.445
	<u><b>137.725.840</b></u>	<u><b>131.309.893</b></u>

Grupo Pestana has a mostly variable cost structure, which allows the Group to be flexible in its management according to the evolution of demand. However, 2023 continued to be impacted by the effects of the war in Ukraine and also by the war in Palestine which began in October 2023, with inflation continuing to be felt generally throughout the economy, especially in the cost of energy. Despite this impact, the Group renegotiated its energy contracts in Portugal with effect from July and managed to significantly reduce its costs compared to the first half of 2023. Following the Group's sustainability policy and efforts, in 2023 the Group's carbon footprint was reduced by more than 10% when measured by CO2 consumption per occupied room.

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.

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 2023 Group auditor's consolidated audit fees for all subsidiaries amounted 113.000 Euros. Audit services performed on the remaining companies included in the consolidation perimeter by other auditors amounted to 7.600 Euros.

Fees for other services provided by the Group Auditor amounted to 9.400 Euros.

### 30. Personnel expenses

The detail of Personnel expenses is as follows:

	<u>2023</u>	<u>2022</u>
<b>Board of Directors</b>		
Wages and salaries	1.253.470	1.281.628
Social security contributions	182.273	192.365
	<b><u>1.435.743</u></b>	<b><u>1.473.993</u></b>
<b>Staff</b>		
Wages and salaries	59.497.350	47.582.610
Social security contributions	11.922.105	9.915.891
Others	1.363.743	1.296.442
	<b><u>72.783.198</u></b>	<b><u>58.794.943</u></b>
	<b><u>74.218.941</u></b>	<b><u>60.268.936</u></b>

The average number of employees of companies from Grupo Pestana included in the consolidation perimeter in 2023 was 2.862 (31 December 2022: 2.590). Given the current economic situation, with rising inflation and interest rates affecting household incomes, the Group continued to strengthen the working conditions and remunerations of its employees.

In 2023 and 2022 Personnel Expenses includes 4.920.000 Euros and 3.348.600 Euros respectively, of profit-sharing expenses.

### 31. Other income

The detail of Other income is presented as follows:

	<u>2023</u>	<u>2022</u>
Supplementary income	2.903.722	2.081.662
Lease terminations	2.269.042	-
Operating government grants	1.565.369	287.738
Foreign currency exchange gains	891.537	1.348.380
Gains on disposal of tangible assets / investment properties	816.592	41.851.417
Investment government grants	408.467	426.124
Tax refund	-	8.280
Others	712.063	586.798
	<b><u>9.566.792</u></b>	<b><u>46.590.399</u></b>

Supplementary income relates to the exchange of services and charges to Group companies that are not part of the consolidation perimeter of Grupo Pestana S.G.P.S., S.A..

In 2023, Lease terminations includes the termination of the lease contract for the Pestana Vila Sol asset and the adjacent golf course, acquired in September 2023, which generated a gain of 2.195.153 Euros (Note 6).

In 2023, Operating government grants essentially refer to subsidies granted under non-repayable Covid credit lines that were converted to non-refundable in 2023 (Note 24).

In 2023, Gains on disposals of tangible assets includes the gain on the sale of one Gramacho Residences apartment in the amount of 187.400 Euros (2022: 719.714 Euros) (Note 6). 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.

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.

### 32. Other expenses

The detail of Other expenses is as follows:

	<u>2023</u>	<u>2022</u>
Taxes	3.744.579	4.056.118
Credit card commissions	2.210.584	1.535.362
Losses on inventories	163.836	40.180
Inventory gifts and samples	148.320	143.333
Foreign currency exchange losses	107.440	877.459
Disposal of tangible assets	38.638	24.192
Others	998.050	1.171.157
	<u><b>7.411.447</b></u>	<u><b>7.847.801</b></u>

Taxes refers essentially to expenses incurred with property taxes, with solid waste and sewage conservation rates.

