

GRUPO PESTANA, S.G.P.S., S.A. CONSOLIDATED ANNUAL REPORT 31 DECEMBER 2017

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

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CONSOLIDATED MANAGEMENT REPORT

III



Dear Shareholders,

In the terms of the Corporate Law, we have the honor to submit for your appreciation and approval the consolidated management report and the consolidated financial statements for the year 2017.

OVERVIEW OF THE WORLD ECONOMY



In 2017 the world economy continued on the growth path of the previous year. GDP growth is expected to reach 2.7%, a number higher than the 2.4% registered in the year before. This small increase in growth will have been due to both emerging economies, which are still recovering, and developed countries where growth was positive but modest. Nominal inflation is expected to be slightly below 3%.



Table 1 - GDP Growth Rate (%)

Source: World Bank



The US economy, still responsible for around ¼ of the world GDP, will have grown 2.1%, a rate higher than in 2016 (1.6%). This growth continued to be led by increases in consumption (as a consequence of a decrease in unemployment), public spending and exports. Private investment also saw an increase in dynamism. Inflation kept to levels close to 2%, as in the previous year. In 2017 the US administration tried to foster an environment of confidence in the economy and a corporate tax reduction is expected with the aim to continue to increase the level of economic growth. The way US international politics were led, despite uncertainty, did not have any relevant economic impacts in 2017.

In the Eurozone, GDP nominal growth registered an increase, though modest, of 1.7% which was slightly lower than the 1.8% registered in 2016 mainly due to a bigger surplus in trade balance and increased internal consumption (salary increase and unemployment decrease) and investment.

GDP growth was still constrained by: (i) an appreciation of the EUR against the USD, which contributed to mitigate the impact of the increase in oil prices and as such kept inflation under the target of 2% as defined by the ECB; (ii) continuing frailty of the banking sector and uncertainties regarding European integration resulting from Brexit; (iii) over-indebtedness of some Eurozone countries: and (iv) difficulty for the excess liquidity in the markets to reach the real economy. Despite this, the European Central Bank continued to inject liquidity into the market through the repurchase of sovereign debt of various member states.

The average growth rate of the BRIC economies will have increased, despite continued geopolitical uncertainties. Brazil will have presented positive GDP growth as well as India, Russia and China although, in this particular case, lower than in the previous year. Pestana Hotel Group's exposure to these countries is limited to Brazil, where inflation and unemployment rates continued to decrease even though investment remains below desired levels. Commodity prices continued to increase, although these are still insufficient to support an economic recouery.



Source: World Bank, Trandingeconomics.com, EUROSTAT



Average world consumption will have continued to grow in 2017 with a similar pattern to the previous year. Developed countries should have shown signs of increased dynamism due to, as previously mentioned, a decrease in unemployment and an increase in average salary.

Investment continued to shift to the more stable western countries where the environment is perceived to be safer (despite some localised terrorist attacks), which to some extent sustained the consumption levels in these regions. Europe continued to benefit from the generalised latent feeling of insecurity which remains active in northern Africa and in Syria with a relevant impact on Turkey. Despite that there have been signs of recovery in late 2017 in this country as well as in Egypt.

Tourism flows reflected this pattern benefitting countries like Greece, Italy, Spain and Portugal where household family income recovery also helped to increase confidence levels.



Table 3 - Final consumption expenditure (annual % growth)

Source: World Bank. For 2016 same trend were applied based on indicative figures of Banco de Portugal, FMI



Liquidity levels in the USA remained stable, following the elimination, in 2015, of the liquidity flexibility policy. In Europe, however, the ECB continued to inject liquidity during 2017 through the acquisition of sovereign debt of the Member States.

Although presenting a positive trend, the granting of domestic credit in the USA and Europe continued to be limited by counterparties' risk, the analysis of which has been progressively more stringent on the part of banks, which are also affected by demands of higher equity levels and increased regulation from their supervisory authorities.



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

Source: World Bank. For 2016 same trend were applied based on indicative figures of Banco de Portugal, FMI



While in the US the FED increased its reference interest rate from 0.75% to 1.5%, the Euribor continued to present historically low figures. Pestana Hotel Group as such saw once again a decrease in its average cost of funding (mainly in Euros).

In Brazil, liquidity constraints and credit restrictions were somewhat relieved and the reference interest rate decreased in line with inflation, even though it remains at high levels.





In 2017, risk premiums registered positive developments in most western countries, including Portugal, where the debt's 5Y CDS decreased from 273 bps to 81 bps due to the ratings upgrade to investment grade from all major international ratings agencies.



The USD depreciated against the EUR and the GBP as a consequence of the macroeconomic scenario previously mentioned. The GBP kept a similar level against the EUR despite all the uncertainties from Brexit. The Latin-American currencies of the countries where Pestana Hotel Group is present (Argentina, Venezuela and Brazil) continued to depreciate in 2017.



TOURISM

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In global terms, the tourism business continued to register positive growth in 2017, a preponderant factor for the economic recovery of some countries in southern Europe. The number of international tourists reached 1,235 million in 2017, an increase of circa 3.9% compared with the previous year, according to the latest World Tourism Barometer of the UNWTO ("World Tourism Organization"). Forecasts for 2030 remain exceptional, surpassing 1,809 million tourists.



Table 7 - International Tourist arrivals



The growth of revenue from international tourists is expected to reach a value close to 2.6% in 2017. Hence, and according to the latest UNWTO data, the tourism sector should represent almost 10% of world GDP, 1/10 of employment and 1.4 billion USD in exports, an amount equivalent to 7% of international trade and 30% of service exports.



Table 8 - Number of International Tourist arrivals

The economic growth observed in the main regions of the globe, accompanied by the sustainable growth of the tourism sector, has allowed for a notable recovery of the global investment in this sector. The investment in hotels (according to the last report - Hotel Investment Outlook 2017 - produced by the consultant Jones Lang LaSalle - Hotels & Hospitality) foresees that 2017 has been a very positive year with USD 60 billion of investment, which represents a slight increase when compared with 2016 but well below 2015, which represented the second best year in the history of hospitality transactions due to Marriott's acquisition of Starwood.



In Europe, sales will continue to be boosted by acquisitions of stand-alone assets with a greater focus on secondary markets. Yields decreased in those markets perceived as safer environments. To increase returns investors would be required to look beyond stable markets, expanding their focus to countries like Portugal and to urban assets in secondary cities in Germany, the United Kingdom and Spain.



Table 9 - Global hotel transaction volume 2004 - 2017F

Source: Jones Lanh LaSalle em "Hotel Investment Outlook 2017 - Endurance against the odds

2.2. Europe

Following the world trend, tourism growth in Europe is expected to reach about 5% in 2017. The strongest markets in terms of tourism demand are expected to be Portugal, Spain and France. In the first two cases, this is expected to be due to the impact that terrorism and social unrest have had on destinations in northern Africa, and the Middle and Far East, including Turkey. We also should bear in mind Portugal's international openness which allowed for a greater perception of the country's touristic quality.



According to the European Travel Commission report for the third quarter of 2017 – Trends and Prospects, Europe continued to show strong growth in terms of international tourists (the first 8 months registered a growth of 8%). Despite the challenges in terms of security, most destinations are expected to present excellent growth rates in number of tourists. The Southern Europe/ Mediterranean regions, as is the case of Portugal (+12.8%), Serbia, Slovenia (+19%) and Spain (+10%) also presented significant increases.



Table 10 - Reupar, Auerage Room Rate and Occupancy rates 2017

The main cities in Europe, in terms of revenue per room were once again Paris and London. The European cities where Pestana Hotel Group is present or developing projects, in addition to London, are Amsterdam, Barcelona, Madrid, Berlin and Lisbon, with the latter city having recorded a RevPAR growth (revenue per available room) of 22% compared with 2016.



This continuous growth in Lisbon in the last few years has been reflected in the increase in the investment value per room since 2012. This increase in 2017 was brought about by an increase in average price charged to the client (ADR) of 17.1% compared with the previous year.

In those cities, average room rate evolution has shown consistent growth, with Paris and London leading the ranking and with the remaining cities well placed. Lisbon is still in last place within this group, despite its very positive developments during 2017.



Table 11 - Investment amount per room

Source: HVS - "European Hotel Valuation"



2.3. Portugal

As mentioned previously, tourism in Portugal continues to go through a positive phase, due to the increase in overnight stays, number of visitors, revenue and RevPAR in the domestic and international markets. The markets of origin are mainly European, as presented in the table below.

	2017F	2016	∆17/16	2015
Domestic visitors ('000)	7,927	7,600	4%	7,218
International visitors ('000)	12,674	11,418	11%	10,141
Ouernight stays by International uisitors ('000)	41,747	38,300	9%	34,425
Revenue (millions €)	15,322	12,800	20%	11,451
Re∪PAR (€)	48.72	42.00	16%	37.80
	20175	2016))(oight	2015
Feeder Markets (by number of visitors) ('000)	2017F	2016	Weight	2015
United Kingdom	2,306	2,248	18%	1,723
Spain	1,698	1,650	13%	1,542
Germany	1,304	1,200	10%	1,104
France	1,365	1,350	11%	1,140
Brazil	855	570	7%	556
Others	5,214	4,400	41%	4,076
Total	12,742	11,418	100%	10,141

Source: Turismo de Portugal; INE, BdP



The main tourist regions are Algarve and Madeira in the resorts segment and the cities of Lisbon and Oporto (where the visitors of the North region are concentrated) in the urban segment (city breaks and MICE). All these destinations presented a strong demand driven by foreign markets. The domestic market continued the recovery initiated in 2014 and recorded an increase of over 4% in terms of visitors, when compared with the previous year. In effect, the economic recovery (GDP continues to grow supported by a trade balance surplus, investment and unemployment reduction) helped invert the negative trend of private consumption in tourism spending and in related tourist activities.



Table 13 - Portuguese feeder markets by region



The increase in demand observed in the main national tourist markets, was accompanied by a growth in the offer in 2017, namely in the main Portuguese destinations (as per the following paragraph). Although this growth in the offer has been lower than the increase in demand it continues to support a consistent and sustainable sector in 2017.



Table 14 - Evolution of number of rooms

2.3.1. Madeira

The Region of Madeira is one of the main Portuguese tourist destinations, showing a great dynamism, both on the demand side, with considerable growth in recent years and on the supply side where some hotels have re-entered the market. There were also several new projects that entered the market and others that are expected to come in up to 2019. This greater dynamism is a result of the growing performance of the market, which in the previous year grew once more about 2% in terms of overnight stays, combined with the increase of the average price allowed Revpar to increase by around + 8%.



Demand continued to originate in Germany, France and the United Kingdom, which accounted for 59% of total overnight stays in 2017. The UK and French market share declined as they fell of the number of overnight stays in 2017 versus 2016. The Spanish market continued to fall in 2017. The Portuguese domestic market again saw an increase, around 1% in 2017, despite the decrease in its market share.

Madeira - Overnight stays by feeder market ('000)				Weight				
Origin	2017	2016	2015	2014	2017	2016	2015	2014
UK	1,797,161	1,827,463	1,545,156	1,376,562	25.4%	26.3%	24.7%	23.1%
Germany	1,742,826	1,700,220	1,532,095	1,413,406	24.6%	24.5%	24.5%	23.8%
Top 2	3,539,987	3,527,683	3,077,251	2,789,968	50.0%	50.8%	49.3%	46.9%
France	611,399	619,980	655,545	656,658	8.6%	8.9%	10.5%	11.0%
Netherlands	293,271	287,984	223,165	209,605	4.1%	4.1%	3.6%	3.5%
Spain	143,132	155,396	193,878	187,557	2.0%	2.2%	3.1%	3.2%
Top 5	4,587,789	4,591,043	4,149,839	3,843,788	64.7%	66.1%	66.4%	64.6%
Scandinavia	596,102	548,419	528,193	529,600	8.4%	7.9%	8.5%	8.9%
Others	1,134,292	1,046,399	965,447	939,492	16.0%	15.1%	15.5%	15.8%
Foreign markets	6,318,183	6,185,861	5,643,479	5,312,880	89.2%	89.0%	90.3%	89.3%
Portugal	768,636	764,067	603,769	636,417	10.8%	11.0%	9.7%	10.7%
Total	7,086,819	6,949,928	6,247,248	5,949,297	100.0%	100.0%	100.0%	100.0%

Table 15 - Evolution and structure of overnight stays in Madeira

Source: INE. Data from January to November

2.3.2. Algarve

Algarve remained the most sought after resort destination in Portugal and the region with the biggest hospitality offer nationwide with an average annual growth in terms of overnights of about 5% in the last 5 years. Tourism in this region still presents a very significant seasonality in terms of demand which is focused on the summer months, however spring and autumn presented a good evolution. The programme launched by Turismo de Portugal, I.P. in 2016,



"Programa Algarue", which aimed to mitigate seasonality and to promote jobs through artistic valuation and touristic promotion, allowed for the strengthening and increased quality in the region's cultural programme. This programme in alliance with the golf product have had a very important role in facing these challenges, though golf still has room to grow. Therefore, and like in previous years, summer months registered a loss in terms of weight in relation with total demand despite the good results presented.



Table 16 - Evolution of seasonality of stays in the region of Algarve (%)

Similar to the previous year, demand growth in Algarve hotels in 2017 in terms of overnight stays is supported mainly by the growth of markets in Germany (+ 9%), the Netherlands (+ 0.4%), Scandinavia (+ 17%), and Spain (+ 6%), with a slightly increasing (+1%) in the United Kingdom.



Table 17 - Evolution and structure of overnight stays in Algarve

Algarue - Ouernight stays by feeder market ('000)				Weight				
Origin	2017	2016	2015	2014	2017	2016	2015	2014
UK	5,933,151	5,899,784	5,433,359	5,197,609	32.0%	33.5%	33.5%	32.5%
Germany	1,921,686	1,755,618	1,614,257	1,553,074	10.4%	10.0%	10.0%	9.7%
Top 2	7,854,837	7,655,402	7,047,616	6,750,683	42.4%	43.5%	43.5%	42.2%
Netherlands	1,380,210	1,374,047	1,273,656	1,308,892	7.4%	7.8%	7.9%	8.2%
Spain	853,391	808,129	819,243	853,187	4.6%	4.6%	5.1%	5.3%
Top 4	10,088,438	9,837,578	9,140,515	8,912,762	54.4%	55.9%	56.4%	55.7%
Scandinavia	473,355	404,295	343,317	393,040	2.6%	2.3%	2.1%	2.5%
Others	4,104,291	3,618,410	2,951,878	2,767,000	22.1%	20.6%	18.2%	17.3%
Foreign markets	14,666,084	13,860,283	12,435,710	12,072,802	79.1%	78.8%	76.8%	75.4%
Portugal	3,875,719	3,738,123	3,762,436	3,935,296	20.9%	21.2%	23.2%	24.6%
Total	18,541,803	17,598,406	16,198,146	16,008,098	100%	100%	100%	100%

Source: INE. Data from January to November

2.3.3. Lisboa

Lisbon saw, last year, a growth rate in the number of overnight stays above 8.5%. It is the Portuguese city with the greatest international projection in terms of business tourism that concentrates more than half of the events that take place in Portugal. This aspect, with the growing interest of the capital in the international market in leisure tourism, continued to translate a demand throughout the year that contributed to the mitigation or even the non-existence in some units of seasonality problem that affects other important Portuguese destinations.



France was once again the most important market for the destination of Lisbon (9% share), but in 2017 it recorded a drop in overnight stays (-6%). However, Spain continued to be the second most important market in terms of number of overnight stays, also registering a fall in overnight stays. The German and American markets recorded significant increases (+10% and 32%, respectively), as well as the Brazilian with the highest increase in all markets (+37%).

Lisbon - Overnight stays by feeder market ('000)				Weight				
Origin	2017	2016	2015	2014	2017	2016	2015	2014
France	1,205,777	1,284,061	1,082,379	976,468	9.0%	10.3%	9.3%	9.0%
Spain	1,094,466	1,161,078	1,047,904	1,089,153	8.1%	9.4%	9.0%	10.0%
Top 2	2,300,243	2,445,139	2,130,283	2,065,621	17.1%	19.7%	18.4%	19.0%
Brazil	1,071,816	784,165	745,557	781,282	8.0%	6.3%	6.4%	7.2%
Germany	988,991	898,467	885,961	754,540	7.3%	7.2%	7.6%	6.9%
UK	826,862	732,190	672,248	627,697	6.1%	5.9%	5.8%	5.8%
Top 5	5,187,912	4,859,961	4,434,049	4,229,140	38.5%	39.2%	38.3%	38.9%
USA	794,793	601,852	517,274	444,104	5.9%	4.9%	4.5%	4.1%
Scandinavia	448,536	448,756	477,603	446,311	3.3%	3.6%	4.1%	4.1%
Others	4,161,208	3,654,341	3,399,673	3,639,803	30.9%	29.5%	29.3%	33.4%
Foreign markets	10,592,449	9,564,910	8,828,599	8,315,254	78.7%	77.1%	76.2%	76.4%
Portugal	2,868,318	2,814,152	2,758,446	2,569,963	21.3%	22.7%	23.8%	23.6%
Total	13,460,767	12,406,590	11,587,045	10,885,217	100.0%	100.0%	100.0%	100.0%

Table 18 - Evolution and structure of overnight stays in Lisboa

Source: INE. Data from January to November

ACTIVITY OF GRUPO PESTANA, S.G.P.S., S.A.



The activity of Grupo Pestana, S.G.P.S., S.A. (referred also in this document as "Grupo Pestana SGPS" or "Grupo Pestana"), with headquarters in Funchal, refers to its role as holding company of all companies in the group with operating units in Portugal, and also, until recently in Europe and North America.

As part of its growth process, Pestana Hotel Group has had to periodically carry out corporate reorganizations of its shareholding structure in order to ease the management of the different business areas of the group. Considering that, on one hand, Pestana Hotel Group is currently investing significantly in Europe, in the United States of America, and is assessing new investments; and on the other hand, there has been a substantial growth in the Portuguese market, in which the group continues to perceive new business opportunities, it was decided to dispose of the subsidiaries with activities abroad, allowing Grupo Pestana SGPS to focus its economic activity in Portugal, consolidating all Pestana Hotel Group operations in the national territory.

Thus, Grupo Pestana SGPS disposed of the shares representing 99.92% of the share capital of the company holding the financial investments in Europe and the United States, Hotéis Atlântico – Sociedade Imobiliária and Gestão de Hotéis, SA, to Pestana International Holdings, SA for the amount of 31,000,000 Euros, which resulted in a capital gain of 9,807,762 Euros, as well as the Accessory contributions of capital and Loans granted, which were disposed of at the nominal value of Euro 24,000,000 and Euro 59,144,198, respectively.

For the same reason, Grupo Pestana SGPS decided to dispose of the investments held in companies that provide services to the several companies of Pestana Hotel Group, such as shared management support services, travel agency services and security services, namely Pestana Management - Serviços de Gestao, SA disposed of for 19,000,000 Euros, Intervisa Viagens e Turismo, Lda disposed of for 3,500,000 Euros and Pestana Segurança - Vigilance and Security Services, Unipessoal Lda. disposed of for 500,000 Euros, resulting in capital gains of 17,293,888 Euros.



As Grupo Pestana SGPS was interested in increasing its financial participation in the subsidiary SDM - Sociedade de Desenvolvimento da Madeira, SA, in 2017 it has acquired 82,500 shares, for the amount of 2,658,150 Euros, becoming the owner of 47.73% of its respective share capital, that in conjunction with shareholder agreement signed with Francisco da Costa e Filhos, SA, allows the Group to have control over the refered subsidiary.

Thus, at the end of 2017, Pestana Hotel Group consolidates all of Pestana business units in Portugal. Grupo Pestana manages 66 hotel units (16 own property, representing 40% of the total number of rooms), including all Pousadas, which are under management through long-term leases or concessions, offering a diverse range of services under the sub-brands "Pestana Hotels & Resorts", "Pestana CR7", "Pestana Pousadas de Portugal" and "Pestana Collection".

The group offering is complemented by the management of 12 establishments related to the vacation club – Pestana Vacation Club (11 own property), 6 golf courses (5 own property), the gambling concession in Madeira and also touristic entertainment establishments and touristic real estate.

The main investment projects initiated and/or concluded in 2017 were the following:

- The renovation of Hotel Pestana Royal Bay, in Madeira Island, was initiated and completed in 2017, after the lease agreement signed at the end of 2016 with CA Património Crescente. This hotel, with 324 rooms, began its operation in May, in the all-inclusive 5-star segment;
- A new lease contract for Quinta do Arco, in Madeira, was signed, and an expansion project to increase the number of rooms from 18 to 57 was started. This hotel unit located in the north of the island of Madeira, aims to complement and diversify the Pestana Hotel Group offering in this destination, being the only unit managed outside of Funchal, in a less urban area and more Nature-oriented for which there has been an increasing demand;
- The construction of Casino Studios was completed, also in Madeira Island, being composed of 77 apartments that were built to expand Grupo Pestana's offering next to the iconic hotel, Casino Park, designed by the architect Oscar Niemeyer;
- The project for the renovation of the harbor's building in Câmara de Lobos, in Madeira Island, was started. This building, which in the past has welcomed Winston Churchill, will be transformed into a thematic hotel with 55 rooms, also contributing to the diversification of the Group offering in Madeira destination;
- Licensing was obtained and the construction was started for an all-inclusive 5-star hotel in Alvor, located between the 'Alto golfe' golf course and the Hotel Delfim, establishments already explored by the Group, in the Algarve region;
- The project for the construction of a new hotel unit nearby Pousada do Freixo is in the licensing phase, and will allow the expansion of the hotel offering along the Douro River with more 163 rooms, in the metropolitan area of Oporto;



- The renovation works of the buildings of Brasileira, Rua das Flores and Aliados in the center of the city of Oporto are about to be concluded. These projects were contracted with Pestana Hotel Group for its exploration (franchise contracts of the brand and management or lease consulting), as soon as the works of adaptation to a hotel unit, which are being carried out by the owners of the properties, third parties of Grupo Pestana, are completed. The opening of the Pestana "A Brasileira", with 89 rooms, is expected to occur soon, continuing the diversification of the offering in this region;
- In Pousadas de Portugal, contracts have been signed with Vila Real de Santo António Town Hall and Misericórdia de Óbidos, which will allow to open new Pousadas in those locations;
- A series of rehabilitation works were completed in 2017 for different hotel units (for example, Pestana Palace hotel in Lisbon, or Pestana Viking hotel in the Algarue), with the necessary restoration and update of the infrastructures, to keep these assets in the ideal conditions to optimize its operation.
- Also in 2017, and taking advantage of the low season, another set of renovation works were started (for example in Pestana Delfim and Pestana Cascais), with the objective of upgrading hotel units to the current customers' demands.

3.2. Results

Grupo Pestana presented revenues of 342.2 million euros, which represents an annual increase of 13%.

This growth of 40 million Euros in revenue is mainly explained by the growth of hospitality activity in Portugal, which has been widespread in all Portuguese destinations (36 million Euros that represent 90% of total amount). The non-hospitality activity, dominated by ECM, is responsible for the remaining 10% of growth.

In hospitality activity, the mentioned growth in revenue led to an increase in gross operating margin ("GOP") of 20.5 million Euros, which represents the conversion of a significant part of revenue increase into additional cash flows. For these positive results contributed the growth of GOP margin over revenue that amounted to 45%, 2 percent above the percentage obtained in previous year.



Other indicators also presented a positive evolution, with emphasis to EBITDA with an amount of 145.5 million Euros, although part of it results from disposal of assets, therefore not being a recurring EBITDA. The non-recurring amount represents approximately 28 million Euros, however EBITDA growth is still very significant and close to 20% in relation to the previous period. The hotel units in the Algarve had a GOP growth of around 14%. The Sintra and Cascais units also had expressive GOP growth of more than 18% and Pestana Baía Praia in the Azores, after remodeling, had an excellent performance, having more than doubled (to 2.4 times) the profitability of the previous year.

In Madeira, the Group's headquarters, GOP and sales both increased 22% when compared to the previous year, which had already been a very good year, thus demonstrating the excellent tourist year that Madeira destination had this year. On the Island of Porto Santo, this growth was substantially more limited, demonstrating the difficulty of the destination due to the large dependence of the few air operators that operate there. Pousadas de Portugal network has also presented an excellent recovery, with significant growth, above 35%, in a "Like to Like" analysis, when compared to the previous year. Metropolitan areas of Lisbon and OPorto were the tourist destinations where the Group achieved better performance and increased growth, boosted by the four Pestana Collection units and the new Pestana CR7 unit, which in the first full year of activity had performed very well.

In relation to feeder markets, in addition to the good behavior of the traditional ones like: British, German, French and Scandinavian markets, the positive trend started in 2014 for domestic market continued, and for some destinations, cities and Pousadas, the growth continued for North American and Brazilian markets.

The Pestana Vacation Club had a positive performance and maintained its weight in the Group's revenue.

In Golf, the profitability lost when VAT rate on the activity changed, was finally recovered this year reaching the same levels prior to the change in taxation.

Finally, in real estate activity, the Group continued to perform well, with emphasis for Tróia Eco Resort.

Net profit amounted to 90.2 million Euros, which represents an increase of 90% over 2016.



In addition to the significant improvement in operating results, there is also an improvement in financial results due to the reduction of debt amount and the reduction of its cost.

Table 19 - Financial data

	2017	2016
Rooms (Total keys)	6,207	7,195
Hotel Units	66	58

(Amounts expressed in million Euros)

Revenue:	342.2	302.2
Tourist activity	303.6	267.0
Non-tourist activity	38.6	35.2
GOP of tourist activity ^(a)	135.1	114.6
EBITDAR ^(b)	160.1	115.0
Rents paid to owners and concessions	-14.6	-14.4
EBITDA	145.5	101.0
Depreciation and amortization	-28.8	-30.6
EBIT	116.7	70.4
Paid interest net (inclued fees)	-14.2	-17.4
Paid income taxes ^(c)	-12.3	-5.5
Net profit including non-controlling interests	90.2	47.5
GOP margim (%)	45%	43%
EBITDAR margim (%)	47%	38%
EBITDA margim (%)	43%	33%
EBIT margim (%)	34%	23%
ROE (%)	23.4%	11.8%
EPS	1.10	0.58
EBITDA/Net interest (x)	-10.2	-5.8
Auerage cost of debt (%)	5.0%	5.0%

Notes:

(a) "gross operating profit" management accounts (uniform system of accounts) only includes fully consolidated companies

(b) includes income and expenses from financial investments

(c) includes gambling tax paid by Casino



3.3. The structure of Consolidated statement of financial position (Balance sheet)

Grupo Pestana has Total Adjusted Assets of 688.2 million Euros, which results from two factors: on one hand, its strategy to own a large part of the assets (hotels, golf courses and land) where Group's managed business units are implemented, which explains the significant value and significant weight of fixed assets; on the other hand, the corporate reorganization undertaken, that explains the reduction by comparison to previous year. It should be noted that a major part of these fixed assets are measured at historical costs and therefore with a value lower than their fair market value.

The sum of funding origins that do not bear interest: Equity added by the cash flows released from Pestana Vacation Club activity (that in the Statement of Financial Position are in Deferred Revenues, in Liabilities) cover 56% of Total Adjusted Assets, reflecting, therefore, a good ratio of financial autonomy.

Permanent Capital is 98% of total capital investments.

Today, Grupo Pestana has a debt service in line with its estimated capacity to generate cash flows, with corporate debt representing 30% of the total, being its refinancing risk controlled. Grupo Pestana has credit facilities available in the 12 financial institutions with which it works in the various regions, which represent more than 33% of debt amount.

The completion of these operations and the increase in operating results enabled the Debt / EBITDA ratio to be reduced to 1.97, which reflects a very positive development.





Table 20 - Capital structure

(Amounts expressed in million Euros)

Net assets	2017	% тот	Var 17/16	2016	% тот	Var 16/15	2015
Investments - Fixed assets	545.2	79%	-23%	704.0	93%	6%	666.9
Deferred tax liabilities	-30.7	-4%	-18%	-37.7	-5%	7%	-35.3
Total adjusted fixed assets	514.5	75%	-23%	666.3	88%	5%	631.6
Investments - Financial assets	18.7	3%	-24%	24.6	3%	-39%	40.3
Other non -current assets	15.6	2%	-15%	18.2	2%	-18%	22.1
Current assets - Current liabilities	139.4	20%	197%	46.9	6%	52%	30.9
Total adjusted assets	688.2	100%	-9%	756.0	100%	4%	725.1

Funding origins	2017	% тот	Var 17/16	2016	% ТОТ	Var 16/15	2015
Equity	269.8	39%	-4%	280.6	37%	8%	258.6
Collected deferred revenue (a)	173.3	25%	-3%	178.3	24%	2%	175.6
Deferred sales costs $^{(\alpha)}$	-57.2	-8%	-1%	-57.6	-8%	-8%	-62.6
Total non-remunerated funding	385.9	56%	-4%	401.3	53%	8%	371.6
Long term financial debt	274.5	40%	-27%	373.5	49%	7%	349.9
Other non-current liabilities	16.1	2%	375%	3.4	0%	-39%	5.6
Total non-current funding	676.4	98%	-13%	778.2	103%	7%	727.1
Short term financial debt	68.1	10%	13%	60.5	8%	-17%	73.1
Cash + Financial assets available for sale	-56.3	-8%	-32%	-82.7	-11%	15%	-71.8
Net current debt	11.8	2%	-153%	-22.2	-3%	-1949%	1.2
Total funding origins	688.2	100%	-9%	756.0	100%	4%	728.4
Net debt	286.2		-19%	351.3		0%	351.2
EBITDA	145.5		44%	101.0		67%	60.6
Working capital	139.4		197%	46.9		52%	30.9
Net capex	46.0		104%	22.6		10%	20.5
Net debt / EBITDA ration	1.97		-43%	3.48		-40%	5.79
Net debt / Equity ratio	0.74		-15%	0.88		-7%	0.94
Net debt / Total Assets ratio (%)	42%		-11%	46%		-4%	48%
Liquidy ratio (%)	16%		-17%	19%		13%	17%

(a) Collected sales of Holiday Club ("timeshare")

OTHER RELEVANT FACTS OCCURRED IN THE YEAR

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The special tax regime for pure Holding Companies (with legal status of "**SGPS**"), 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 the said equity shares.

However, this regime was revoked on 1 January 2014, without being created any transitional regime.

Thus, SGPS companies may have an amount of financial expenses, the deductibility of which was not allowed for at the same time that no tax exemption could be applied for capital gains or losses obtained under the regime, and for which it will not be possible to benefit in the future since this tax regime was revoked.

In this context, the Company filed in March 2017, a gracious grievance requesting the recovery of the financial expenses, the deductibility of which was not allowed for, as referred above, at the same time that no tax exemption could be applied for capital gains or losses obtained under the regime, and for which it will not be possible to benefit in the future since this tax regime was revoked, which came to be denied by the Tax Authority.

As a consequence of the developments verified in 2017, Grupo Pestana presented, in November 2017, a Judicial challenge in Funchal's Tax and Administrative Court with the objective of obtaining the tax acceptance of financial expenses, which deductibility was never allowed under the tax regime effective until 2013.

OBJECTIVES AND POLICIES OF PESTANA HOTEL GROUP REGARDING FINANCIAL RISKS



Pestana Hotel Group'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 rates, among others.

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

The management of these policies is described in the Notes to the Consolidated Financial Statements which are appended.


There are no relevant subsequent events to report.

THE FUTURE





Pestana Hotel Group, and in particular Grupo Pestana, which this year focused its activity exclusively on all of the Group's operations in Portugal, expects to continue to have a positive development in the coming years.

Despite some less positive signs from the English market, the devaluation of the British Pound and bankruptcy of an aviation company, Monarch, and an increase in competition in leisure destinations due to accelerated recovery in Turkey and Egypt, Portuguese destinations still have good perspectives.

The beginning of the year shows a greater solidity of city destinations, namely Lisbon and Porto, than the leisure destinations, but it is expected that Tourism in Portugal will continue to have a positive behavior.

In relation to the Pestana Hotel Group, we will continue our growth by opening new units, resulting from our own investment or from partnerships with external investors, which establish agreements for the management of units using one of the Group's sub-brands.

We will also continue to take into account the ongoing evolution of the different segments of tourist demand and business models with the innovation and improvement projects included in the Group's Digital Plan.



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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 the Pestana Hotel Group.

We show gratitude and note with high esteem the trusted relationship that our customers, suppliers and financial institutions have honored 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 recognize the professionalism and sense of duty of the Group's employees. Their effort and dedication are vital ingredients for the ongoing success of the Pestana Hotel Group.

Please find in attached a list drawn up pursuant to and for the purposes of article 448°, no. 4 of the Portuguese Corporate Law.

Funchal, 7 March 2018

The Board of Directors

Dionísio Fernandes Pestana President

José Alexandre Lebre Theotónio Member

José de Melo Breyner Roquete

Member

Hermanus Roelof Willem Troskie

Member

APPENDIX LIST TO THE CONSOLIDATED ANNUAL REPORT





(Pursuant to and for the purposes of article 448°, no. 4 of the Portuguese Corporate Law)

Shareholders that on 31 December 2017 hold more than half, more than one-third and more than one tenth of the share capital:

Name		%
Pestana International Holo Dionísio Fernandes Pestan	dings S.A. a	99,00% 1,00%
Funchal, 7 Marc	h 2018	
	O Conselho de Administração	
	Dionísio Fernandes Pestana	
	President	
	José Alexandre Lebre Theotónio	
	Member	
	locó do Molo Provpor Doqueto	
	José de Melo Breyner Roquete ———— Member	
	Hermanus Roelof Willem Troskie	
	Member	

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Consolidated statement of financial position

		31 De	cember
(Amounts expressed in Euros)	tes	2017	2016
Assets			
Non current			
Tangible fixed assets	6	566,215,054	724,928,689
Intangible assets	7	27,764,046	28,919,790
Investment properties	8	8,420,704	7,709,982
Investments in joint ventures	9	5,403,585	5,067,351
Investments in associates	10	11,930,722	11,735,124
Available-for-sale financial assets	11	1,355,718	7,879,486
Deferred tax assets	12	3,719,921	7,069,797
Trade and other receivables	14	11,835,921	11,150,458
		636,645,671	804,460,677
Current			
Inventories	15	92,408,983	75,955,693
Trade and other receivables	14	166,419,819	60,806,243
Income tax receivable	16	133,019	523,869
Cash and cash equivalents	17	56,280,131	82,603,973
		315,241,952	219,889,778
Total assets		951,887,623	1,024,350,455
Equity			
Capital	18	150,420,973	150,420,973
Other reserves	19	9,579,170	11,350,393
Retained earnings	20	9,692,769	49,005,894
Profit for the period attributable to shareholders		85,950,244	43,054,092
Non-controlling interests	21	14,196,649	26,797,531
Total equity		269,839,805	280,628,883
Liabilities			
Non current			
Provisions	22	603,953	455,783
Borrowings	23	270,892,176	353,382,099
Derivatives	24	1,069,253	2,928,884
Deferred tax liabilities	12	30,628,345	37,654,005
Deferred revenue	25	161,411,251	152,500,297
Trade and other payables	26	5,302,029	20,151,976
		469,907,007	567,073,045
Current	C C		
Provisions	22	3,980,564	3,253,862
Borrowings	23	65,983,265	56,684,378
Deferred revenue	25	30,859,263	25,757,859
Trade and other payables	26	102,164,240	90,517,315
Current tax liabilities	16	9,153,479	435,112
		212,140,811	176,648,527
Total liabilities		682,047,818	743,721,571
Total equity and liabilities		951,887,623	1,024,350,455

The following notes form an integral part of the Consolidated statement of financial position of the year ended 31 December 2017.



Consolidated income statement

		Pe	riod
(Amounts expressed in Euros)	Notes	2017	2016
Continuing operations			
Revenue	27;28	342,170,602	302,172,128
Cost of goods sold	15	(48,295,318)	(38,336,143)
External services and supplies	29	(104,515,653)	(94,959,922)
Personnel expenses	30	(71,925,415)	(72,379,791)
Charges on depreciations and amortizations	6;7;8	(32,191,125)	(32,216,084)
Reversals of impairment losses of tangible assets	6	3,395,327	1,654,387
Impairment of receivables	14	(766,855)	(654,037)
Impairment of inventories	15	(104,111)	(99,031)
Provisions	22	(967,486)	81,489
Other income	31	13,495,616	14,114,523
Other expenses	32	(13,155,410)	(13,171,425)
Gains / (Losses) on investments in associates, joint ventures and available-for-sale financial assets	33	28,127,872	(943,417)
Operating profit		115,268,045	65,262,676
Financial expenses	34	(14,992,655)	(21,142,988)
Financial income	34	769,739	3,697,786
Profit before tax		101,045,129	47,817,474
Income tax	35	(10,823,470)	(4,000,700)
Profit from continuing operations		90,221,659	43,816,774
Discontinued operations			
Profit/ (Loss) from discontinued operations	36	-	3,729,733
Profit for the period		90,221,659	47,546,507
Profit for the period attributable to:			
Shareholders		85,950,244	43,054,092
Non-controlling interests		4,271,415	4,492,414
		90,221,659	47,546,507
Earnings per share		1.11	0.58
Earnings per share from continuing operations		1.11	0.54
EBITDA		145,511,161	100,974,467
EBITDAR		160,083,740	114,954,781

The following notes form an integral part of the Consolidated income statement of the year ended 31 December 2017.