### 33. (Losses) / Gains on disposal of investments, equity method and financial assets at fair value through profit and loss

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

	<u>2023</u>	<u>2022</u>
Gains/(Losses) from equity method in Joint ventures (Note 9):		
Solpor - Sociedade de Turismo do Porto Santo, Lda.	173.280	(662)
Pestana CR7 - Madeira Hotel Investimentos Turísticos, S.A.	-	187.317
Gains/(losses) from equity method in Associates (Note 10):		
Enatur - Empresa Nacional de Turismo, S.A.	401.116	434.040
Albar - Sociedade Imobiliária do Barlavento, S.A.	-	113.338
Gains/ (Losses) in Financial assets at fair value through profit or loss (Note 11):	(2.298.419)	554.776
Disposal of joint venture Pestana CR7's - Madeira Hotel Investimentos Turísticos, S.A. (Note 9)	-	280.492
	<u><b>(1.724.023)</b></u>	<u><b>1.569.301</b></u>

### 34. Financial expenses and income

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

	<u>2023</u>	<u>2022</u>
<b>Financial expenses</b>		
Interest expenses	7.816.640	8.329.108
Lease liabilities' interest	6.674.248	6.836.866
Commissions and guarantee fees	1.367.518	1.434.463
Taxes	332.519	636.747
Interest rate swaps	119.639	77.161
Foreign currency exchange losses	37.718	28.750
	<u><b>16.348.282</b></u>	<u><b>17.343.095</b></u>
<b>Financial income</b>		
Interest income	2.277.711	158.592
Sublease interest	185.884	101.637
Interest rate swaps	169.760	6.483
Guarantee fees	2.274	85.108
Foreign currency exchange gains	-	1.157
Derivatives fair value (Note 14)	-	4.003
	<u><b>2.635.629</b></u>	<u><b>356.980</b></u>

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.

### 35. Income tax

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

	<u>2023</u>	<u>2022</u>
<b>Current income tax:</b>		
Current period income tax	13.461.326	5.355.566
Reinstatement of tax benefits (Note 17)	504.274	-
Claim for regional tax (Note 17)	(446.494)	-
Tax benefits from previous years (Note 17)	(1.429.990)	-
Adjustments in respect of prior year estimates	(542.181)	193.513
Compensatory interest	-	332.226
	<u><b>11.546.935</b></u>	<u><b>5.881.305</b></u>
<b>Deferred income tax:</b>		
Origin and reversal of temporary differences (Note 12)	(5.116.124)	11.288.840
	<u><b>(5.116.124)</b></u>	<u><b>11.288.840</b></u>
	<u><b>6.430.811</b></u>	<u><b>17.170.145</b></u>

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:

	<u>2023</u>	<u>2022</u>
Tax rate	14,7% - 21%	14,7% - 21%
Municipal surcharge	0,0% - 1,5%	0,0% - 1,5%
State surcharge:		
> 1.500.000 e < 7.500.000	2,1% - 3,0%	3,0%
> 7.500.000 e < 35.000.000	3,5% - 5,0%	5,0%
> 35.000.000	6,3% - 9,0%	9,0%



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:

	<u>2023</u>	<u>2022</u>
<b>Profit before tax</b>	<b>91.450.101</b>	<b>116.120.599</b>
Tax calculated at tax rates applicable to profits in the respective subsidiaries	16.673.975	23.616.775
Difference in tax rate applied to deferred taxes	152.647	85.618
Income not subject to tax	(3.829.550)	(6.456.282)
Expenses not deductible for tax purposes	538.086	498.770
	<u>13.535.158</u>	<u>17.744.881</u>
SIFIDE	(4.950.644)	(7.425.965)
Differences of taxes rates on income and deferred taxes (Note 12)	(1.534.577)	-
Tax benefits from previous years (Note 17)	(1.429.990)	-
RFAI	(1.290.915)	2.431.583
Claim for regional tax (Note 17)	(446.494)	-
Tax losses (Note 12)	(367.566)	-
Other taxation	155.268	135.237
Reinstatement of tax benefits (Note 17)	504.274	-
Municipal surcharge	585.935	747.977
State surcharge	2.212.543	3.010.693
Compensatory interest	-	332.226
Adjustments in respect of prior year estimates	(542.181)	193.513
	<u><b>6.430.811</b></u>	<u><b>17.170.145</b></u>

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").