Consolidated statement of comprehensive income

		Pe	riod
(Amounts expressed in Euros)	Notes	2017	2016
Profit for the period		90,221,659	47,546,507
Items that are recycled through profit or loss			
Foreign currency translation differences	19	(2,095,764)	357,766
Changes in fair value of hedging derivatives	24	869,823	2,521,824
Tax impact in items booked directly in equity	12	(232,857)	(520,000)
Other comprehensive income for the period - net of income tax		(1,458,798)	2,359,590
Total comprehensive income for the period		88,762,861	49,906,096
Comprehensive income attributable to:			
Shareholders		84,491,446	45,413,682
Non-controlling interests		4,271,415	4,492,414
		88,762,861	49,906,096

The following notes form an integral part of the Consolidated statement of comprehensive income of the year ended 31 December 2017.



Consolidated statement of changes in equity

Attributable to shareholders

(Amounts expressed in Euros)	Share capital	Equity instruments	Share premium	Other reserves	Retained earnings	Profit for the period	Non- controlling interests	Total
At 1 January 2017	81,530,000	35,200,000	33,690,973	11,350,393	49,005,894	43,054,092	26,797,531	280,628,883
Changes in the period								
Profit for the period application				2,694,668	40,359,424	(43,054,092)	-	-
Changes in the consolidation perimeter				1,061,151	-	-	(1,103,794)	(42,643)
Other changes recognized in equity	-	-	-	(2,532,534)	2,020,503	-	(3,985,627)	(4,497,658)
	-	-	-	1,223,285	42,379,927	(43,054,092)	(5,089,421)	(4,540,301)
Changes in fair value reserve (hedging derivatives)				636,966	-	-	-	636,966
Foreign currency translations				(2,102,375)	12,376	-	(5,765)	(2,095,764)
Other gains and losses recognized directly in equity resulting from investments in associates				216,071	(216,071)	-	-	-
Profit for the period				-	-	85,950,244	4,271,415	90,221,659
Comprehensive income				(1,249,338)	(203,695)	85,950,244	4,265,650	88,762,861
				(26,053)	42,176,232	42,896,152	(823,771)	84,222,560
Transactions with shareholders in the period								-
Capital increases	-	-	-	-	-	-	2,255,738	2,255,738
Share premium paid	-	-	-	-	-	-	-	-
Distributions	-	-	-	(1,745,170)	(81,489,357)	-	(14,032,849)	(97,267,376)
Contributions to cover losses	-	-	-	-	-	-	-	-
Other operations	-		-			-	-	
	-	-	-	(1,745,170)	(81,489,357)	-	(11,777,111)	(95,011,638)
At 31 December 2017	81,530,000	35,200,000	33,690,973	9,579,170	9,692,769	85,950,244	14,196,649	269,839,805



		At	ttributable to	o shareholde	ers			
(Amounts expressed in Euros)	Share capital	Equity instruments	Share premium	Other reserues	Retained earnings	Profit for the period	Non- controlling interests	Total
At 1 January 2016	81,530,000	37,200,000	33,690,973	4,788,723	37,710,118	38,502,997	25,223,946	258,646,757
Changes in the period								
Profit for the period application				2,113,373	36,389,624	(38,502,997)	-	-
Changes in the consolidation perimeter				376,972	(376,972)	-	1,584,462	1,584,462
Other changes recognized in equity	-	-	-	566,335	(493,824)	-	(2,429,067)	(2,356,556)
	-	-	-	3,056,680	35,518,828	(38,502,997)	(844,605)	(772,094)
Changes in fair value reserve (hedging derivatives)				2,001,824	-	-	-	2,001,824
Foreign currency impact				423,805	(37,134)	-	(28,905)	357,766
Other gains and losses recognized directly in equity resulting from investments in associates				1,079,361	(1,079,361)	-	-	-
Profit for the period						43,054,092	4,492,414	47,546,506
Comprehensive income				3,504,990	(1,116,495)	43,054,092	4,463,509	49,906,096
				6,561,670	34,402,333	4,551,095	3,618,904	49,134,002
Transactions with shareholders in the period	-	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-
Share premium paid	-	-	-	-	-	-	-	-
Distributions	-	(2,000,000)	-	-	(23,106,557)	-	(2,045,319)	(27,151,876)
Contributions to cover losses	-	-	-	-	-	-	-	-
Other operations	-	-	-	-	-	-	-	-
	-	(2,000,000)	-	-	(23,106,557)	-	(2,045,319)	(27,151,876)
At 31 December 2016	81,530,000	35,200,000	33,690,973	11,350,393	49,005,894	43,054,092	26,797,531	280,628,883

The following notes form an integral part of the Consolidated statement of changes in equity of the year ended 31 December 2017.



Consolidated cash flows statement

		Period ended	31 December
(Amounts expressed in Euros) Note	es	2017	2016
Cash flow from operating activities			
Receipts from customers		324,239,105	300,979,920
Payments to suppliers		(140,238,603)	(147,177,390)
Payments to personnel		(74,536,205)	(70,798,199)
Cash generated from operations		109,464,297	83,004,331
Income tax paid		(2,800,570)	(11,026,894)
Other receipts/ (payments)		1,105,657	(2,448,856)
Net cash from operating activities		107,769,384	69,528,581
Cash flow from investing activities			
Receipts related to:			
Cash flow from entries in consolidation perimeter		-	575,524
Tangible and intangible assets		8,268,209	38,726,292
Financial investments		41,655,079	22,249,876
Investment grants		-	1,996,031
Interest income and similar		484,773	446,521
Payments related to:			
Tangible and intangible assets		(52,559,459)	(47,247,998)
Financial investments		(4,000,158)	(25,296,189)
Net cash from investing activities		(6,151,556)	(8,549,943)
Cash flow from financing activities			
Receipts related to:			
Borrowings obtained		29,655,342	147,357,309
Other financial means		2,255,738	-
Payments related to:			
Borrowings obtained		(49,114,882)	(131,495,874)
Interest expenses and similar		(14,975,675)	(20,040,973)
Dividends		(97,267,376)	(25,151,876)
Other equity distributions		-	(2,000,000)
Net cash from financing activities		(129,446,852)	(31,331,414)
Changes in cash and cash equivalents		(27,829,024)	29,647,224
Effects of exchange differences		3,747,465	(2,691,305)
Cash and cash equivalents at beginning of the year	17	79,520,578	52,564,659
Cash and cash equivalents at end ot the year	17	55,439,019	79,520,578

The following notes form an integral part of the Consolidated cash flows statement of the year ended 31 December 2017.



Notes to the consolidated financial statemets

1. General information

Pestana Hotel Group which origin dates back to 1972, with the establishment of M & J Pestana -Sociedade de Turismo da Madeira, S.A., to invest in the currently denominated Pestana Carlton Madeira, develops its activity mainly in the Tourism sector. The Group is led by its shareholder Mr. Dionísio Pestana, son of the founder of the Group.

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

In 2003, Grupo Pestana won the tender to manage the concession of the network "Pousadas de Portugal", taking the operation of "Pousadas" in the national territory and promoting its internationalization.

In 2010, the group initiated its expansion in Europe, opening the Chelsea Bridge Hotel, in London, having, in 2013, initiated its expansion in North America with the opening of the hotel of Miami.

Nowadays, Grupo Pestana is by far the largest Portuguese group in the tourism sector, with an operation focused in hotels, but complemented by other activities such as timeshare, residential tourism, golf, touristic entertainment and retail. It also includes some investments in Industry and Financial services.

Through the promotion of "Pestana" brand and "Pousadas de Portugal" as well as the launch in 2016 of the brand "Pestana CR7" Pestana Hotel group currently operates 108 units of touristic lodging totaling approximately 11,711 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of the European hotels networks ranking and in the top 75 worldwide.

In order to structure the Group investments, Grupo Pestana, S.G.P.S., S.A. (designated in this document as "Grupo Pestana") was established in 2003, essentially to aggregate the investments in Europe and the United States.

In 2017, considering that Pestana Hotel Group is currently assessing new investments in Europe and in the United States of America, and taking into account the current and expected substantial growth of domestic market in which the group continues to assess new business opportunities, it was decided to dispose of its financial investments in foreign operations allowing Grupo Pestana to focus on its business in Portugal.



Accordingly, Grupo Pestana disposed of its shares representing 99.92% of the share capital of Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hóteis, S.A., the subsidiary holding financial investments in Europe and North America, as well as the accessory contributions of capital and loans granted, to Pestana International Holdings, S.A.

For the same reasons, Grupo Pestana also decided to dispose of its investments in the companies that perform global services to several companies of the Pestana Hotel Group, more specifically, management support, travel agency and security services, namely Pestana Management – Serviços de Gestao, S.A., Intervisa Viagens e Turismo, Lda., Pestana Segurança - Serviços de Segurança e Vigilância, Unipessoal Lda.

In the leisure area, Grupo Pestana currently holds, besides 33 hotels (16 in Madeira, 9 in Algarve, 5 in Lisbon/Cascais/Sintra, 2 in Oporto, 1 in Azores), 9 units of Vacation Club, 6 golf courses, 4 real estate/touristic resorts, 1 casino gambling concession in Madeira, 1 travel agency, 1 tour operator and the management of the 33 "Pousadas de Portugal", including those in Terreiro do Paço, in Lisbon. In these numbers are included the 2 new hotels opened in 2016, resulting from the joint venture between Grupo Pestana and Cristiano Ronaldo, namely Pestana CR7 Lisboa and Pestana CR7 Madeira.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Units	Location	Units	Location
Pestana Carlton Madeira ^(a)	Madeira	Pestana Porto	Oporto
Pestana Madeira Beach Club	Madeira	Pestana Palácio do Freixo	·
Pestana Madeira Beach Club Pestana Casino Park Hotel			Oporto
	Madeira	Pestana Cidadela Cascais	Cascais
Pestana Grand	Madeira	Pestana Sintra Golf	Sintra
Pestana Grand Vacation Club	Madeira	Pestana Beloura Golf Resort	Sintra
Pestana Porto Santo	Madeira	Pousadas de Portugal (Rede)	Portugal
Pestana Colombos ^(a)	Madeira	Pestana Tróia Eco resort	Tróia
Pestana Ilha Dourada ^(a)	Madeira	Pestana Alvor Praia	Algarue
Pestana Promenade	Madeira	Pestana Alvor Beach Club	Algarue
Pestana Promenade Vacation Club	Madeira	Pestana Dom João II ^(a)	Algarue
Pestana Miramar	Madeira	Pestana Dom João II Beach Club	Algarue
Pestana Miramar Vacation Club	Madeira	Pestana Delfim ^(a)	Algarue
Pestana Village	Madeira	Pestana Aluor (d)	Algarue
Pestana Village Vacation Club	Madeira	Pestana Viking ^(a)	Algarue
Pestana Palms	Madeira	Pestana Viking Vacation Club	Algarue
Pestana Palms Vacation Club	Madeira	Pestana Aluor Atlantico	Algarue
Pestana Bay	Madeira	Pestana Alvor South Beach	Algarue
Pestana Atlantic Gardens ^(a)	Madeira	Pestana Palm Gardens ^(d)	Algarue
Madeira Magic	Madeira	Pestana Gramacho Golf Resort	Algarue
Casino da Madeira	Madeira	Pestana Gramacho Golf Residence	Algarue
Centro Intern. Neg. Madeira	Madeira	Pestana Vale da Pinta Golf Resort	Algarue
Pestana CR7 Madeira ^(a)	Madeira	Pestana Silves Golfe Resort	Algarue
Pestana Royal ^{(a) (b)}	Madeira	Pestana Alto Golfe Resort	Algarue
Pestana Quinta dos Arcos ^{(a) (c)}	Madeira	Pestana Vilasol Golfe Resort ^(a)	Algarue
Pestana Casino Studios ^(c)	Madeira	Pestana Vilasol Hotel Resort ^(a)	Algarue
Pestana Palace	Lisbon	Pestana Race ^(a)	Algarue
Pousada de Lisboa	Lisbon	Pestana Race Apartments ^(a)	Algarue
Pestana CR7 Lisboa	Lisbon	Hotel Bahia Palace	Azores
Pestana Cascais ^(a)	Cascais		

(a) Management contract / Lease contract

(b) Opened in May 2017

(c) Opened in November 2017

(d) Franchising

These consolidated financial statements were approved by the Board of Directors in the meeting held on 7 March 2018. The Board of Directors believes that these consolidated financial statements give a true and fair view of the consolidated operations of Grupo Pestana S.G.P.S, S.A., as well as its consolidated financial position, its financial performance and its consolidated cash flows.

Grupo Pestana consolidated financial statements and related notes are presented in Euros.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



2. Accounting standards used in the preparation of the consolidated 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 and effective as at 1 January 2017. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Board. 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 financial statements.

The consolidated financial statements have been prepared under historical cost convention, except for the derivative financial instruments, measured at fair value.

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 period.

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).

New standards and interpretations

a) The impact of the adoption of the amendments to the standards that became effective on 1 January 2017 is as follows:

- IAS 7 (amendment), 'Cashflow statement Disclosure initiative'. As presented in Note 43 this amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash flow statement.
- **IAS 12** (amendment),'Income taxes Recognition of deferred tax assets for unrealized losses'. This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible



differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law. This amendment had no impact on the Group's financial statements.

b) The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2018:

- **IFRS 9** (new), 'Financial instruments'. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition. The Group will adopt IFRS 9 in the period it becomes effective and no relevant impacts are expected to occur on the Group's Consolidated financial statements.
- **IFRS 15** (new), 'Revenue from contracts with customers'. This new standard, applies only to contracts with customers to provide goods or services, and requires an entity to recognize revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. The Group will adopt IFRS 15 in the period it becomes effective and no relevant impacts are expected to occur on the Group's Consolidated financial statements.

Amendments to IFRS 15 'Revenue from contracts with customers'. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition. The Group will adopt this amendment in the period it becomes effective and no relevant impacts are expected to occur on the Group's Consolidated financial statements.

IFRS 16 (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). This new standard replaces the IAS 17 and according to it lessees are now required to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". The Group will adopt IFRS 16 in the period it becomes effective.

c) Standards (new and amendments) and interpretations that have been published and are mandatory for the accounting periods beginning on or after 1 January 2018, but are not yet endorsed by the European Union:

Annual Improvements 2014 - 2016. The 2014-2016 annual improvements impacts: IFRS 12 and IAS 28. These improvements will have no impact on the Consolidated financial statements.



- IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model, prior to any impairment test of the investment as a whole. This amendment will have no impact on the Group's Consolidated financial statements.
- IAS 40 (amendment), 'Transfers of Investment property'. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer. This amendment will have no impact on the Group's Consolidated financial statements.
- **IFRS 9** (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. This amendment will have no impact on the Group's Consolidated financial statements.
- Annual Improvements 2015 2017, (generally effective for annual periods beginning on or after 1 January 2019). The 2015-2017 annual improvements impact: IAS 12, IAS 23, IFRS 3 and IFRS 11. The Group will adopt these improvements in the periods they become effective.
- IFRIC 22 (new), 'Foreign currency transactions and advance consideration'. An Interpretation of IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions. The Group will adopt IFRIC 22 in the period it becomes effective and no relevant impacts are expected to occur on the Group's Consolidated financial statements.
- **IFRIC 23** (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This is an interpretation of IAS 12 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 "Provisions, contingent liabilities and contingent assets ", based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. The Group will adopt IFRIC 23 in the period it becomes effective and no relevant impacts are expected to occur on the Group's Consolidated financial statements.



3. Main accounting policies

The main accounting policies applied in the preparation of the 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.

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-controlled 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.



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.

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 gains 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 40.

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 gains and losses recognized from the date that significant influence begins until the date it ends.

Dividends received from associates are deducted from the carrying amount of the investment in the 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 40.



3.1.4. Available-for-sale financial assets

Available-for-sale financial assets 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.

The investments in these entities correspond to available-for-sale financial assets for which it is not possible to reliably determine fair value, being measured at the acquisition cost less impairment losses, if any, and dividends are recognized as gains in the year in which they are assigned.

Entities that qualify as Available-for-sale financial assets are listed in Note 11.

3.2. Business combinations under common control

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

Grupo Pestana records the transactions of acquisition 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 acquirer 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. Foreing currency translation

i) Functional and presentation currency

The consolidated financial statements and related notes are presented in Euros, unless otherwise stated, the presentation currency of 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 finance expenses if related with loans, or under other income/expenses for all other balances/transactions.



iii) Foreign Operating Units

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

- (a) assets and liabilities in each statement of financial position presented are translated at the closing rate on the reporting date;
- (b) income and expenses of the statement of comprehensive income are translated at the average exchange rate and;
- (c) All exchange rate differences are recognized as a separate component in equity.

On the disposal of investments in foreign subsidiaries, foreign exchange differences associated with that investment recorded in equity are recognized in Income statement.

iv) Exchange rates used

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

Currency	31-12-2017	31-12-2016
BRL - Brazilian Real	3.9437	3.4305
CAD - Canadian Dollar	1.5047	1.4188
CHF - Swiss Franc	1.1701	1.0739
DKK - Danish Crown	7.4449	7.4344
GBP - Sterling Pound	0.8875	0.8562
NOK - Norwegian Crown	9.8348	9.0863
SEK - Swedish Crown	9.8387	9.5525
USD - United States Dollar	1.1994	1.0541

The exchange rate used to translate transactions in foreign currencies, which corresponds to the average exchange rate during the entire year, were as follows:

Currency	31-12-2017	31-12-2016
GBP - Sterling Pound	0.8763	0.8198
USD - United States Dollar	1.1288	1.1067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 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 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 IAS 17 - Leases.

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

The cost of repairs and maintenance of 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 timeshare	40 years
Golf	20 years
Other	Between 40 e 50 years
Basic equipment	Between 10 e 20 years
Transport equipment	Between 4 e 8 years
Tools	Between 4 e 10 years
Administrative equipment	Between 3 e 10 years
Other tangible assets	Between 10 e 20 years
Transport equipment Tools Administrative equipment	Between 4 e 8 years Between 4 e 10 years Between 3 e 10 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 IAS 17, and this period varies between 3 to 30 years.

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

Tangible assets associated with the concession of the Pousadas de Portugal and the Gambling concession (Casino da Madeira), are reversible at the end of the contract, free of charge. Therefore, their useful life corresponds to the economic life of the assets or the concession term, whichever is lower.

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

3.5. Intangible assets

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 the scope of the application of 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.

Expenditures on research and developments conducted during the course of operating activities are recognized in the income statement of the period in which they are incurred.

Intangible assets of Grupo Pestana refer mainly to concessions, software and websites.

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



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 occurred 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 on goodwill are not reversible.

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

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

Amortization is calculated on a straight line basis, using estimated useful lives, being the most significant as follows:

	Years
Concessions	Between 20 and 70 year
Website	4 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.

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

An impairment loss is recognized by the excess of the book value of the asset over its recoverable amount, being the recoverable amount, the higher between the fair value of an asset less costs to sell and its value in use. For the determination of impairment, assets are allocated to the lowest level for which separate cash flows are identifiable (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 are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.8. Income tax

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

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

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



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

Deferred tax assets are recognized to the extent that it is probable that future taxable 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 will not reverse in the foreseeable future.

3.9. Financial assets

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

Financial assets can be classified as:

- (i) Financial assets at fair value through profit or loss include non-derivative financial assets held for trading with respect to short-term investments and assets at fair value through profit or loss at the time of initial recognition;
- ii) Loans and receivables include non-derivative financial assets with fixed or determinable payments not listed in an active market;
- iii) Investments held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the intention and ability to hold to maturity;
- iv) Available-for-sale financial assets include non-derivative financial assets that are designated as available for sale at initial recognition or do not fit the above categories. They are recognized as non-current assets unless there is intent to sell them within 12 months following the reporting date.

As at 2017 and 2016, the Group only has financial assets classified as Available-for-sale financial assets and Loans and receivables.



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

Available-for-sale financial assets are initially recognized at fair value plus transaction costs. In subsequent periods they are measured at fair value and the change in fair value recognized in the fair value reserve in equity. Investments in equity instruments can be measured at cost when the fair value cannot be reliably determined. Dividends and interest earned on available-for-sale financial assets are recognized in the income statement of the period during which, under other operating gains, when the right to receive is established.

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

Financial assets are derecognized when the contractual rights to the cash flows expire or are transferred, as well as all risks and rewards associated to their ownership.

3.10. 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 and available-for-sale financial assets. 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.

3.11. Trade and other receivables

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



3.12. Inventories

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

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

3.13. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity, 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 statements as Cash and cash equivalents.



3.14. Capital

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

3.15. Provisions

Provisions are recognized when Grupo Pestana has: i) a present legal or constructive obligation resulting from past events, ii) to which is more probable than not that an outflow of internal resources will be necessary to settle this obligation, and iii) the amount can be reasonably estimated. Whenever one of the criteria is not met or the existence of the obligation is conditional on the occurrence (or non-occurrence) of a certain future event, 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 for estimated costs to be incurred in the future with the construction warranty given over the houses and apartments sold. This provision is recorded on the date of sale, affecting the gain obtained. At the end of the legal warranty period, the remaining amount of the provision is reversed to the consolidated income statement.

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

3.16. Financial liabilities

Financial liabilities are classified into two categories:

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

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

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



3.17. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. 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. Derivatives

Derivative financial instruments are initially recorded at fair value on the transaction date being subsequently measured at fair value. The method for recognizing gains and losses in fair value depends on the designation of the derivatives. When dealing with trading derivatives, gains and losses in fair value are recognized in the income statement for the period under finance income or finance 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 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 income statement. The ineffective portion of the hedging relationship is recorded in the income statement.

3.19. Leases

Leases of tangible fixed assets, for which Grupo Pestana retains substantially all the risks and benefits incidental to ownership of the asset are classified as finance leases. They are also classified as finance leases agreements when the analysis of one or more particular situations indicates that in substance that is the contract nature. All other leases are classified as operating leases.



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

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

Contracts where the Group enters in the lease of an asset that has been sold (sale & leaseback) are assessed taking into account if it is a true sale and, if that is the case, if the lease qualifies as an operating or a finance lease. The accounting treatment followed is as described above depending on the classification.

3.20. 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 are recognized as income in the consolidated income statement in the same period 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 statement of financial position as deferred income and recognized in the consolidated income statement in proportion to the depreciation of the tangible assets subsidized.

3.21. Income and Expenses

Income and expenses are recorded in the period 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.



3.22. Revenue

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

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

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

(i) Hospitality

In the hospitality business, the 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 the revenue is recorded on the day of the service.

Grupo Pestana has in force a loyalty program, denominated as PPG - Pestana Priority Guest, according to which regular customers may obtain discounts and offers in future services. When recording transactions that qualify for point's award, there is a segregation of the amount invoiced to the client between the revenue of product or services and the value of points awarded, based on the fair value of each element. Thus, the revenue of the product sold or service rendered is recognized immediately in the income statement, and the value allocated to the points is deferred until the date the customer uses the points in the purchase of a product / service, as agreed in the loyalty program, or until the date the points expire.

(ii) Pestana vacations club

Grupo Pestana recognizes revenue from the sale of timeshare contracts, also known as Pestana vacations club, depending on the transfer of risks and rewards associated to each contract.

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

In this case, the revenue from the sale of the timeshare contract is deferred for the period of the contract on a straight line basis, once Grupo Pestana retains all the risks and rewards related with the underlying asset (the building) in addition to maintaining its active management (possibility of lease to third parties during the period not sold as timeshare).


When the timeshare sale is made with credit granted to the customers, and no interest is charged, the amount of revenue to defer is calculated based on the present value of receivables. When interest is charged to customers, the amount of revenue is recorded at its nominal value.

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

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

(iii) Real estate

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: i) the amount of revenue can be reliably estimated, ii) it is probable that economic benefits will flow to Grupo Pestana, and iii) a significant part of the risks and rewards have been transferred to the buyer.

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

In the case of houses, apartments and townhouses, built at the risk of Grupo Pestana, for sale to third parties, revenue is recognized only when the deed on the property is signed, date on which all the risks and rewards are considered transferred to the buyer.

Revenue from management services for condominiums is recognized in the period corresponding to the service. Revenue to be recognized corresponds to the commission negotiated and does not include the recharge of costs inherent to the building / resort management, to the owners.

(iv) Touristic entertainment

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

(v) Management contracts

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

3.23. Construction contracts

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

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

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

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.

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

3.24. 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 period 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 statement of financial position date that lead to no adjustments) are disclosed in the consolidated financial statements, if considered to be material.



4. Financial risk management policies

4.1. Financial risk factors

Pestana Hotel Group'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.

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

The Board of Directors sets the principles for risk management as a whole and policies that cover specific areas, such as exchange rate risk, 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) Exchange rate risk

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

Pestana Hotel Group'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.

ii) Credit risk

Pestana Hotel Group's credit risk mainly arises from corporate customers and tour operators and from the other remaining receivables from third parties. The follow up of credit risk is made centrally by the finance department of Pestana Hotel Group, overseen by the Board of Directors, by proper risk assessment conducted prior to the acceptance of a customer and the regular monitoring of credit limits assigned to each customer against the amounts due.

There are indicators of impairment in receivables accounts balances when the balances are overdue for more than six month, debtors' financial difficulties are observed and a bankruptcy is probable. Each situation is assessed on case by case basis.

Pestana Hotel Group follows a growth strategy which implies significant volumes of investments with relatively long return periods and, therefore, associated with financing sources with adequate refund dates. Additionally, taking into account the widespread geography of these investments, there are some restrictions on free movement of capital which originates treasury excesses and needs with disparate behaviors at the same time. On the other hand, the hospitality business presents a significant exposure to the variability of economic cycles and especially resorts face significant seasonality.

These factors are determinant in defining Pestana Hotel Group'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 hospitality business management itself and ensuring to each new significant investment its medium and/or long term financial structure and whenever possible with fixed rate interest.

Pestana Hotel Group is going through a very positive business economic cycle which is originating excess treasury in the short term. These excesses are firstly applied in the reduction of short term debt, then on the more expensive medium and/or long term debt and also on the equity financing component of the new projects. In order to reduce treasury risk the remaining excess is applied on very short term deposits with financial institutions with whom Pestana Hotel Group already works and to whom it owes most of its medium and/or long term debt.

According to Moody's, credit ratings for the Group's bank deposits and loans classified as Cash and cash equivalents and Borrowings are as follows:

	Bank deposits			Bank loans		
	2017	2016		2017	2016	
Rating:						
A3	5,306,543	4,832,912		10,630,494	9,737,209	
Αα2	123,634	770,055		-	-	
Βαα1	1,243,007	22,927,052		613,816	32,166,604	
Βαα2	306,309	155,685		5,000,000	-	
Ba1	17,476,863	16,258,396		99,581,464	93,726,394	
Βα2	8,097,363	10,881,415		31,500,000	33,396,761	
B1	3,006,670	1,102,628		22,497,858	31,085,929	
B3	786,070	572,587		13,714,286	15,142,857	
Caa2	14,244,470	23,016,820		47,023,011	56,681,936	
No classification	4,253,731	698,566		61,474,052	92,146,134	
Total	54,844,662	81,216,116		292,034,981	364,083,825	



iii) Liquidity risk

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

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

Regular 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.

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

31 December 2017	Less than 1 year	Between 1 and 5 years	More than 5 year
Borrowings:	49,208,534	231,039,627	38,160,263
- bank loans	34,417,336	80,583,804	35,914,952
- bond loans	-	107,500,000	-
- commercial paper	5,944,444	26,833,333	-
- bank overdrafts	841,112	-	-
- undiscounted interests payable until maturity	8,005,642	16,122,490	2,245,311
Trade and other payables - non group	91,229,451	3,903,950	1,398,079
Derivatives financial instruments	627,378	437,144	4,732

31 December 2016	Less than 1 year	Between 1 and 5 years	More than 5 year
Borrowings:	62,438,157	253,047,986	93,975,738
- bank loans	38,442,310	114,807,400	71,750,720
- bond loans	-	92,500,000	15,000,000
- commercial paper	10,000,000	18,500,000	-
- bank overdrafts	3,083,395	-	-
- undiscounted interests payable until maturity	10,912,452	27,240,586	7,225,018
Trade and other payables - non group	88,517,755	7,596,393	12,555,583
Derivatives financial instruments	945,453	1,010,954	15,035



iv) Interest rate risk

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

For long-term borrowings, and as a way to mitigate a possible change in long-term interest rate, Grupo Pestana negotiates, whenever appropriate, derivative financial instruments to hedge the respective cash flows (interest rate swaps), which represent hedging for those long-term borrowings. The Group has also the option, under certain circumstances, to choose to fix the interest rate in the first years of the borrowings and analyze, later, the possibility to negotiate interest rate swaps to cover the cash flows of the remaining period of the financing.

Sensitivity analysis of financial 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 2017 and 2016.

Considering Grupo Pestana's consolidated net debt as at 31 December 2017, an increase of 0.25% in the interest rate would result in the increase in net finance expenses for the year of approximately 700,000 Euros (31 December 2016: approximately 815,000 Euros).

4.2. Capital risk management

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

The negotiation of financing is periodically analyzed 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, 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 surpassed.



The gearing ratios as at 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Total Borrowings	336,875,441	410,066,477
Less: Cash and cash equivalents	56,280,131	82,603,973
Net debt	280,595,311	327,462,503
Equity	269,839,805	280,628,883
Total capital	550,435,115	608,091,388
Gearing	51%	54%

If we considered the deferred revenue from Pestana Vacation Club sales (Note 25) as a component of equity and not as liability, since they do not represent future cash payments, the gearing is as follows:

	31-12-2017	31-12-2016
Total Borrowings	336,875,441	410,066,477
Less: Cash and cash equivalents	56,280,131	82,603,973
Net debt	280,595,311	327,462,503
Equity adjusted	426,182,318	438,702,298
Total capital	706,777,629	766,164,802
Adjusted gearing	40%	43%

4.3. Accounting for derivative financial instruments

As at 31 December 2017 and 2016, and whenever appropriate, Pestana Hotel Group has hedged its economic exposure to cash flows from existing borrowing through the negotiation of interest rate swaps.

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

It is noteworthy that the loans subject to hedging have implicit spreads much lower than the ones that are being currently practiced in the market. Consequently, the total cost of the loans that are being penalized by these derivatives is not higher than the other borrowings of the group.



5. Main accounting estimates and judgments

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

The intrinsic nature of estimates may lead to the actual impact of situations under estimation, for financial reporting purposes, 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, Pestana Hotel Group 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 it power over the investee ("de facto" control).

This evaluation 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 assets

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

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

5.3. Impairment

The determination of whether a potential impairment loss exists may be triggered by the occurrence of various events, many of which are beyond Pestana Hotel Group's control, such as:



the future availability of financing, the cost of capital, as well as for any other changes, either internal or external to the Group.

The identification of impairment indicators, the estimate of future cash flows and the computation of the fair value of assets imply a high degree of judgment by the Board of Directors regarding the identification and evaluation of different impairment triggers, expected cash flows, applicable discount rates and useful lives. Pestana Hotel Group's results obtained in this sector, during more than the last 45 years, are, however, a good indicator to assess the estimates that have been used.

Considering the uncertainties of the recovery value of the net value of goodwill because it is based on the best information available to date, changes in assumptions could impact on the determination of the level of impairment and, consequently, on the results. Grupo Pestana reviews, on an annual basis, the assumptions underlying the whether or not there is impairment of goodwill resulting from the acquisition of shareholdings in companies subsidiaries. The assumptions used are sensitive to changes of the macroeconomic indicators and business assumptions used by management.

5.4. Provisions

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

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.

5.5. Leases

The classification of sale & leaseback contracts negotiated over Group assets is assessed on a case by case basis, considering the management's intention and the substance of the conditions agreed in terms of transfer of risks and rewards associated to the property title and management of the assets.

Sale & leaseback contracts are classified as true sales of the assets followed by an operational lease, when the contract terms do not foresee the retention of a significant part of the risks and benefits over the assets, by Pestana Hotel Group.

Management considers that the existence of contractual conditions like: i) the existence of a call option at a bargain price; ii) the use of a substantial part (+75%) of the remaining useful life of the asset; or iii) the discounted value of the rentals payable corresponds to more than 90% of the fair value of the asset, are indicators that the substance of the leasing contact is a financing. When none of these conditions are foreseen in the leasing contract, this is considered to be an operating lease.



6. Tangible fixed assets

During the period ended as at 31 December 2017 and 2016 the movements occurred in Tangible fixed assets were as follows:

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Tools	Other tangible assets	Assets under construction	Total
1 January 2017		constructions					ussets		
Acquisition cost	138,790,066	796,094,520	244,759,887	5,123,740	21,466,478	748,870	9,998,391	103,194,441	1,320,176,393
Accumulated depreciation	-	(384,090,022)	(169,829,002)	(4,719,814)	(20,200,391)	(636,160)	(8,048,535)	-	(587,523,924)
Accumulated impairment	(438,635)	(6,560,472)	(54,182)	-	(4,819)	(22)	-	(665,649)	(7,723,779)
Net book value	138,351,432	405,444,026	74,876,703	403,926	1,261,268	112,688	1,949,855	102,528,791	724,928,689
Changes in 2017									
Perimeter entries - acquisition cost	-	-	-	-	-	-	-	10,689,293	10,689,293
Additions	255,675	15,047,625	8,628,343	335,058	403,999	3,282	875,055	25,911,167	51,460,203
Disposals - accquisition cost	-	(5,579,280)	(140,595)	(146,836)	(13,513)	(33)	(241,005)	-	(6,121,261)
Disposals - accumulated depreciation	-	237,752	87,065	131,311	13,513	33	241,005	-	710,679
Foreign currency translation - acquisition cost	(795,691)	(1,050,466)	(328,207)	(3,661)	(126,466)	(2,635)	(218)	(3,192,820)	(5,500,164)
Foreign currency translation - accumulated depreciation	-	138,116	156,292	2,343	88,552	1,789	23	-	387,115
Transfers - acquisition cost	700,803	4,683,058	(916,750)	(234,093)	(60,254)	(37,053)	1,419	(22,392,357)	(18,255,228)
Transfers - accumulated depreciation	-	(460,080)	1,924,313	234,094	73,616	37,052	-	-	1,808,995
Transfers - accumulated impairment	27,095	441,223	10,824	-	-	-	-	321,600	800,742
Depreciation	-	(20,263,300)	(9,115,788)	(135,369)	(546,025)	(29,338)	(541,861)	-	(30,631,680)
Perimeter exits - acquisition cost	(31,144,462)	(77,307,005)	(10,877,145)	(158,453)	(3,568,727)	(104,403)	(7,922)	(69,317,418)	(192,485,535)
Perimeter exits - accumulated depreciation	-	12,879,222	7,489,957	153,804	3,140,086	80,880	1,452	-	23,745,401
Perimeter exits - accumulated impairment	-	1,278,620	-	-	3,855	-	-	-	1,282,475
Impairment - charge	-	-	-	-	-	-	-	_	-
Impairment - reversals	398,533	2,986,939	8,868	-	964	22	-	-	3,395,327
	(30,558,049)	(66,967,574)	(3,072,823)	178,198	(590,400)	(50,404)	327,949	(57,980,533)	(158,713,635)
31 December 2017									
Acquisition cost	107,806,391	731,888,452	241,125,533	4,915,754	18,101,517	608,028	10,625,719	44,892,307	1,159,963,702
Accumulated depreciation	-	(391,558,310)	(169,287,163)	(4,333,631)	(17,430,649)	(545,744)	(8,347,915)	-	(591,503,412)
Accumulated impairment	(13,008)	(1,853,690)	(34,490)					(344,049)	(2,245,237)
Net book value	107,793,383	338,476,452	71,803,880	582,124	670,868	62,284	2,277,804	44,548,258	566,215,054



	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Tools	Other tangible assets	Assets under construction	Total
1 January 2016									
Acquisition cost	143,342,118	795,780,459	219,424,445	3,099,654	18,910,120	733,714	2,063,711	86,136,529	1,269,490,749
Accumulated depreciation	-	(374,548,084)	(154,353,012)	(2,819,878)	(17,581,922)	(614,122)	(1,790,790)	-	(551,707,807)
Accumulated impairment	(399,936)	(8,308,726)	-	-	(3,855)	-	-	(665,649)	(9,378,166)
Net book value	142,942,181	412,923,649	65,071,434	279,776	1,324,344	119,592	272,920	85,470,879	708,404,776
Changes in 2016									
Perimeter entries - acquisition cost	792	13,047,035	21,502,750	2,222,894	2,262,831	-	8,459,988	22,836	47,519,126
Perimeter entries - accumulated depreciation	-	(9,070,313)	(8,920,113)	(2,012,803)	(2,183,828)	-	(6,388,966)	-	(28,576,023)
Additions	120,000	15,255,971	7,087,616	42,147	323,640	27,914	295,401	29,204,499	52,357,189
Disposals - accquisition cost	(4,902,548)	(30,083,753)	(3,287,794)	(224,434)	-	-	(845,850)	(10,500,900)	(49,845,279)
Disposals - accumulated depreciation	-	20,129,745	2,104,630	272,822	-	-	615,488	-	23,122,684
Foreign currency translation – acquisition cost	229,705	298,350	(518,773)	1,035	(71,382)	(13,798)	-	823,571	748,707
Foreign currency translation - accumulated depreciation	-	(102,152)	266,137	(1,378)	81,284	65,418	33	-	309,341
Transfers and write-offs	-	1,796,459	551,643	(17,556)	41,268	1,040	25,143	(2,492,095)	(94,098)
Depreciation	-	(20,499,218)	(8,926,644)	(158,576)	(515,925)	(87,456)	(484,299)	-	(30,672,119)
Impairment - charge	(38,698)	(360,931)	(54,182)	-	(964)	(22)	-	-	(454,797)
Impairment - Reversals		2,109,184	-	-	-				2,109,184
	(4,590,749)	(7,479,623)	9,805,269	124,150	(63,076)	(6,904)	1,676,935	17,057,912	16,523,914
31 December 2016									
Acquisition cost	138,790,066	796,094,520	244,759,887	5,123,740	21,466,478	748,870	9,998,391	103,194,441	1,320,176,393
Accumulated depreciation	-	(384,090,022)	(169,829,002)	(4,719,814)	(20,200,391)	(636,160)	(8,048,535)	-	(587,523,924)
Accumulated impairment	(438,635)	(6,560,472)	(54,182)	-	(4,819)	(22)		(665,649)	(7,723,779)
Net book value	138,351,432	405,444,026	74,876,703	403,926	1,261,268	112,688	1,949,855	102,528,791	724,928,689



Changes in the consolidation perimeter

In 2017, the changes in the consolidation perimeter refer to the entry of the land of Pestana Dunas Project (Porto Santo) of subsidiary Imóveis Brisa – Fundo de Investimento Imobiliário Fechado, and the exit of hotels Pestana Chelsea Bridge, Pestana Berlin Tiergarten, Pestana Miami South Beach, Pestana Arena Barcelona as well as the hotels under construction in Manhattan and Amsterdam, as a consequence of the disposal of Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hotéis, S.A. and its subsidiaries (Note 41). In 2016, these refer to the entry of the factory and the related equipment of subsidiary Empresa de Cervejas da Madeira, Sociedade Unipessoal, Lda (Note 41).