The subsidiaries operating in Madeira and the Azores were taxed through the Special Taxation Regime for Groups of Companies (RETGS) until the 2022 tax period, so their tax result contributed to the consolidated tax result calculated at Grupo Pestana, S.G.P.S., S.A. level. In 2023, the subsidiaries operating in Madeira and the Azores opted to stop waiving the reduced corporate income tax rate in force in the RAM / RAA. They therefore no longer fulfil this requirement and are no longer tax consolidated at Grupo Pestana, S.G.P.S., S.A. level. Therefore, deferred taxes at 31 December 2023 were recalculated with an impact on the result of 1.534.577 Euros. (Note 12).

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 RETGS, 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 consists mainly of non-taxable income from the Funchal gaming concession, and reversals of impairment losses on Tangible fixed assets. In 2022 also included part of the capital gain on disposal of the Pestana Blue Alvor All Inclusive hotel. 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. Based on the 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.

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

In 2023, Grupo Pestana acquired 5.826 participation units in the Iberis Bluetech Fund III, FCR (Bluetech Fund III) for 6.000.780 Euros (2022: were subscribed 8.739 PU's for 9.001.170 Euros) (Note 11). These funds' policy is to invest in Research and Development (R&D) companies and projects, reason why the investment is eligible under SIFIDE II (Portuguese tax incentives for Research and Development). The subsidiaries will present the respective application until May 2024, which is expected to be approved by Agência Nacional de Inovação, S.A..

In 2023, deferred tax assets of 1.194.635 Euros were recognized in relation to Portuguese benefit of the Investment Incentive Scheme ("RFAI") related to the investment in the future Pestana Dunas hotel, on the island of Porto Santo. These deferred taxes are expected to be recovered over the next nine years.

Investment incentives (RFAI) include in 2022 the reversal of the incentives acquired in previous years in the amount of 3.022.369 Euros 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. This amount was 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.

### **36. Dividends**

Dividends paid to shareholders in 2023 amounted to 93.500.000 Euros, corresponding to 1,12 Euros per share (2022: 25.000.000 Euros, resulting in 0,30 Euros per share).

In 2023, dividends paid to Non-controlling interests amount to 1.503.510 Euros.

### 37. Contingencies

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

	<u>2023</u>	<u>2022</u>
<b>Mortgages</b>		
Mortgages over hotel units	124.343.267	148.485.660
Mortgages over land	–	1.750.000
	<b><u>124.343.267</u></b>	<b><u>150.235.660</u></b>
<b>Guarantees</b>		
Sureties and Liability coverage	4.816.932	10.228.906
Bank guarantees	42.528.799	46.447.005
	<b><u>47.345.731</u></b>	<b><u>56.675.911</u></b>

#### 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 Company 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.

In September 2023, an appeal was made to the Constitutional Court, which issued an order admitting the appeal. The respective pleadings were presented in December 2023 and the case is pending a decision.

#### Contingent liabilities

As at 31 December 2023, Grupo Pestana has ongoing judicial claims, assessed as contingent liabilities, for a maximum amount of 1.705.996 Euros.