Additions, excluding assets under construction

2017 additions refer mainly to the construction of Hotel Pestana Casino Studios and the renovation works in Hotel Pestana Royal Bay, for an amount of approximately 3,500,000 Euros and 3,000,000 Euros, respectively, and the acquisition in July 2017 of the building designated as "Cocheiras do Palácio Valle Flor", next to Hotel Pestana Palace in Lisbon, for an amount of 5,400,000 Euros, which was leased until that date.

2016 additions refer mainly to renovation works in Hotel Pestana Alvor Praia and Hotel Pestana Bahia Praia, for the amounts of 5,400,000 Euros and 2,500,000 Euros, respectively, and the acquisition in September 2016 of the Hotel Pestana Atlantic Gardens, for the amount of 5,000,000 Euros, which was leased until that date.

The remaining additions as at 31 December 2017 and 2016 refer mainly to renovation and remodeling investments in hotel units, a brewery factory, a casino and Timeshare contract acquisition costs (Note 3.4)

Disposals

In 2017, the decrease in the caption Buildings and other constructions refers to the disposal of the hotel Pestana Atlantic Gardens, for the amount of 5,350,000 Euros, which gave rise to a capital gain of 308,951 Euros (Note 31), having been subsequently leased while the Group maintains its management (Note 29). It also includes the disposal of some apartments in Pestana Alvor Atlântico for the amount of 1,225,642 Euros, giving rise to a capital gain amounting to 832,429 Euros (Note 31).

In 2016, the decrease in the captions Land and Buildings and other constructions refers to the disposal of the Hotel Pestana Viking to a real estate investment fund, for the amount of 17,900,000 Euros, generating a capital gain of 2,775,340 Euros (Note 31). Grupo Pestana has leased the hotel while maintaining its management, against the payment of a monthly rent (Note 29). Additionally, it has disposed of a building in Lisbon, as well as the existing equipment, for an amount of 14,500,000 Euros, generating a capital gain of 2,049,948 Euros (Note 31).

Transfers

In 2017, Grupo Pestana decided to change Tróia and Silves projects, which initially foresaw the construction and management of aparthotels, and for which the purpose now is the construction and sale of apartments. Consequently, it has been transferred to Inventories' caption the amount of the respective plot of land, the expenses incurred with licensing, allotment and the study and development project performed for general infrastructures, amounting to 10,496,377 Euros and 4,894,000 Euros (Note 15), respectively.

Impairments

In 2017, Grupo Pestana reversed the total amount of impairment losses recognized for the assets of the golf courses "Silves Golfe" and "Gramacho/Pinta Golfe" and adjacent Club-Houses, in the amounts of 1,666,375 Euros and 370,824 Euros, respectively, as well as part of the impairment losses recognized on the golf course "Beloura Golfe" and adjacent Club-House in the amount of 1,118,159 Euros, having also reversed part of the impairment recognized for Madeira Magic in the amount of 229,288 Euros, as a result of the significant improvement in the operational results generated by the management of these assets. Considering the estimated future cash flows and the applicable discount rate it was concluded that these assets' fair value was higher than its former net book value.

In 2016, Grupo Pestana reversed all the impairment booked against the Hotel Pestana Sintra Golfe, in the amount of 2,109,184 Euros, as a result of the significant improvement in the operational result generated by the management of this asset, a situation that has been consistently verified over the last years. Thus, considering the estimated future cash flows and the discount rate applied, it was concluded that the asset's recoverable amount was higher than its net book value, which allowed for the reversal of the impairment recognized. Additionally, an impairment charge over the golf course "Beloura Golfe" and the adjacent Club-House was recognized, in the amount of 399,262 Euros, as a result of the recoverable amount calculated based on estimated future cash flows and an adequate discount rate, being at that date lower than the net book value.



Assets under construction

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

	2017	2016
Quinta da Amoreira project (Algarve)	18,855,722	15,981,106
Pestana Dunas project (Porto Santo)	10,689,293	-
Gramacho Residences project (Algarue)	3,875,847	-
North of Gramacho land (Algarue)	2,165,720	2,158,698
D. Fernando lands (Algarue)	1,926,288	1,926,288
Lisbon downtown project	1,850,925	1,850,925
Silves area project (Algarve)	1,215,396	1,215,396
Golf course project (Algarve)	1,199,852	1,199,852
Silves golf course project (Algarve)	500,001	500,001
Vale do Pinta adjacent lands (Algarue)	354,900	354,900
Pestana Amsterdam project	-	27,328,993
Pestana Manhattan project	-	25,913,934
Tróia project (Note 15)	-	12,781,988
Silues Hotel project (Note 15)	-	4,894,000
Madeira Beach Club	-	2,106,027
Alvor Beach Club	-	789,811
Pestana Madrid project	-	763,015
Pestana Royal Bay project	-	500,000
Alvor Beach urbanization plan (Algarve)	-	382,277
Others	1,914,314	1,881,580
	44,548,258	102,528,791

Quinta da Amoreira project refers to a 5-star hotel in Quinta da Amoreira, in Alvor, for which construction works have started in the last quarter of 2017, in a plot of land of 12.8 Ha located between Pestana Alto Golfe and the hotels Pestana Alvor Praia and Pestana Delfim, with direct access to the Três Irmãos beach, in Alvor. The hotel is presumed to be the first hotel in Portugal that will be built specifically for the sophisticated 5 star "all inclusive" market. This new hotel unit will have 550 rooms and suites and will be developed in an area equivalent to 13 football fields, horizontally, in buildings with only one or two floors. In its interior it will only be allowed to travel by foot or in electric vehicles. The existing large trees, and more specifically, the tree that names the place, the Amoreira, will be preserved. The hotel will have 7 restaurants and bars, 5 pools, spa, sports fields and animation activities for all ages.



Pestana Dunas project refers to the construction of a hotel in Porto Santo with a total of 396 beds. It is still in the licensing process. It is expected that the license will be granted during 2018 so that construction works can start in the following year.

Gramacho Residences project refers to a 4-star tourist resort near the golf courses of Gramacho and Vale da Pinta that has been acquired during 2017 and is being renovated by a Grupo Pestana subsidiary. It is a project that comprises 54 apartments and one villa, and is expected to start operating during 2018.

The land North of Gramacho with an area of approximately 100 Ha, also known as Quinta de São Pedro, is a project in its early stage of development, where there are plans for the construction of a 18 hole golf course as well as a real estate area.

D. Fernando project will be developed on a plot of land with a total area of 30 Ha, where the Group has the intention to build one hotel and a 9-hole golf course.

Lisbon downtown project consists of a vacant building in Lisbon downtown acquired in 2016, being the group still assessing the possible future use of this asset, including urban leasing.

The project in Silves area, in Algarve, refers to a set of plots of land where the Group intends to develop a tourism project focused on nature, with walking paths, bird watching areas and specific areas for hunting, and for which Grupo Pestana is developing a series of actions, together with the City Hall of Silves.

The Golf course project is related with a 20 ha land, which the Group owns, in the surrounding area of the hotels Pestana Alvor Praia and Pestana Delfim. Given its location, near Alvor beach, and as a way of diversifying the services offered, the group intends to construct a 9 hole golf course in the future.

The adjacent land to Vale da Pinta, with an area of 8,171 ha, has several development options, namely, the extension of the real estate project of Vale da Pinta, in the context of a change to be introduced to the Lagoa City Master Plan, and the construction of a hotel unit.

Assets reversible to the State

Grupo Pestana has recognized in its financial statements assets related with gambling activities and with the concession of the Pousadas de Portugal network, which are reversible to the State at the end of the respective concessions without the right to any consideration. The net book value of these assets as at 31 December 2017 amounts to 8,971,529 Euros (31 December 2016: 8,249,071 Euros), and their useful life is equal to their economic life or to the concession term, whichever is lower.



Tangible fixed assets acquired through finance leases

In the period ended 31 December 2017 and 2016, the net book value of these assets is as follows:

	2017	2016
Acquisition cost	9,112,027	34,934,294
Accumulated depreciation	(2,916,767)	(2,528,761)
	6,195,260	32,405,533

The changes verified in 2017 refer mainly to the exit from the consolidation perimeter of Pestana CR7 Manhattan 39 LLC (Note 41) which corresponds to a decrease in acquisition cost of 25,913,934 Euros.

7. Intangible assets

During the period ended as at 31 December 2017 and 2016 the movements occurred in Intangible assets were as follows:

	Goodwill	Software	Concessions	Website	Total
1 January 2017					
Acquisition cost	17,000,000	1,404,903	21,634,920	1,197,630	41,237,453
Accumulated amortization	-	(939,501)	(10,168,179)	(575,560)	(11,683,239)
Accumulated impairment			(634,423)		(634,423)
Net book value	17,000,000	465,403	10,832,318	622,070	28,919,790
Additions	-	152,464	-	351,608	628,296
Disposals	-	-	-	-	-
Transfers	-	76,640		(76,640)	-
Perimeter entries (Note 41)	-	-	1,030,000	-	1,030,000
Perimeter exits - acquisition cost (Note 41)	-	(1,249,156)	(28,124)	(1,156,308)	(2,433,588)
Perimeter exits - accumulated depreciation (Note 41)	-	799,309	14,404	527,966	1,341,678
Transfers and write-offs - acquisition cost	-	-	-	(139,977)	(139,977)
Transfers and write-offs - accumulated depreciation	-	-	-	-	-
Amortization	-	(174,469)	(1,184,790)	(98,671)	(1,457,930)
Impairment - charge	-	-	-	-	-
Impairment - reversals	-	-	-	-	-
	-	(395,213)	(168,510)	(592,022)	(1,155,744)
31 December 2017					
Acquisition cost	17,000,000	384,852	22,636,796	176,313	40,197,961
Accumulated amortization	-	(314,662)	(11,338,564)	(146,265)	(11,799,491)
Accumulated impairment			(634,423)		(634,423)
Net book value	17,000,000	70,190	10,663,808	30,048	27,764,046



	Goodwill	Software	Concessions	Website	Total
1 January 2016					
Acquisition cost	-	1,470,267	21,634,920	807,490	23,912,676
Accumulated amortization	-	(884,012)	(8,845,006)	(460,926)	(10,189,945)
Accumulated impairment	-	-	(634,423)	-	(634,423)
Net book value	-	586,255	12,155,490	346,563	13,088,308
Additions	-	89,037	-	390,140	479,177
Transfers - acquisition cost	17,000,000	-	-	-	17,000,000
Disposals - acquisition cost	-	(154,401)	-	-	(154,401)
Disposals - accumulated amortization	-	154,401	-	-	154,401
Amortization	-	(209,889)	(1,117,101)	(114,633)	(1,441,624)
Amortization - transfers and write-offs	-	-	(206,070)	-	(206,070)
Imparidade - reforço	-	-	-	-	-
Imparidade - reversão		-	-	-	-
	17,000,000	(120,852)	(1,323,172)	275,507	15,831,481
31 December 2016					
Acquisition cost	17,000,000	1,404,903	21,634,920	1,197,630	41,237,453
Accumulated amortization	-	(939,501)	(10,168,179)	(575,560)	(11,683,239)
Accumulated impairment			(634,423)		(634,423)
Net book value	17,000,000	465,403	10,832,318	622,070	28,919,790

In June 2016, and following the corporate reorganization of Pestana Hotel Group, concentrating in the subsidiary M&J Pestana, S.A. all investments held in entities located in the Autonomous Region of Madeira and in the Autonomous Region of Azores, the single quota of Empresa de Cervejas da Madeira, Sociedade Unipessoal, Lda was acquired from Pestana International Holdings, S.A. for an amount of 17,500,000 euros, resulting in the recognition of a goodwill in the amount of 17,000,000 euros.

The recoverability of goodwill is tested annually with reference to 31 December, irrespective of the existence of impairment indicators. The recoverable amount was determined based on the assets' value in use, calculated using the discounted cash flows method and considering market conditions, the values of the budgets defined and approved by management and a discount rate that Grupo Pestana believes that reflects the best estimate of the associated risks. As at 31 December 2017 it was determined that the recoverable amount of the assets was higher than its net book value.



In 2017, Imóveis Brisa – Fundo de Investimento Imobiliário Fechado entered in the consolidation perimeter of Grupo Pestana S.G.P.S., S.A. resulting in an increase in caption Concessions corresponding to the surface right for three warehouse lots in Parque Empresarial da Zona Oeste in Câmara de Lobos (Note 41). Additionally in 2017, the subsidiaries Pestana Management – Serviços de Gestão, S.A., Intervisa – Viagens e Turismo, Lda and Pestana Segurança – Serviços de Segurança e Vigilância, Unipessoal, Lda ceased to belong to the consolidation perimeter of Grupo Pestana, S.G.P.S., S.A. as of November 1, 2017, resulting in perimeter exits of a net amount of 1,091,190 Euros.

The caption Concessions includes:

- The right to operate the "Pousadas de Portugal" network, from 2003 until 2023 inclusive, obtained under the Operation Assignment Agreement of "Rede de Pousadas", signed on 8 August 2003 with Enatur Empresa Nacional de Turismo, S.A..
- The gambling license rights, including the operation of games of chance in the permanent area of Funchal, until 2023 inclusive, representing the capitalized amount the total amount paid to the Regional Government of Madeira.
- The concession right of "Palácio do Freixo", for a period of 50 years, obtained through a contract with the City Hall of Oporto, where "Pousada" of Oporto operates since October 2010.
- The concession right of "Cidadela de Cascais", for a period of 70 years, through a contract signed on 26 November 2009 with Fortaleza de Cascais, E.M., where "Pousada" of Cascais operates since March 2012.
- The surface right for three lots of warehouses in Parque Empresarial da Zona Oeste, for a 25 year period, celebrated on 27 March 2006 with Madeira Parques Empresariais, S.A. where the group's brewery factory in Madeira operates since March 2011.



8. Investment properties

During the period ended as at 31 December 2017 and 2016 the movements occurred in Investment properties were as follows:

	2017	2016
1 January		
Acquisition cost	10,821,271	11,408,968
Accumulated depreciation	(2,678,555)	(2,720,077)
Accumulated impairment	(432,734)	(677,740)
Net book value	7,709,982	8,011,151
Additions	-	69,592
Disposals - acquisition cost	(476,314)	(657,289)
Disposals - accumulated depreciation	48,602	143,860
Disposals - accumulated impairment	-	245,006
Perimeter entries	1,239,950	-
Depreciation	(101,515)	(102,339)
Impairment - charge	-	-
Impairment - reversal	-	-
	710,723	(301,169)
31 December		
Acquisition cost	11,584,907	10,821,271
Accumulated depreciation	(2,731,469)	(2,678,555)
Accumulated impairment	(432,734)	(432,734)
Net book value	8,420,704	7,709,982

As at 31 December 2017 and 2016 Investment properties are intended, mainly, to be leased and can be detailed as follows:

	2017	2016
Commercial properties leased to third parties, Algarue	3,067,221	3,067,221
Funchal land, Madeira	1,269,455	1,269,455
São Vicente facilities (perimeter entry) (Note 41)	1,239,950	-
Angra dos Reis land, Brasil	962,902	962,902
S. Gonçalo houses, Madeira	755,019	1,182,731
Other	1,126,157	1,227,673
	8,420,704	7,709,982



As at 31 December 2017 and 2016, the fair value of each one of the assets classified as Investment properties is not less than its carrying amount. The amounts recognized in the Income Statement related with Investment properties are as follows:

	2017	2016
Rental income	221,407	172,657
Operational expenses	(24,241)	(24,241)
Deprecation	(101,515)	(102,339)
	95,651	46,077

9. Investments in joint ventures

The changes occurred in Investments in joint ventures during 2017 and 2016 are as follows:

	2017	2016
1 January	5,067,351	-
Acquisitions	-	5,249,788
Gains /(losses) from equity accounting (Note 33)	336,234	(182,437)
31 December	5,403,585	5,067,351

On December 2015, a Framework Joint Venture Agreement was signed between Pestana Hotel Group and Cristiano Ronaldo with the aim of promoting, developing and exploring several hotel. In April 2016, Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A. was incorporated and in May 2016 Pestana CR7 – Lisboa Hotel Investimentos Turísticos, S.A. was incorporated, both held in 50% by Grupo Pestana, promoting the "Pestana CR7" partnership in Madeira and Lisbon.

A set of decisions over the relevant activities that require the consent of both parties were defined, namely: approval of the business plan, the strategic plan and the annual budget; appointment of the entity's representative to participate in the general meetings of its subsidiaries and determination of the entity's vote; acquisition, disposal and charge of assets and contracting of bank financing of an amount higher than the predefined amount and not made within the ordinary course of business and not provided for in the annual budget; delegation of powers within the ordinary course of business to one or more directors or to an executive committee; incorporation of subsidiaries, creation of branches and creation of, or participation in, other forms of representation or corporate cooperation; subscription, acquisition and disposal of shareholdings or membership interests in other companies; approval and modification of any reward schemes, profit participation; the extension of the entity's business purpose to other activities other than the operation of the Project; and advance of profits, among others.

In June 2016, the group acquired a share, representing 50% of Solpor – Sociedade de Turismo de Porto Santo, Lda.'s share capital, as well as the accessory contributions of capital that the seller had made to the entity, for a total amount of 3,163,341 Euros, having been recognized an impairment loss of 487,635 Euros in the goodwill determined in the acquisition of this investment (Note 33).

	Acquisition cost							
Entity	% owned	Equity method	Impairment loss	Total	Total investment			
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	50.00%	853,025	_	853,025	853,025			
Solpor - Sociedade de Turismo do Porto Santo Lda.	50.00%	2,671,341	-	2,671,341	2,671,341			
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	50.00%	1,879,219	_	1,879,219	1,879,219			
		5,403,585	-	5,403,585	5,403,585			

As at 31 December 2017, the investments in joint ventures refer to the following entities:



As at 31 December 2016, the investments in joint ventures refer to the following entities:

	Acquisition cost							
Entity	% owned	Equity method	Impairment loss	Total	Total investment			
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	50.00%	798,595	-	798,595	798,595			
Solpor - Sociedade de Turismo do Porto Santo Lda.	50.00%	2,672,365	-	2,672,365	2,672,365			
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	50.00%	1,596,391	-	1,596,391	1,596,391			
		5,067,351	-	5,067,351	5,067,351			

The summarized information of the financial statements of these joint ventures is presented in Note 40.

As at 31 December 2017 and 2016 the investments in joint ventures do not include any goodwill.

10. Investments in associates

The changes occurred in Investments in associates during 2017 and 2016 are as follows:

	2017	2016
1 January	11,735,124	11,345,137
Perimeter changes	(305,308)	-
Gains /(losses) from equity accounting (Note 33)	500,906	389,987
31 December	11,930,722	11,735,124



As at 31 December 2017, Investments in associates relates to the following entities:

		Finan	cial investme	vestment Loans granted			Loans granted				
Entity	% detida	Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total (note 42)	Total investment	Goodwill included		
Enatur - Empresa Nacional de Turismo, S.A.	49.00%	10,444,105	-	10,444,105	1,190,593	-	1,190,593	11,634,698	3,837,382		
Albar - Sociedade Imobiliária do Barlavento, S.A.	49.81%	296,024	-	296,024	-	_	-	296,024	-		
		10,740,129	-	10,740,129	1,190,593	-	1,190,593	11,930,722	3,837,382		

As at 31 December 2016, Investments in associates relates to the following entities:

		Finan	Financial investment Loans granted			Financial investment Loans granted					
Entity	% owned	Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total (note 42)	Total investment	Goodwill included		
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A. (i)	3.75%	274,601	-	274,601	-	-	-	274,601	-		
Enatur - Empresa Nacional de Turismo, S.A.	49.00%	9,695,656	-	9,695,656	1,190,593	-	1,190,593	10,886,249	3,837,382		
Albar - Sociedade Imobiliária do Barlavento, S.A.	49.81%	574,274	-	574,274	-	-	-	574,274	-		
		10,544,531	-	10,544,531	1,190,593	-	1,190,593	11,735,124	3,837,382		



As at 7 December 2017, the Group acquired 82,500 shares of SDM - Sociedade de Desenvolvimento da Madeira, S.A. from Mr. Dionísio Pestana for 2,658,150 Euros, becoming Grupo Pestana S.G.P.S., S.A. the owner of 47.73% of this subsidiary's share capital. Pursuant the shareholder agreement signed with Francisco da Costa e Filhos S.A. for the assignment of 3.41% of voting rights, this stake allows Grupo Pestana to have control over the mentioned subsidiary.

As at 31 December 2016, Grupo Pestana S.G.P.S., S.A. had only 15% of SDM – Sociedade de Desenvolvimento da Madeira, S.A., but had control over the entity through the shareholders agreement signed with Mr. Dionisio Pestana for the assignment of 55% of the voting rights held over the subsidiary. Consequently, it held 25% of the voting rights of SDEM – Sociedade de Desenvolvimento Empresarial da Madeira, S.G.P.S., S.A..

The summarized information of the separate financial statements of Associates is presented in Note 40.

11. Available-for-sale financial assets

The changes occurred in Available-for-sale financial assets during 2017 and 2016 are as follows:

	2017	2016
1 January	7,879,486	32,545,559
Perimeter changes	(6,398,724)	40,652
Acquisitions	-	2,500
Loans granted / (repaid)	-	247,500
Disposals	(125,044)	(23,111,924)
Impairment losses	-	(1,844,802)
31 December	1,355,718	7,879,486

In 2016, the group sold the 5.74% share held in Salvintur – Sociedade de Investimentos Turisticos, S.G.P.S., S.A. as well as the total amount of shareholder loans granted, and its investment in Norgarante – Soc. Garantia Mútua, S.A., for the amount of 23,900,000 Euros and 1,876 Euros, resulting in a capital gain of 789,952 Euros (Note 33) and a capital loss of 16 Euros (note 33), respectively. The disposal of the shares in Salvintur and the related shareholder loans was based on a valuation performed by an internationally renowned entity in this area. In 2017, Imóveis Brisa – F.I.I.F. entered the consolidation perimeter (Note 41).

The impairment losses recognized in the 2016 refer fully to the devaluation of the market value of Imóveis Brisa – F.I.I.F. participation units, based on publicly listed prices as issued by the Portuguese Securities Market Commission (Note 33).



As at 31 December 2017, Available-for-sale financial assets relate to the following entities:

		Acquisition cost			Lo			
Entity	% owned	Investment amount	Impairment loss	Total	Investment amount	Impairment loss	Total	Total investment
Hotel Rauchstrasse 22, S.A.R.L.	7.50%	487,500	-	487,500	-	-	-	487,500
Outros	-	800,202 1,287,702	292,979 292,979	507,223 994,723	360,995 360,995	-	360,995 360,995	868,218 1,355,718

As at 31 December 2016, Available-for-sale financial assets relate to the following entities:

		Acquisition cost			L			
Entity	% owned	Investment amount	Impairment loss	Total	Investment amount	Impairment loss	Total	Total investment
Imóveis Brisa - F.I.I.F.	-	9,338,481	2,096,359	7,242,122	-	-	-	7,242,122
Outros	-	707,905	328,516	379,389	257,975	-	257,975	637,364
		10 046 386	2 424 875	7 621 511	257 975	-	257 975	7 879 486



12. Deferred tax assets and liabilities

As at 31 December 2017 and 2016, the balances recognized as Deferred taxes are presented in the Statement of financial position at their gross value.

The impact of the movements occurred in Deferred tax captions for the years presented was as follows:

	2017	2016
Impact in Income statement		
Deferred tax assets	(471,097)	4,899
Deferred tax liabilities	1,514,963	2,274,280
	1,043,866	2,279,179
Impact from changes in the perimeter (Note 41)		
Deferred tax assets	(2,645,922)	202,067
Deferred tax liabilities	5,510,697	(2,500,318)
	2,864,775	(2,298,251)
Impacts in equity		
Deferred tax assets	(232,857)	(520,000)
Deferred tax liabilities	-	-
	(232,857)	(520,000)
Net impact of deferred taxes	3,675,784	(539,072)



The changes occurred in Deferred tax assets for the years presented are as follows:

	Impairment losses on trade receivables	Changes in fair value	Hedging reserves	Impairment losses on tangible fixed assets	Tax losses	Loyalty program (PPG)	Others	Total
1 January 2017	213,443	473,773	441,487	909,149	1,663,160	613,649	2,755,134	7,069,797
Perimeter exits (Note 41)	(5,329)	-	(137,461)	-	(1,663,160)	(613,649)	(226,323)	(2,645,922)
Constitution / reversal through equity	-	-	(232,857)	-	-	-	-	(232,857)
Reversal through profit or loss	(76,477)	(120,546)	(10,767)	(478,297)	-	-	(245,373)	(931,463)
Constitution through profit or loss	19,137	-	59,073	-	-	-	382,156	460,366
Changes in period	(62,669)	(120,546)	(322,012)	(478,297)	(1,663,160)	(613,649)	(89,540)	(3,349,876)
31 December 2017	150,774	353,227	119,475	430,852	-	-	2,665,594	3,719,921

	Impairment losses on trade receivables	Changes in fair value	Hedging reserves	Impairment losses on tangible fixed assets	Tax losses	Loyalty program (PPG)	Others	Total
1 January 2016	155,247	81,266	958,693	1,299,426	1,553,128	569,235	2,740,073	7,357,068
Perimeter entries (Note 41)	17,580	-	-	-	-	-	184,487	202,067
Foreign currency translation	-	-	-	-	30,755	-	(4,992)	25,763
Constitution / reversal through equity	-	-	(520,000)	-	-	-	-	(520,000)
Reversal through profit or loss	(35,427)	-	-	(402,825)	(141,268)	-	(448,303)	(1,027,823)
Constitution through profit or loss	76,043	392,507	2,794	12,548	220,545	44,414	283,871	1,032,722
Changes in period	58,196	392,507	(517,206)	(390,277)	110,032	44,414	15,063	(287,271)
31 December 2016	213,443	473,773	441,487	909,149	1,663,160	613,649	2,755,134	7,069,797





The changes occurred in Deferred tax liabilities for the years presented are as follows:

	Deemed cost (IFRS 1)	Revaluation reserve (previous GAAP)	Changes in fair value	Others	Total
1 January 2017	33,314,587	168,773	149,889	4,020,755	37,654,005
Constitution through profit or loss	-	-	44,143	-	44,143
Reversal through profit or loss	(1,269,233)	(132,940)	(21,741)	(135,192)	(1,559,106)
Perimeter exits (Note 41)	(3,253,254)	-	-	(2,257,443)	(5,510,697)
Changes in period	(4,522,487)	(132,940)	22,402	(2,392,635)	(7,025,660)
31 December 2017	28,792,100	35,833	172,291	1,628,120	30,628,345

	Deemed cost (IFRS 1)	Revaluation reserve (previous GAAP)	Changes in fair value	Others	Total
1 January 2016	33,247,441	329,475	149,889	1,562,792	35,289,598
Perimeter entries (Note 41)	2,129,487	-	-	370,831	2,500,318
Foreign currency translation	1,858	-	-	-	1,858
Constitution through profit or loss	-	-	-	29,203	29,203
Reversal through profit or loss	(2,064,199)	(160,702)	-	(78,582)	(2,303,483)
Transfers	-	-		2,136,511	2,136,511
Changes in period	67,146	(160,702)	-	2,457,963	2,364,407
31 December 2016	33,314,587	168,773	149,889	4,020,755	37,654,005

The revaluations performed under the previous accounting framework (POC), denominated as tax revaluations, result from updating the assets' value based on Governmental regulations where coefficients of currency devaluation are defined. The effect of this deferred tax reflects the non-deductibility for tax purposes of 40% of these revaluations.



13. Financial assets and liabilities

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

31 December 2017	Cash and receivables	Available- for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
Financial assets					
Cash and cash equivalents	56,280,131	-	-	-	56,280,131
Trade and other receivables	157,006,454	-	-	21,249,285	178,255,740
Available-for-sale financial assets	-	1,355,718	-	-	1,355,718
	213,286,585	1,355,718	-	21,249,285	235,891,589
Financial liabilities					
Borrowings	-	-	336,875,441	-	336,875,441
Derivatives	-	-	1,069,253	-	1,069,253
Trade and other payables	-	-	55,669,966	51,796,304	107,466,270
	-	-	393,614,660	51,796,304	445,410,964

31 December 2016	Cash and receivables	Available- for-sale financial assets	Other financial liabilities	Non-financial assets/ liabilities	Total
Financial assets					
Cash and cash equivalents	82,603,973	-	-	-	82,603,973
Trade and other receivables	50,206,422	-	-	21,750,279	71,956,701
Available-for-sale financial assets	-	7,879,486	-	-	7,879,486
	132,810,395	7,879,486	-	21,750,279	162,440,161
Financial liabilities					
Borrowings	-	-	410,066,477	-	410,066,477
Derivatives	-	-	2,928,884	-	2,928,884
Trade and other payables	-	-	60,584,113	50,085,178	110,669,291
	_	-	473 579 474	50 085 178	523 664 652



According to IFRS 13 requirements, Grupo Pestana establishes the way it obtains the fair value of its financial assets and liabilities measured at fair value. The levels used are presented in Note 3.10.

	31-12-2017			31-12-2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 2
Financial assets						
Available-for-sale financial assets	-	-	1,355,718	-	7,242,122	637,364
	-	-	1,355,718	-	7,242,122	637,364
Financial liabilities						
Derivatives	-	1,069,253	-	-	2,928,884	-
	-	1,069,253	-	-	2,928,884	-

14. Trade and other receivables

As at 31 December 2017 and 2016, Trade and other receivables is detailed as follows:

		31-12-2017	7	31-12-2016		
	Current	Non- current	Total	Current	Non- current	Total
Trade receivables (i)	29,979,952	-	29,979,952	34,359,033	-	34,359,033
Other receivables (ii)	125,728,752	-	125,728,752	15,262,902	-	15,262,902
Prepayments (iii)	4,755,290	11,832,622	16,587,912	5,480,471	11,150,458	16,630,929
Accrued income	1,294,452	3,299	1,297,751	584,487	-	584,487
Taxes receivable (iv)	4,661,373	-	4,661,373	5,119,350	-	5,119,350
	166,419,819	11,835,921	178,255,740	60,806,243	11,150,458	71,956,701

Trade and other receivables regarding the subsidiary that entered in the consolidation perimeter amount to 68,823 Euros as at 31 December 2017 (at the entry date: 216,180 Euros) (Note 41).

Trade and other receivables regarding the subsidiaries that exited the consolidation perimeter amount to 8,413,671 Euros (Note 41) as at the respective exit dates, and amounted to 7,144,405 Euros as at 31 December 2016.

Current receivables presented have no significant difference between their carrying amount and fair value.



i) Trade receivables

		31-12-2017			31-12-2016	5
	Current	Non- current	Total	Current	Non- current	Total
Trade receivables - group (Note 42)	2,773,399	-	2,773,399	9,935,039	-	9,935,039
Trade receivables - others	27,206,552	-	27,206,552	24,423,994	-	24,423,994
Doubtful debtors	11,077,867	-	11,077,867	12,717,552	-	12,717,552
	41,057,817	-	41,057,817	47,076,585	-	47,076,585
Impairment of trade receivables	(11,077,866)	-	(11,077,866)	(12,717,552)	-	(12,717,552)
	29,979,952	-	29,979,952	34,359,033	-	34,359,033

The changes verified in the caption Trade receivables – group, are, substantially, related with the changes in the consolidation perimeter occurred during 2017 (Note 41).

In 2016, the caption Trade receivables – group includes an amount of 3,965,000 Euros to be received from Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A., relating to the subconcession agreement for the private use of the dominial infrastructure of Praça do Mar (Note 6).

Impairment - movements of the year:

	2017	2016
1 January	12,717,552	10,003,782
Perimeter entries (Note 41)	117,670	1,683,782
Increases	876,293	924,826
Reversals	(109,438)	(274,203)
Utilizations	(1,440,428)	-
Reclassifications from other receivables	(62,114)	379,365
Perimeter exits (Note 41)	(1,021,669)	-
31 December	11,077,866	12,717,552



ii) Other receivables

		31-12-2017			31-12-2016			
	Current	Non- current	Total	Current	Non- current	Total		
Other receivables - group (Note 42)	117,711,259	-	117,711,259	4,376,950	-	4,376,950		
Other receivables - others	8,300,637	-	8,300,637	11,097,741	-	11,097,741		
Personnel	-	-	-	17,176	-	17,176		
Impairment	(283,144)	-	(283,144)	(228,965)	-	(228,965)		
	125,728,752	-	125,728,752	15,262,902	-	15,262,902		

As at 31 December 2017, the caption Other receivables – group includes: i) a receivable from Pestana International Holdings, S.A. of 78,114,198 Euros regarding the disposal of Accessory contribution capital and Loans granted to the subsidiary Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hotéis, S.A.; ii) a receivable of 21,370,000 Euros from ESGAP – Empresa de Serviços de Gestão e Administrativos Partilhados, S.A. regarding the temporary use of the Pestana brand, as well as iii) a receivable of 17,000,000 Euros from the same subsidiary regarding the disposal of the investment held in Pestana Management – Serviços de Gestão, S.A.

As at 31 December 2016, the caption Other receivables – other includes an amount of 6,500,000 Euros to be received from Imóveis Brisa – F.I.I.F.

Impairment - movements of the year:

	2017	2016
1 January	228,966	558,114
Perimeter entries	13,839	46,802
Increases	-	3,414
Reclassifications from/(to) trade receivables	62,114	(379,365)
Perimeter exits	(21,774)	-
31 December	283,144	228,965



The ageing of receivable balances without impairment is as follows:

	2017	2016
0 to 6 months	144,535,436	38,207,835
6 to 12 months	3,973,418	7,528,156
12 to 18 months	4,377,950	2,361,328
18 to 24 months	1,719,603	992,402
more than 24 months	1,102,296	532,214
	155,708,704	49,621,935

The ageing of receivable overdue balances with impairment recognized is as follows:

	2017	2016
0 to 6 months	1,579,044	1,680,233
6 to 12 months	56,462	114,146
12 to 18 months	840,775	1,379,370
18 to 24 months	551,692	5,264,560
more than 24 months	8,333,036	4,508,208
	11,361,010	12,946,517

iii) Prepayments

	31-12-2017			31-12-2016		
	Current	Non- current	Total	Current	Non- current	Total
Commissions	1,147,171	11,480,417	12,627,588	1,016,813	11,068,940	12,085,753
Rentals	2,060,021	-	2,060,021	1,736,320	-	1,736,320
Insurances	145,052	-	145,052	185,701	-	185,701
Other services	1,403,046	352,205	1,755,251	2,541,638	81,518	2,623,156
	4,755,290	11,832,622	16,587,912	5,480,471	11,150,458	16,630,929

As at 31 December 2017 and 2016, the caption Commissions refers in full to the deferral of costs associated with sales of Timeshare – Options (Note 3.22 ii).

iu) Taxes receivable

As at 31 December 2017 and 2016, this caption refers mainly to VAT receivable.



15. Inventories

As at 31 December 2017 and 2016, the detail of Inventories is as follows:

	2017	2016
Goods	5,407,193	5,021,505
Raw and subsidiary materials	2,714,115	2,765,510
Finished goods	2,039,908	10,876,073
Work in progress	82,443,520	57,578,064
	92,604,736	76,241,153
Impairment of inventories	(195,754)	(285,459)
	92,408,983	75,955,693

The inventory balances as at 31 December 2017 related with the subsidiary that entered the consolidation perimeter amounted to 359,750 Euros (at the entry date: 359,750 Euros) (Note 41).