### 38. Consolidation perimeter

The Subsidiaries included in the consolidation perimeter, by the full consolidation method, as at 31 December 2023 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/(Loss)	% Owned	% Control
Amoreira - Aldeamentos Turísticos, Lda.	Portugal	Real estate	31-12-2023	5.063.548	6.450.901	1.387.353	-	(37.808)	100,00%	100,00%
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real estate	31-12-2023	-	-	-	1.519.400	236.484	100,00%	100,00%
Carlton Palácio - Soc. Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	31-12-2023	49.392.161	130.041.315	80.649.154	51.222.837	12.413.278	100,00%	100,00%
Carvoeiro Golfe - Soc. de Mediação Imob., Unip. Lda.	Portugal	Real estate Golf / Real estate	31-12-2023	53.876	326.147	272.271	16.460.312	46.376	100,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Real estate Golf / Real estate	31-12-2023	50.505.547	95.315.524	44.809.977	92.390.298	10.810.856	100,00%	100,00%
Cota Quarenta - Gestão e Admin. de Centros Comercias, S.A.	Portugal	Real estate	31-12-2023	17.323.950	18.181.181	857.231	14.551.003	2.537.730	100,00%	100,00%
ECM - Empresa Cervejas da Madeira, Soc. Unip. Lda.	Portugal	Beverages	31-12-2023	11.353.460	33.705.542	22.352.082	37.746.152	942.776	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2023	15.622.502	17.622.927	2.000.425	2.851.651	570.929	100,00%	100,00%
Grupo Pestana Pousadas - Inv. Turísticos, S.A.	Portugal	Hospitality	31-12-2023	46.987.552	58.282.999	11.295.447	42.250.701	3.120.150	100,00%	100,00%
Herdade da Abrunheira - Proj. de Desenv. Turístico e Imob., S.A.	Portugal	Real estate	31-12-2023	6.774.147	6.793.722	19.575	-	(31.635)	100,00%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality Hospitality/ Hospitality /	31-12-2023	1.726.390	4.452.708	2.726.318	4.211.242	1.126.390	100,00%	100,00%
ITI - Soc. de Inv. Turísticos na Ilha da Madeira, S.A.	Portugal	Entertainment Hospitality / Hospitality /	31-12-2023	57.203.248	73.023.228	15.819.980	44.691.295	15.367.819	100,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Timeshare	31-12-2023	101.910.650	367.238.852	265.328.202	86.753.965	29.851.337	100,00%	100,00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2023	361.658	2.751.283	2.389.625	549.213	(633.180)	100,00%	100,00%
Natura XXI, Lda.	Portugal	Real estate	31-12-2023	1.816.008	1.828.390	12.382	-	(51.802)	100,00%	100,00%
Pestana Cidadela - Inv. Turísticos, S.A.	Portugal	Hospitality Hospitality / Hospitality /	31-12-2023	11.666.151	19.067.890	7.401.739	8.615.011	1.645.389	100,00%	100,00%
Ponta da Cruz - Soc. Imob. e de Gestão de Hotéis, S.A.	Portugal	Timeshare	31-12-2023	15.375.929	22.292.350	6.916.421	12.822.779	3.881.359	52,00%	52,00%
Porto Carlton - Soc. de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality Hospitality / Hospitality /	31-12-2023	12.088.719	16.889.194	4.800.475	8.728.435	2.881.526	60,00%	60,00%
Salvor - Soc. de Inv. Hoteleiro, S.A.	Portugal	Timeshare Hospitality / Hospitality /	31-12-2023	154.886.048	238.424.533	83.538.485	62.611.148	37.478.596	100,00%	100,00%
Soc. de Inv. Hoteleiros D. João II, S.A.	Portugal	Timeshare	31-12-2023	1.175.283	3.423.158	2.247.875	655.336	(139.046)	100,00%	100,00%

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. 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 Admin. 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 Desenv. 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	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 Joint ventures included in the consolidation, under the equity method, as at 31 December 2023 and 2022, are as follows:

	2023	2022
	<b>Solpor - Sociedade Turismo do Porto Santo, Lda.</b>	<b>Solpor - Sociedade Turismo do Porto Santo, Lda.</b>
<b>Headquarters</b>	Portugal	Portugal
<b>Activity</b>	Real estate	Real estate
<b>% owned</b>	50,00%	50,00%
<b>% control</b>	50,00%	50,00%
Total current assets		
Of which cash and cash equivalents	2.768	3.797
Others	929.291	929.291
<b>Total assets</b>	<b>932.059</b>	<b>933.088</b>
Total current liabilities		
Others	289	18
<b>Total liabilities</b>	<b>289</b>	<b>18</b>
<b>Total equity</b>	<b>931.770</b>	<b>933.070</b>
Revenue	-	-
Charges of depreciation and amortization	-	-
Others	(1.300)	(1.325)
<b>Operating results</b>	<b>(1.300)</b>	<b>(1.325)</b>
<b>Loss for the period</b>	<b>(1.300)</b>	<b>(1.325)</b>
<b>Dividends received</b>	-	-

The Associates included in the consolidation, under the equity method, as at 31 December 2023 and 2022, are as follows:

	2023		2022	
	<b>Enatur - Empresa Nacional de Turismo, S.A.</b>	<b>Lean Company Ventures II, S.A.</b>	<b>Enatur - Empresa Nacional de Turismo, S.A.</b>	<b>Lean Company Ventures II, S.A.</b>
<b>Headquarters</b>	Portugal	Portugal	Portugal	Portugal
<b>Activity</b>	Hospitality	Innovation	Hospitality	Innovation
<b>% owned</b>	49,00%	10,00%	49,00%	10,00%
<b>% control</b>	49,00%	20,00%	49,00%	20,00%
Total non-current assets	69.241.153	1.290.984	72.069.150	1.399.414
Total current assets	2.660.937	15.791	1.895.958	13.115
<b>Total assets</b>	<b>71.902.090</b>	<b>1.306.775</b>	<b>73.965.108</b>	<b>1.412.529</b>
Total non-current liabilities	14.109.292	596.196	15.067.556	616.196
Total current liabilities	3.741.547	31.237	4.157.046	1.246
<b>Total liabilities</b>	<b>17.850.839</b>	<b>627.433</b>	<b>19.224.602</b>	<b>617.442</b>
<b>Total equity</b>	<b>54.051.251</b>	<b>679.342</b>	<b>54.740.506</b>	<b>795.087</b>
Revenue	2.703.278	-	2.619.734	-
Profit / (Loss) for the period	818.604	(115.745)	885.797	(154.503)
Dividends received	-	-	-	-

### 39. Changes in the consolidated perimeter

With reference to 22 November 2023, the subsidiary Albar - Sociedade imobiliária do Barlavento, S.A. was merged into the subsidiary Carvoeiro Golfe, S.A. There was no impact on the Consolidated financial statements.

On 28 October 2022, Grupo Pestana acquired shares corresponding to 50,19% of the capital of Albar - Sociedade Imobiliária do Barlavento, S.A. 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, S.A. 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).

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

	<b>Albar - Sociedade Imobiliária do Barlavento, S.A.</b>
<b>Purchase price</b>	<b>699.135</b>
	<hr/>
	<b>Assets</b>
Trade and other receivables	1.891
Inventories	1.467.300
Cash and cash equivalents	8.930
	<hr/>
<b>Total Assets at fair value</b>	<b>1.478.121</b>
	<hr/>
	<b>Liabilities</b>
Borrowings	60.000
Trade and other payables	25.145
	<hr/>
<b>Total Liabilities at fair value</b>	<b>85.145</b>
	<hr/>
<b>Net assets</b>	<b>1.392.976</b>
<b>Investment already held by Grupo Pestana</b>	<b>582.300</b>
<b>Grupo Pestana interests acquired</b>	<b>810.676</b>
<b>% acquired</b>	<b>50,19%</b>

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

	<b>Albar - Sociedade Imobiliária do Barlavento, S.A</b>
External services and supplies	(6.460)
Other expenses	(83)
<b>Operating loss</b>	<b>(6.543)</b>
<b>Loss before tax</b>	<b>(6.543)</b>
Income tax	14.958
<b>Profit for the period</b>	<b>8.415</b>
<b>Profit for the period attributable to:</b>	
Shareholders of the Group	8.415
Non-controlling interests	-
	<b>8.415</b>

#### 40. Related parties

As at 31 December 2023 and 2022, 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 2023 and 2022, the remuneration received by the Board of Directors is described in Note 30.



**Transactions and balances with related parties**

During 2023 Grupo Pestana carried out the following transactions with the following entities:

	<b>Dividends paid</b>	<b>Services obtained</b>	<b>Interest incurred</b>	<b>Sale of assets</b>	<b>Serviced rendered</b>	<b>Interest earned</b>
<b>Shareholder</b>	<b>93.500.000</b>	<b>14.641</b>	<b>19.969</b>	-	<b>57</b>	-
Pestana International Holdings S.A.	92.565.000	14.641	19.969	-	57	-
Dionísio Fernandes Pestana	935.000	-	-	-	-	-
<b>Associates</b>	-	<b>2.703.278</b>	-	-	-	<b>3.269</b>
Enatur - Empresa Nacional de Turismo, S.A.	-	2.703.278	-	-	-	3.269
<b>Other group companies</b>	-	<b>40.252.402</b>	-	<b>28.651.070</b>	<b>13 969 815</b>	<b>104.884</b>
Hotéis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	-	-	-	-	-	3.701
Pestana Management - Serviços de Gestão, S.A.	-	34.149.165	-	-	9.235.395	-
Pestana Segurança - Serviços de Segurança e Vigilância, Unipessoal, Lda.	-	1.816.943	-	-	3.881	-
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	-	70.694	-	31.018	191.478	101.183
Intervisa Viagens e Turismo, Unipessoal Lda.	-	4.181.390	-	-	753.340	-
URP - Urban Renew - Projetos imobiliários - SIC Imobiliária Fechada, S.A.	-	-	-	-	3.477.681	-
Pestana Properties – SIC Imobiliária fechada S.A.	-	-	-	28.620.052	-	-
Salvintur – Soc. Inv.Turísticos, S.A.	-	-	-	-	640	-
Empreendimentos Turísticos, Lda.	-	-	-	-	314	-
Afrotours, S.A.	-	937	-	-	3.490	-
Pestana Marrocos, S.à.r.l.	-	-	-	-	16.616	-
Brasturinvest Investimentos Turísticos, S.A.	-	515	-	-	79.869	-
Pestana Miami, LLC	-	10.355	-	-	27.466	-
Pestana CR7 Manhattan 39, LLC	-	1.144	-	-	42.882	-
Pestana USA, Inc.	-	-	-	-	267	-
Pestana New York East Side 39 LLC	-	3.962	-	-	4.821	-
Pestana Management UK, Limited	-	12.610	-	-	91.756	-
Pestana Berlin S.à.r.l.	-	621	-	-	36.702	-
Desarrollos Hoteleros Barcelona S.A.	-	1.540	-	-	-	-
Global Mandalay, S.L.	-	384	-	-	1.046	-
Amesteldijk Hotel Ontwckeling B.V.	-	-	-	-	352	-
Pestana CR7 Madrid, S.L.	-	2.142	-	-	1.819	-
<b>Non-controlling interests</b>	<b>1.503.510</b>	-	-	-	-	-
AJJ, SGPS, S.A.	1.503.510	-	-	-	-	-
<b>Key management personnel</b>	-	-	-	<b>466.015</b>	-	-
	<b>95.003.510</b>	<b>42.970.321</b>	<b>19.969</b>	<b>29.117.085</b>	<b>13.969.872</b>	<b>108.153</b>

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	Serviced rendered	Interest earned	Disposal of financial investments
<b>Shareholder</b>	<b>25.000.000</b>	<b>17.259</b>	<b>20.000</b>	-	-	<b>113</b>	-	-
Pestana International Holdings S.A.	24.750.000	17.259	20.000	-	-	113	-	-
Dionísio Fernandes Pestana	250.000	-	-	-	-	-	-	-
<b>Associates</b>	-	<b>2.407.314</b>	-	-	-	-	<b>4.033</b>	-
Enatur - Empresa Nacional de Turismo, S.A.	-	2.407.314	-	-	-	-	4.033	-
<b>Other group companies</b>	-	<b>34.914.631</b>	-	<b>29.490</b>	-	<b>13.188.449</b>	<b>184.027</b>	<b>1.125.000</b>
Hotéis do Atlântico - Sociedade Imobiliária e de 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 de Segurança e 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 imob. - SIC Imobiliária Fechada, S.A.	-	-	-	-	-	2.206.457	-	-
Pestana CR7 Holding, S.A.	-	-	-	-	-	-	-	1.125.000
Salvintur – Soc. de Inv. Turísticos, S.A.	-	-	-	-	-	126	-	-
ESGAP - Empresa Serv. de Gestão Administrativos 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 CR7 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	-	-	-	-	-	-
<b>Other related parties</b>	-	-	-	-	<b>1.770.947</b>	<b>2.473</b>	-	-
Quanlux, S.A.	-	-	-	-	1.770.947	2.473	-	-
<b>Key management personnel</b>	-	-	-	-	-	-	-	-
	<b>25.000.000</b>	<b>37.339.204</b>	<b>20.000</b>	<b>29.490</b>	<b>1.770.947</b>	<b>13.191.035</b>	<b>188.060</b>	<b>1.125.000</b>