The inventory balances regarding the subsidiaries that exited the consolidation perimeter amounted to, as at each exit date, 49,049 Euros (Note 41), and amounted to 90,260 Euros as at 31 December 2016

The amounts regarding finished goods and work in progress included in Inventories refer to:

	2017	2016
Tróia project	40,916,054	30,239,607
Silves touristic resort project (Algarve)	25,912,213	20,245,934
North of Gramacho land (Algarue)	7,788,994	7,904,681
Abrunheira project (Portalegre)	6,291,949	6,291,949
Vale da Pinta adjacent land (Algarue)	968,997	1,783,941
Beverages and packaging	661,633	707,856
Porto Santo lands	423,360	423,360
São Martinho lands (Funchal)	359,750	-
Apartments	272,163	372,956
Work in progress	888,314	483,852
	84,483,428	68,454,137



Tróia project relates mainly to the construction of houses and the infrastructures of the touristic village. The changes occurred in 2017 refer to construction development as well as the transfer from Tangible fixed assets, in the amount of 10,496,377 Euros (Note 6), as a result of the change of purpose for Plot 1, which was initially meant for the construction and management of an aparthotel and is now meant for building and selling as apartments.

Silves touristic resort project is associated with the development of a touristic project that will comprise two 4-star touristic resorts and 232 accommodation units. The changes occurred in 2017 refer to construction development as well as the transfer from Tangible fixed assets, in the amount of 4,894,000 Euros (Note 6), as a result of the change in the project's purpose, which was initially meant for the construction and management of a hotel and is now meant for building and selling as apartments.

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

Abrunheira project refers to a development project in a land with an area of approximately 450 Ha, which will comprise a set of 13 touristic resorts, including 10 tourist villages, 2 touristic apartments with houses, and 1 aparthotel, as well as 32 plots of equipment, infrastructure and ambience and leisure areas which include a golf course, a club house, an equestrian center among others, set in the region's typical environment, where there will be typical fauna and flora and some streams and lagoons.

The Vale da Pinta adjacent land consists of plots of land for construction that are for sale.

In 2017, the Cost of goods sold totaled 48,295,318 Euros (31 December 2016: 38,336,143 Euros).

The movements in Impairment of inventories are as follows:

	2017	2016
1 January	285,460	89,329
Perimeter entries	-	104,790
Increases	120,349	136,710
Reversals	(16,238)	(37,679)
Utilization	(193,817)	(7,690)
Reclassifications	-	(63,423)
31 December	195,754	285,459


16. Corporate income tax

For the years ended 31 December 2017 and 31 December 2016, the balances related to current corporate income tax are as follows:

	31-12-2017		31-12-2016		
	Debtor	Creditor	Debtor	Creditor	
Current income tax	133,019	9,153,479	523,869	435,112	
	133,019	9,153,479	523,869	435,112	

The balance of Current income tax is detailed as follows:

	2017	2016
	2017	2010
Aduance payments	3,885,109	6,220,994
Withholding tax	299,060	246,541
Current income tax estimate	(13,204,628)	(6,378,778)
	(9,020,459)	88,757

Corporate income tax of subsidiaries that entered the consolidation perimeter amounts to 4,656 Euros as at 31 December 2017 (at the entry date: 9,886 Euros) (Note 41).

Corporate income tax regarding the subsidiaries that exited the consolidation perimeter, amounts to 353,682 Euros (Nota 41) as at the respective exit dates, and amounted to 53,584 Euros as at 31 December 2016.

Since 2012, Grupo Pestana, S.G.P.S, S.A. is taxed under the Special Taxation Regime for Groups (RETGS). Consequently, the current income tax is calculated based on the taxable profit of the companies included in the consolidation and in this regime, according to RETGS rules (Note 35).



As at 31 December 2017, the current income tax is presented as follows:

Entities	2017
Saluor - Sociedade de Inuestimento Hoteleiro, S.A.	(3,133,719)
Caruoeiro Golfe, S.A.	(3,065,658)
M & J Pestana, S.A.	(2,638,846)
Carlton Palácio, S.A.	(1,783,971)
Pestana Management, S.A.	(599,000)
Pestana Cidadela - Investimentos Turisticos, S.A.	(258,406)
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	(249,790)
Hotéis do Atlântico, S.A.	(208,191)
Beloura Hotel e Golfe - Invest. Turísticos, S.A.	(190,655)
Eurogolfe, S.A.	(75,282)
Intervisa, S.A.	(52,917)
Cota Quarenta, S.A.	(51,758)
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	(45,628)
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	(38,644)
Pestana Segurança - Serviços de Segurança e Vigilância, Lda.	(36,319)
Sociedade de Investimento Hoteleiro D. João II, S.A.	(23,028)
Indústria Açoreana Turistico - Hoteleira (I.A.T.H.), S.A.	(12,738)
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	(35)
Natura XXI Unipessoal, Lda.	7,989
Amoreira - Aldeamento Turístico, Lda.	11,789
ESGAP, S.A.	12,295
Mundo da Imaginação - Projectos de Animação Turística, S.A.	22,577
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	117,872
Djebel, S.G.P.S., S.A.	232,443
Grupo Pestana, S.G.P.S., S.A.	3,173,304
Companies in the tax consolidation perimeter	(8,886,315)
Ponta da Cruz - Soc. Imobiliária e de Gestão de Hotéis, S.A.	(115,884)
ITI - Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	(18,627)
Porto Carlton - Soc. de Construção e Exploração Hoteleira, S.A.	(17,201)
SDEM - Soc. Desenvolvimento Empresarial da Madeira, S.A.	3,149
Herdade da Abrunheira, S.A.	4,000
SDM - Soc. Desenvolvimento da Madeira, S.A.	10,418
Other companies	(134,144)
Total current income tax	(9,020,459)



17. Cash and cash equivalents

The detail of Cash and cash equivalents as at 31 December 2017 and 2016 is as follows:

	31	1-12-2017	31-12-2016
Cash		1,435,469	1,387,857
Bank deposits		54,844,662	81,216,116
		56,280,131	82,603,973

The detail of the amount considered as Cash and cash equivalents at the end of the period, for the purposes of the preparation of the Consolidated statement of cash flows for the year ended 31 December 2017 and 2016 is presented as follows:

	31-12-2017	31-12-2016
Cash	1,435,469	1,387,857
Bankoverdrafts	(841,112)	(3,083,395)
Bank deposits	54,844,662	81,216,116
	55,439,019	79,520,578

The balances of Cash and cash equivalents regarding the subsidiary that entered the consolidation perimeter amount to 1,317,870 Euros as at 31 December 2017 (at the entry date: 1,386,181 Euros) (Note 41).

The balances of Cash and cash equivalents regarding to the subsidiaries that exited the consolidation perimeter amount to 16,423,670 Euros (Nota 41) as at the respective exit dates, and amounted to 20,913,966 Euros as at 31 December 2016.



18. Capital

As at 31 December 2017 and 2016, Capital is as follows:

	2017	2016
Share capital (i)	81,530,000	81,530,000
Other equity instruments:		
Accessory contributions of capital (ii)	35,200,000	35,200,000
Share premium (iii)	33,690,973	33,690,973
	150,420,973	150,420,973

(i) Share capital

As at 31 December 2017 and 2016, Share capital of Grupo Pestana, S.G.P.S., S.A., of 81,530,000 Euros, was fully subscribed and paid up, and was represented by 81,530,000 shares of 1 Euro each.

As at 31 December 2017 and 2016, Share capital is detailed as follows:

Shareholders	Number of shares	Share capital
Pestana International Holdings S.A.	80,714,700	80,714,700
Dionísio Fernandes Pestana	815,300	815,300
	81,530,000	81,530,000

(ii) Accessory contributions of capital

As at 31 December 2017, Accessory contributions of capital were granted by the two shareholders of Grupo Pestana, S.G.P.S., S.A. in the following amounts: 32,700,000 Euros paid up by Mr. Dionisio Pestana (2016: 32,700,000 Euros) and 2,500,000 Euros paid up by Pestana International Holdings, S.A. (2016: 2,500,000 Euros).

The accessory contributions of capital cannot be reimbursed if, after their reimbursement, equity will become lower than the sum of the share capital and legal reserve in the separate financial statements of the Company.

(iii) Share premium

This caption relates to the excess of fair value of the assets delivered to Grupo Pestana, S.G.P.S., S.A., by its shareholders at the time of the share capital realization. This balance can only be used for incorporation into future share capital increases.



19. Other reserves

Other reserves had the following movements during the period ended 31 December 2017 and 2016:

	Legal reserve (i)	Free reserves	Fair value reserve C.F.H (ii)	Fair value reserve A.F.S. (iii)	Equity method (iv)	Currency translation adjustments (ບ)	Total
1 January 2016	16,328,988	196,329	(3,178,747)	(53,276)	(8,400,378)	(104,193)	4,788,723
Perimeter changes	-	-	-	-	-	376,972	376,972
Profit for the period application	2,129,673	(16,300)	-	-	-	-	2,113,373
Foreign currency translation	-	-	-	-	-	423,805	423,805
Changes in other reserves (cash flow hedge) net of income tax	-	_	2,001,824	-	-	_	2,001,824
Transfers to Retained earnings	-	-	-	-	1,079,361	-	1,079,361
Other	-	-	-	23,704	-	542,631	566,335
31 December 2016	18,458,661	180,029	(1,176,923)	(29,572)	(7,321,017)	1,239,215	11,350,393
Profit for the period application	2,694,668	-	_	-	-	_	2,694,668
Foreign currency translation	-	-	_	-	-	(2,102,375)	(2,102,375)
Changes in other reserves (cash flow hedge) net of income tax	-	-	636,966	-	-	-	636,966
Transfers to Retained earnings	(3,927,870)	1,565,141	(1,386)	29,572	216,071	(197,991)	(2,316,463)
Dividends	-	(1,745,170)	-	-	-	-	(1,745,170)
Transfers to Profit for the period (Note 18)	-	-	-	-	-	1,061,151	1,061,151
31 December 2017	17,225,459	-	(541,343)	-	(7,104,947)	-	9,579,170





(i) Legal reserve

In accordance with the applicable commercial law, in Portugal, as well as in a few other countries, at least 5% of net profit for the period, if positive, must be set aside in a legal reserve until that reserve is equal to at least 20% of the Company's issued share capital. This reserve is not available for distribution until the Company's liquidation but may be used to absorb losses, after all other available reserves have been extinguished, and to increase share capital.

(ii) Fair value reserve C.F.H. (cash flow hedge)

This reserve includes the effective portion of changes in fair value of hedging derivatives (Note 24). This reserve also includes the deferred tax impact related to the changes in fair value that are not tax deductible, at the reporting date.

(iii) Fair value reserve A.F.S. (Available-for-sale financial assets)

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

(iv) Equity method

This caption includes all changes occurred in the equity of the Associates owned by the group related to the items that are recycled through profit of the period, namely those presented in the Statement of comprehensive income. The accumulated amounts, by Associate, are presented as follows, being the changes that occurred related to the application of the prior year's Profit for the period:

	2017	2016
Enatur – Empresa Nacional de Turismo, S.A.	(5,907,132)	(6,312,430)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1,015,378)	(1,008,587)
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	(102,691)	-
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	(76,405)	-
Solpor - Sociedade de Turismo do Porto Santo Lda.	(3,341)	-
	(7,104,947)	(7,321,017)



(v) Cumulative translation adjustment

The differences arising from the conversion of the Income statement and the conversion of the Statement of financial position of the subsidiaries that have a functional currency other than the Euro, as described in Note 3.3.iii), are recognized in this item. The cumulative translation adjustments, by currency, are presented as follows:

	2017	2016
USD - United states dollar	-	1,269,119
GBP - Sterling pound	-	(29,904)
	-	1,239,215

The transfer to Profit for the period refers to the disposal of Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hotéis, S.A. and, consequently, the transfer of cumulative translation adjustments of the company and its subsidiaries to Profit of the period.

20. Retained earnings

As at 31 December 2017 and 2016, Retained earnings presented the following movements:

	Total
1 January 2016	37.710.118
Profit for the period application	36,389,624
Dividends	(23,106,557)
Changes in the perimeter (Note 41)	(376,972)
Transfers from non-controlling interests (Note 21)	2,199,957
Foreign currency translation	(37,134)
Transfers from Other reserves (Note 20)	(1,621,992)
Acquisition of shares and accessory contribution capital from non-controlling interests	(1,990,235)
Others	(160,915)
31 December 2016	49,005,894
Profit for the period applicaiton	40,359,424
Dividends	(81,489,357)
Transfers from non-controlling interests (Note 21)	3,756,864
Foreign currency translation	12,376
Transfers from Other reserves (Note 19)	2,341,058
Acquisition of shares and accessory contribution capital from non-controlling interests	(3,982,257)
Others	(311,233)
31 December 2017	9,692,769

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21. Non-controlling interests

Non-controlling interests' movements are as follows:

	2017	2016
1 January	26,797,531	25,223,946
Changes in perimeter (Note 41)	(225,473)	1,584,462
Share capital increase	2,255,738	-
Transfers to Retained earnings	(3,756,864)	(2,199,957)
Dividends	(12,768,084)	(2,045,319)
Reimbursment of accessory contributions of capital to non-controlling interests	(1,264,765)	-
Transfers to Profit of the period	(1,103,794)	-
Foreign currency translation	(5,765)	(28,905)
Other	(3,289)	(229,110)
Profit for the period	4,271,415	4,492,414
31 December	14,196,649	26,797,531

In 2017, the caption Transfers to Retained earnings results, mainly, from the change in the percentage held, through the acquisition of shares from non-controlling interests, of the subsidiary SDM – Sociedade de Desenvolvimento da Madeira, S.A.

In 2016, the caption Transfers to Retained earnings results from the change in the investment held, through the acquisition from non-controlling interests, of shares in the subsidiaries Salvor, S.A., Ponta da Cruz, S.A., Hotel Rauchstrasse S.à.r.l. and Pestana Berlin S.à. r.l., and the disposal of shares to non-controlling interests, of the subsidiaries Hotel Rauchstrasse S.à.r.l. and Pestana Management UK.

In 2017 and 2016, Dividends were distributed by SDM - Sociedade de Desenvolvimento da Madeira, S.A..



Non-controlling interests refer to the following investments:

	31-12	2-2017	31-12	2-2016
	% held	Value	% held	Value
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	48.00%	5,955,657	48.00%	6,156,668
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	52.27%	5,222,307	85.00%	15,952,130
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	40.00%	3,131,158	40.00%	2,016,580
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	4.29%	481,812	4.32%	252,155
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	0.01%	139	0.01%	134
Saluor - Sociedade de Inuestimento Hoteleiro, S.A.	0.00%	-	0.99%	1,557,559
Hotel Rauchstrasse 22, S.A.R.L.	0.00%	-	7.29%	892,058
Pestana Management UK, Limited	0.00%	-	25.06%	158,379
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0.00%	-	0.08%	19,464
Desarollos Hoteleros Barcelona 2004 S.A.	0.00%	-	0.08%	394
Amesteldijk Hotel Ontwkkeling B.V.	0.08%	-	0.08%	(18)
Pestana Manhattan 39 LLC	0.00%	-	0.08%	(26)
Pestana NY East Side 39	0.08%	-	0.08%	(41)
Global Mandalay	0.08%	-	0.08%	(69)
Pestana Holland Holding	0.08%	-	0.08%	(185)
Pestana Miami LLC	0.00%	-	0.08%	(355)
Pestana Berlim S.A.R.L.	0.00%	-	0.08%	(1,319)
Herdade da Abrunheira - Projectos de Desenvolvimento Turístico e Imobiliário, S.A.	33.33%	(295,094)	33.33%	(205,975)
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	52.27%	(299,330)	0.00%	-
		14,196,649		26,797,531

The impact of the changes in the perimeter in Non-controlling interests is presented in Note 41.

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The changes in Provisions are as follows:

	Guarantees to customers	Litigation and claims in progress	Other provisions	Total
1 January 2017	143,797	2,781,351	784,497	3,709,645
Increases	72,366	18,974	950,000	1,041,340
Decreases	-	-	(73,854)	(73,854)
Utilizations	-	-	(68,247)	(68,247)
Perimeter exits (Note 41)	-	-	(24,367)	(24,367)
Changes in period	72,366	18,974	783,532	874,872
31 December 2017	216,163	2,800,325	1,568,029	4,584,517
Current balance	87,147	2,800,325	1,093,091	3,980,564
Non-current balance	129,016	-	474,937	603,953
	216,163	2,800,325	1,568,029	4,584,517

	Guarantees to customers	Litigation and claims in progress	Other provisions	Total
1 January 2016	173,797	77,787	98,219	349,803
Perimeter entries	-	2,755,052	747,145	3,502,197
Increases	-	5,750	_	5,750
Decreases	(30,000)	(57,239)	_	(87,239)
Utilizations	-	-	(60,867)	(60,867)
Changes in period	(30,000)	2,703,564	686,278	3,359,842
31 December 2016	143,797	2,781,351	784,497	3,709,645
Current balance	28,909	2,781,351	443,602	3,253,862
Non-current balance	114,889	-	340,895	455,783
	143,797	2,781,351	784,497	3,709,645

The detail of Provisions accounted for and main reasons for the movements occurred are as follows:

(i) Guarantees to customers

Based on the history and type of works developed, this provision includes the estimated costs to be incurred in the future under the guarantee that has been given on the construction of houses and apartments sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Litigation and claims

There are lawsuits and arbitration proceedings ongoing against certain companies of the Group 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 from Grupo Pestana with these claims.

The subsidiary Empresa de Cervejas da Madeira, Lda (ECM) received, following 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 plus 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 specialized external advisors. However in 2015, the court has taken its decision, which was unfavorable to ECM. Despite the extraordinary judicial administrative appeal that was immediately submitted, considering the development occurred in the process, Grupo Pestana recognized a provision on the total amount of 2,755,052 Euros.

During 2017, by decision of the Supreme Administrative Court (STA) dated February 8, 2017, an exceptional appeal of "Review" was accepted. However, by court order of November 11, 2017, the STA decided to hold the process, and wait for the decision of another pending process, in the Central Administrative Court of the South, on the grounds that the subject under evaluation includes a matter that is prejudicial for the Company. This decision reduces some risk of the STA deciding unfavorably towards the Company, since in this process there is an opinion of the Public Ministry favorable to the intention of the Company.

(iii) Other provisions

Following a promissory buy and sell contract celebrated in 2011, in which the customer committed to buy a house in Pestana Tróia Eco Resort, and after proved attempts, without success, to complete the public deed, the subsidiary Carvoeiro Golfe, S.A. has decided to exercise its right to resolve the contract in 2017, having recognized as revenue the total amount received in advance, amounting to 950,000 Euros.