At the end of 2023 and 2022 loans to/from related parties are detailed as follows:

	31-12-2023		31-12-2022	
	Borrowings	Loans granted	Borrowings	Loans granted
<b>Associates</b>	-	-	-	<b>138.420</b>
Enatur - Empresa Nacional de Turismo, S.A.	-	-	-	138.420
<b>Key management personnel</b>	-	-	-	-
	-	-	-	<b>138.420</b>

The balances arising from transactions with related parties as at 31 December 2023 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
<b>Shareholder</b>	<b>85</b>	-	-	<b>85</b>	<b>20.000</b>	-	<b>20.000</b>
Pestana International Holdings S.A.	85	-	-	85	20.000	-	20.000
<b>Associates</b>	-	-	-	-	<b>54.881</b>	-	<b>54.881</b>
Enatur - Empresa Nacional de Turismo, S.A.	-	-	-	-	54.881	-	54.881
<b>Other group companies</b>	<b>4.452.781</b>	<b>1.674.125</b>	-	<b>6.126.906</b>	<b>11.041.835</b>	-	<b>11.041.835</b>
Hotéis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	31.989	-	-	31.989	565.492	-	565.492
Djebel, S.A.	-	-	-	-	331.776	-	331.776
Pestana Management - Serviços de Gestão, S.A.	1.104.991	-	-	1.104.991	6.958.855	-	6.958.855
Pestana Segurança - Serviços de Segurança e Vigilância, Unipessoal, Lda.	20.952	-	-	20.952	519.272	-	519.272
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	73.142	1.674.125	-	1.747.267	50.249	-	50.249
Intervisa Viagens e Turismo, Unipessoal Lda.	642.788	-	-	642.788	2.294.585	-	2.294.585
Rotas de África - Investimentos turísticos e imobiliários Unipessoal, Lda.	313	-	-	313	16.227	-	16.227
URP - Urban Renew - Projetos imobiliários - SIC Imobiliária Fechada, S.A.	2.255.980	-	-	2.255.980	-	-	-
Salvintur – Soc. Inv.Turísticos, S.A.	11.382	-	-	11.382	281.461	-	281.461
Wild Break 29 (PTY), Ltd	5	-	-	5	-	-	-
Empreendimentos Turísticos, Lda.	-	-	-	-	1.340	-	1.340
Afrotours, S.A.	-	-	-	-	5.735	-	5.735
Pestana Marrocos, S.à.r.l.	30.535	-	-	30.535	7.064	-	7.064
Pestana CR7 Marrakech S.à.r.l.	30	-	-	30	1.511	-	1.511
Brasturinvest Investimentos Turísticos, S.A.	179.664	-	-	179.664	906	-	906
Argentur Inversiones Turísticas S.A.	138	-	-	138	-	-	-
Pestana Miami, LLC	18.592	-	-	18.592	82	-	82
Pestana CR7 Manhattan 39, LLC	21.876	-	-	21.876	2.541	-	2.541
Pestana USA, Inc.	1.789	-	-	1.789	-	-	-
Pestana New York East Side 39 LLC	6.045	-	-	6.045	975	-	975
Pestana Inversiones, Unipessoal, Lda.	26.961	-	-	26.961	376	-	376
Pestana Management UK, Limited	17.457	-	-	17.457	1.400	-	1.400
Pestana Berlin S.à.r.l.	7.104	-	-	7.104	1.570	-	1.570
Global Mandalay, S.L.	289	-	-	289	418	-	418
Amesteldijk Hotel Ontwkkeling B.V.	759	-	-	759	-	-	-
<b>Key management personnel</b>	-	-	-	-	-	-	-
	<b>4.452.866</b>	<b>1.674.125</b>	-	<b>6.126.991</b>	<b>11.116.716</b>	-	<b>11.116.716</b>

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
<b>Shareholder</b>	<b>251</b>	-	-	<b>251</b>	<b>17.259</b>	-	<b>17.259</b>
Pestana International Holdings S.A.	251	-	-	251	17.259	-	17.259
<b>Associates</b>	<b>71.728</b>	-	-	<b>71.728</b>	<b>96.004</b>	-	<b>96.004</b>
Enatur - Empresa Nacional de Turismo, S.A.	71.728	-	-	71.728	96.004	-	96.004
<b>Other group companies</b>	<b>3.546.861</b>	<b>1.826.384</b>	-	<b>5.373.245</b>	<b>10.470.530</b>	-	<b>10.470.530</b>
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 Segurança 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 Unipessoal, Lda.	-	-	-	-	13.861	-	13.861
URP - Urban Renew - Projetos imobiliários - SIC Imobiliária Fechada, S.A.	71.975	-	-	71.975	-	-	-
Salvintur – Soc.Inv.Turísticos, S.A.	3	-	-	3	159.587	-	159.587
ESGAP - Empresa de Serviços de 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 CR7 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
<b>Key management personnel</b>	-	-	-	-	-	-	-
	<b>3.618.840</b>	<b>1.826.384</b>	-	<b>5.445.224</b>	<b>10.583.793</b>	-	<b>10.583.793</b>

#### 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 2023 and 2022:

	Cash flows		Cash free transactions					2023	
	2022	Receipts	Payments	Increases	Terminations	Discounts	Transfers		Accrual / Deferral
Bond loans	89.339.223	-	(32.406.500)	-	-	(493.500)	-	(125.914)	<b>56.313.309</b>
Lease liabilities	152.338.538	-	(17.599.545)	6.151.298	(15.464.793)	-	-	6.674.248	<b>132.099.746</b>
Bank loans	184.765.757	1.830.594	(42.916.099)	-	-	-	(926.361)	488.601	<b>143.242.492</b>
Commercial paper	27.207.419	10.000.000	(32.000.000)	-	-	-	-	(209.401)	<b>4.998.018</b>
<b>Cash flows from financing activities</b>	<b>453.650.937</b>	<b>11.830.594</b>	<b>(124.922.144)</b>	<b>6.151.298</b>	<b>(15.464.793)</b>	<b>(493.500)</b>	<b>(926.361)</b>	<b>6.827.534</b>	<b>336.653.565</b>

	Cash flows		Cash free transactions			2022
	2021	Receipts	Payments	Increases	Accrual / Deferral	
Bond loans	102.157.176	-	(13.479.675)	-	661.722	<b>89.339.223</b>
Lease liabilities	146.878.464	-	(20.589.602)	19.212.810	6.836.866	<b>152.338.538</b>
Bank loans	210.632.078	50.507.321	(75.952.806)	-	(420.836)	<b>184.765.757</b>
Commercial paper	32.216.281	5.000.000	(10.222.222)	-	213.360	<b>27.207.419</b>
<b>Cash flows from financing activities</b>	<b>491.883.999</b>	<b>55.507.321</b>	<b>(120.244.305)</b>	<b>19.212.810</b>	<b>7.291.112</b>	<b>453.650.937</b>

## 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, also including dividends.

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b>Profit for the period</b>		<b>85.019.290</b>	<b>98.950.454</b>
Income tax	35	6.430.811	17.170.145
Financial results	34	13.712.653	16.986.115
Charges of depreciation and amortization	6;7;8	42.611.849	42.148.521
Reversals and impairment losses of tangible assets	6	(259.161)	(2.810.839)
Gambling tax paid by Casino		1.429.432	1.116.319
Investment government grants	31	(408.467)	(426.124)
<b>EBITDA</b>		<b>148.536.407</b>	<b>173.134.591</b>

## 43. Subsequent events

At the General Shareholders' Meeting held on February 2024, the distribution of Retained earnings in the amount of 20.000.000 Euros was deliberated.

Funchal, 11 March 2024

The Certified Accountant

The Board of Directors

Luis Miguel Miranda Fernandes

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.)

## 2023 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 2023 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 PWC-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 2023, 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 2023 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, 12 March 2024

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 31 December 2023 (which shows total assets of Euros 977,686,675 and total equity of Euros 351,043,334 including a net profit of Euros 82,003,580), 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 notes to the consolidated financial statements, including material accounting policy information.

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., S.A. as at 31 December 2023, 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 the 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;

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**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.

12 March 2024

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

Hugo Miguel Patrício Dias, ROC no. 1432  
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