However, also in 2017, Carvoeiro Golfe, S.A. was notified of the initiation of process 324 / 14.0TELSB-AZ, having been requested to provide a bank guarantee of 950,000 Euros in favor of the State. In fact, the Public Prosecutor's Office considered that there were reasonable grounds to believe that the funds provided by the promising buyer at the time of the execution of the promissory buy and sell contract were from illicit sources.

Despite having always acted in good faith and in compliance with the legislation in force, and as reinforced in the court file that the subsidiary Carvoeiro Golfe, SA was able to consider the act to be formally valid and, consequently, to retain as its own the amount received in advance, from a conservative perspective, Carvoeiro Golfe, S.A. decided to set up a provision in that amount to cover the possibility that the State would execute the aforementioned bank guarantee.

As of December 31, 2017 and 2016, the remaining balance of Other provisions arises from the usual risks inherent to the business.



23. Borrowings

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

		31-12-2017	,	31-12-2016			
	Current	Non- current	Total	Current	Non- current	Total	
Bank loans	34,417,336	116,498,756	150,916,092	38,442,310	186,558,120	225,000,429	
Group loans	22,797,241	21,798,225	44,595,466	2,928,491	44,595,466	47,523,957	
Bank overdrafts	841,112	-	841,112	3,083,395	-	3,083,395	
Commercial paper	5,944,444	26,833,333	32,777,777	10,000,000	18,500,000	28,500,000	
Bond loans	-	107,500,000	107,500,000	-	107,500,000	107,500,000	
	64,000,133	272,630,314	336,630,447	54,454,196	357,153,586	411,607,781	
Interests payable - accrual	2,226,571	157,689	2,384,260	2,467,556	157,689	2,625,245	
Interests paid - deferral	(243,439)	(1,895,827)	(2,139,266)	(237,374)	(3,929,175)	(4,166,548)	
	65,983,265	270,892,176	336,875,441	56,684,378	353,382,099	410,066,477	

The balances of Borrowings regarding the subsidiary that entered the consolidation perimeter amounted to 699,043 Euros as at 31 December 2017 (at the entry date: 641,385 Euros) (Note 41).

The balances of Borrowings regarding the subsidiaries that exited the consolidation perimeter amount to 52,922,995 Euros (Nota 41) as at the respective exit dates, and amounted to 58,186,017 Euros as at 31 December 2016.

Bank loans have as collateral mortgages over tangible fixed assets of Grupo Pestana (Note 39).

In relation to financing operations engaged by group companies, there are some clauses that require specific covenants to be accomplished such as: i) the maintenance of the subsidiaries' share capital inside the group; ii) maintenance of ratios related to capital structure and others. As at 31 December 2017, no situation of noncompliance with any of these covenants was identified.



The future payments of the outstanding commercial paper, bonds and bank loans, by currency of denomination as at 31 December 2017 and 2016, are as follows:

	2018	2019	2020	2021	2022	Following years	Total
Bank loans							
Euro	34,417,336	34,647,242	17,690,271	14,240,219	10,589,324	39,331,700	150,916,092
	34,417,336	34,647,242	17,690,271	14,240,219	10,589,324	39,331,700	150,916,092
Commercial paper							
Euro	5,944,444	1,444,444	2,944,444	444,444	444,444	21,555,555	32,777,777
	5,944,444	1,444,444	2,944,444	444,444	444,444	21,555,555	32,777,777
Bond loans							
Euro	-	-	65,000,000	27,500,000	15,000,000	-	107,500,000
	-	-	65,000,000	27,500,000	15,000,000	-	107,500,000
	40,361,781	36,091,686	85,634,716	42,184,663	26,033,768	60,887,254	291,193,868

	2017	2018	2019	2020	2021	Following years	Total
Bank loans							
Euro	38,442,310	36,083,661	33,336,398	22,469,001	19,066,474	75,602,585	225,000,429
	38,442,310	36,083,661	33,336,398	22,469,001	19,066,474	75,602,585	225,000,429
Commercial paper							
Euro	10,000,000	1,888,889	1,444,444	2,944,444	10,444,444	1,777,778	28,500,000
	10,000,000	1,888,889	1,444,444	2,944,444	10,444,444	1,777,778	28,500,000
Bond loans							
Euro	-	-	-	65,000,000	27,500,000	15,000,000	107,500,000
	-	-	-	65,000,000	27,500,000	15,000,000	107,500,000
	48,442,310	37,972,550	34,780,843	90,413,445	57,010,919	92,380,363	361,000,429

Loans presented in the table above are subject to variable interest rates of 1M, 3M 6M and 12M Euribor and Libor plus spread.



In 2016, the Group negotiated a commercial paper programme in the total amount of 23,500,000 Euros. As at 31 December 2017, Grupo Pestana negotiated commercial paper programme in the total amount of 14,500,000 Euros. Commercial paper programme open balances amounted to 26,833,333 Euros classified as non-current and 5,944,444 Euros classified as current. Commercial paper programmes bear interest at Euribor of each contractual maturity plus spread.

In May 2016, Grupo Pestana entered into a financing agreement with Pestana International Holdings S.A., amounting to 25,433,185 Euros, with LIBOR + Spread remuneration, repayable in 32 quarterly installments. In June, it entered into another agreement, also with Pestana International Holdings S.A., in the amount of 23,375,000 Euros, with estimated repayment in the first half of 2018.

Grupo Pestana holds, as at 31 December 2017, a set of unused contracted credit lines in financial institutions in the total amount of 73,800,000 Euros.

24. Derivative financial instruments

As at 31 December 2017 and 2016, Grupo Pestana had interest rate swaps (hedging derivatives) as follows:

	31-12	2-2017	31-12-2016		
	Assets	Liabilities	Assets	Liabilities	
Interest rate swap - non-current	-	1,069,253	-	2,928,884	
Interest rate swap - current	-	-	-	-	
	-	1,069,253	-	2,928,884	



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

Subsidiary	IAS 39 classification	Reference amount	Maturity	Payment period	Rate receiuable/ payable	Fair value at 31-12-2017	Fair value at 31-12-2016	Change in period
Grupo Pestana S.G.P.S., S.A.	Hedging	10,000,000	30-12-2019	Semiannual	Eur 6M / 3.04%	(123,124)	(253,933)	130,809
Grupo Pestana S.G.P.S., S.A.	Hedging	10,000,000	28-12-2019	Semiannual	Eur 6M / 3.08%	(124,999)	(256,155)	131,156
M & J Pestana, S.A.	Hedging	5,000,000	30-12-2019	Semiannual	Eur 6M / 3.04%	(61,562)	(126,966)	65,404
M & J Pestana, S.A.	Hedging	5,000,000	18-12-2019	Semiannual	Eur 6M / 3.08%	(62,500)	(128,078)	65,578
M & J Pestana, S.A.	Hedging	8,750,000	02-07-2017	Semiannual	Eur 6M / 0.88%	-	(3,145)	3,145
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i)	Proportional hedge	7,000,000	26-09-2022	Semiannual	Eur 6M / 4.82%	(383,157)	(559,234)	176,077
Carlton Palácio, S.A.	Hedging	5,000,000	30-12-2019	Semiannual	Eur 6M / 3.04%	(61,562)	(126,966)	65,404
Carlton Palácio, S.A.	Hedging	5,000,000	28-12-2019	Semiannual	Eur 6M / 3.08%	(62,500)	(128,078)	65,578
Beloura Hotel e Golfe - Investimento Turísticos, S.A.	Hedging	9,600,000	30-07-2019	Semiannual	Eur 6M / 4.77%	(65,788)	(174,531)	108,743
Saluor, S.A.	Hedging	5,000,000	30-12-2019	Semiannual	Eur 6M / 3.04%	(61,562)	(126,966)	65,404
Saluor, S.A.	Hedging	5,000,000	28-12-2019	Semiannual	Eur 6M / 3.08%	(62,500)	(128,490)	65,991
Intervisa Viagens Turismo, S.A.	Hedging	500,000	13-03-2017	Quarterly	Eur 3M / 4.16%	-	(127)	127
Hotel Rauchstrasse 22, S.à r.l. (iii)	Trading	11,500,000	16-06-2025	Semiannual	Eur 6M / 2.10%	-	(916,214)	916,214
						(1,069,253)	(2,928,884)	1,859,630

(i) This derivative financial instrument is only designated as a hedge instrument in a ratio of 75%. The remaining 25% are considered as trading with the respective variation in fair value being recorded in the income statement (Note 34).

(ii) This derivative financial was settled during 2017.

(iii) Hotel Rauchstrasse 22, S.à.r.l. a subsidiary of Hotéis do Atlântico, S.A. exited the consolidation perimeter of Grupo Pestana S.G.P.S., S.A. during 2017 (Note 41).





The changes in fair value of the derivative financial instruments in 2017 and 2016, were as follows:

	2017	2016
1 January	2,928,884	5,472,185
Hedging derivatives - fair value changes	(802,841)	(1,303,117)
Trading derivatives - fair value changes (Note 34)	(137,304)	(42,155)
Settlement	(3,145)	(1,198,030)
Perimeter exits (Note 41)	(916,341)	-
31 December	1,069,253	2,928,884

The changes in the fair value reserve related to cash flow hedges in 2017 and 2016, were as follows:

	2017	2016
1 January	(1,176,923)	(3,178,747)
Hedging derivatives - fair value changes	869,823	1,323,794
Deferred tax (Note 12)	(232,857)	(520,000)
Settlement	(1,386)	1,198,030
31 December	(541,343)	(1,176,923)

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

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

Grupo Pestana recognizes derivative financial instruments in accordance with IAS 39. However, it is noteworthy that the borrowings subject to hedging have implicit spreads much lower than the ones that are being currently used in the market.



25. Deferred revenue

As at 31 December 2017 and 2016, the detail of Deferred revenue is as follows:

		31-12-2017		31-12-2016			
	Current	Non- current	Total	Current	Non- current	Total	
Pestana Vacations Club (i)	13,936,391	104,304,056	118,240,447	12,610,077	108,698,782	121,308,860	
Pestana Vacations Club - Options (ii)	3,525,896	35,129,292	38,655,188	3,097,632	33,666,922	36,764,555	
Government grants (iii)	511,956	6,293,380	6,805,336	1,766,374	7,058,700	8,825,075	
Customer loyalty program (PPG) (iυ)	-	-	-	2,727,323	-	2,727,323	
Pestana brand licensing (υ)	6,333,333	12,666,667	19,000,000	-	-	-	
Others	6,551,687	3,017,856	9,569,543	5,556,451	3,075,893	8,632,344	
	30,859,263	161,411,251	192,270,514	25,757,859	152,500,297	178,258,156	

The balances of Deferred revenue as at 31 December 2017 regarding the subsidiary that entered the consolidation perimeter amounted to 3,000 Euros (at the entry date: 3,000 Euros) (Note 41).

The balances of Deferred revenue regarding the subsidiaries that exited the consolidation perimeter amount to 4,459,413 Euros (Note 41) as at the respective exit dates, and amounted to 4,589,352 Euros as at 31 December 2016.

(i) Pestana Vacations Club - Timeshare

This balance refers to values obtained from the sale of timeshare rights, which are deferred over the period of the awarded right of use of hotels and apartments at Grupo Pestana (Note 3.22 ii)), which will end between 2018 and 2039.

(ii) Pestana Vacations Club - Options

This caption refers to the sale of timeshare Options program, the revenue of which is recognized based on usage and its expiring date (Note 3.22 ii)). The customer acquires the right to use accommodation without having to choose the specific hotel at that time, being that right represented in points.



(iii) Government grants

This balance relates to grants obtained, the revenue of which is recognized throughout the useful life of the subsidized assets.

(iv) Customer loyalty program (PPG)

This caption refers to the customer loyalty program of Grupo Pestana, named PPG - Pestana Priority Guest. The program consists of points earned in consumption and accomodation in hotels of Grupo Pestana, enabling the exchange of points for accommodation in hotels of the Group and direct discounts at restaurants and bars as well as other benefits, by the customers. The revenue is recognized when the customer uses the points to purchase a product / service, as agreed to in the loyalty program, or when the points expire.

(v) Pestana brand licensing

Due to the end of the current Pestana brand licensing contract, in 2017 Grupo Pestana decided to carry out a valuation of the brand before defining the conditions of the new cession. For that end, it hired an independent and market acknowledged expert to carry out the referred valuation. In order to ensure the pricing of the brand licensing, it also hired an independent and market acknowledged expert, having determined a price of 19,000,000 Euros for a period of three years, starting January 1, 2018 and ending on December 31, 2020. The Pestana brand licensing was renewed with Pestana Management - Serviços de Gestão SA, the group company that has historically managed the brand, and was deemed as being the most adequate to continue.



26. Trade and other payables

As at 31 December 2017 and 2016, the detail of Trade and other payables is as follows:

		31-12-2017			31-12-2016			
	Current	Non- current	Total	Current	Non- current	Total		
Trade payables								
Trade payables (i)	35,998,208	-	35,998,208	23,168,268	-	23,168,268		
Other payables								
Other payables (ii)	3,062,175	600,190	3,662,365	2,227,044	-	2,227,044		
Other payables - group (Note 42) (iii)	415,196	-	415,196	519,713	-	519,713		
Suppliers of tangible fixed assets (iυ)	2,197,571	4,701,839	6,899,410	3,820,723	20,151,976	23,972,699		
Advances from customers (υ)	34,115,838	-	34,115,838	32,613,670	-	32,613,670		
Taxes payable (υί)	8,028,736	-	8,028,736	5,329,852	-	5,329,852		
Accrued expenses								
Holiday and subsidy pay	9,651,730	-	9,651,730	12,141,656	-	12,141,656		
Others	8,694,786	-	8,694,786	10,696,389	-	10,696,388		
	102,164,240	5,302,029	107,466,269	90,517,315	20,151,976	110,669,291		

The balances of Trade and other payables regarding the subsidiaries that entered the consolidation perimeter amounted to 126,760 Euros as at 31 December 2017 (at the entry date: 6,785,548 Euros) (Note 41).

The balances of Trade and other payables regarding the subsidiaries that exited the consolidation perimeter amount to 105,723,322 Euros (Nota 41) as at the respective exit dates, and amounted to 95,835,623 Euros as at 31 December 2016.

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

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(i) Trade payables

		31-12-2017			31-12-2016		
Description	Current	Non- current	Total	Current	Non- current	Total	
Trade payables - group (Note 42)	10,519,594	-	10,519,594	1,479,847	-	1,479,847	
Trade payables - others	25,478,614	-	25,478,614	21,688,421	-	21,688,421	
	35,998,208	-	35,998,208	23,168,268	-	23,168,268	

The changes verified in the caption Trade payables – group, are, substantially, related with the changes in the consolidation perimeter occurred during 2017 (Note 41).

(ii) Suppliers of tangible assets

In 2016, this caption includes an amount of 16,971,078 Euros regarding the net present value of the 99 year ground lease contract negotiated by the subsidiary Pestana Manhattan 39 LLC, since it was considered, that in accordance with IAS 17 – Leases, all the risks and rewards incidental to the ownership of the related asset were transferred to Grupo Pestana.

This caption also includes, among others, the liabilities associated with the financing lease contracts negotiated by the group, which are presented as follows:

	31-12-2017	31-12-2016
Less than 1 year	942,034	1,740,588
Between 1 and 5 years	3,303,761	7,596,393
More than 5 years	1,398,079	12,555,583
	5,643,874	21,892,564

The variation in 2017 refers mainly to the exit from the consolidation perimeter of Pestana Manhattan CR7 39, LLC. (Note 41), as a result of the disposal of Hotéis do Atlântico, S.A., corresponding to a decrease of 16,971,078 Euros.

(iii) Advances from customers

This balance refers mainly to the amounts received from customers during the construction works, amounting to a total of 25,447,939 Euros (as at 31 December 2016: 24,044,447 Euros), the maintenance costs charged in advance under timeshare contracts amounting to 6,137,312 Euros (31 December 2016: 5,406,271 Euros) and the amounts received when promissory buy and sell contracts are signed. The remaining amount refers to reservations made by tour operators.

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(iv) Taxes payable

	31-12-2017 31-12-201			5		
Description	Current	Non- current	Total	Current	Non- current	Total
Personnel income tax withheld	658,498	-	658,498	771,434	-	771,434
Value added tax (VAT)	6,135,435	-	6,135,435	3,136,379	-	3,136,379
Social security contributions	1,111,800	-	1,111,800	1,293,810	-	1,293,810
Others	123,003	-	123,003	128,229	-	128,229
	8,028,736	-	8,028,736	5,329,852	-	5,329,852

27. Revenue

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

	20 [.]	17 2016
Hospitality	221,894,82	198,944,564
Timeshare	27,699,7	72 30,735,887
Real estate	26,399,72	13,848,507
Golf	13,402,42	11,490,803
Entertainment	10,187,89	9,683,093
Beverages	28,039,6	16 25,512,610
Other	14,546,34	11,956,663
	342,170,60	302,172,128

Revenue regarding the subsidiary that entered the consolidation perimeter in 2017 amounted to 19,042 Euros (Note 41).

Revenue regarding the subsidiaries that exited the consolidation perimeter in 2017 amounted to 27,663,506 Euros (Note 41) with a corresponding amount of 29,842,742 Euros for the year 2016.

The caption Real estate includes construction contracts (Note 28).



The detail of services rendered in Hospitality and Pestana Vacation Club by country of origin of the customers, for 2017 and 2016, is as follows:

	Hospitality		
Country	2017	2016	
Portugal	29.5%	25.8%	
United Kingdom	21.9%	25.6%	
Germany	11.5%	12.2%	
United States of America	4.7%	3.9%	
France	4.6%	4.6%	
Spain	3.5%	3.7%	
Brazil	2.4%	2.1%	
Switzerland	2.3%	2.1%	
Netherlands	2.0%	2.1%	
Ireland	1.7%	1.6%	
Belgium	1.6%	1.6%	
Sweden	1.6%	1.6%	
Denmark	1.3%	1.2%	
Norway	1.2%	1.0%	
Italy	1.1%	1.2%	
Russia	0.8%	0.8%	
Others	8.4%	8.9%	
	100%	100%	

	Pestana Vacation Club		
Country	2017	2016	
United Kingdom	54.7%	56.3%	
Portugal	12.7%	10.8%	
Germany	10.0%	9.4%	
Finland	7.3%	7.7%	
Sweden	3.0%	3.3%	
Others	12.3%	12.5%	
	100%	100%	



28. Construction contracts

As at 31 December 2017 and 2016, all revenue from Construction contracts was recognized according to the stage of completion of existing contracts at those dates, applying the percentage of completion method.

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

Description of the agreement	Costs incurred 2017	Costs incurred 2016	Revenue recognized 2017	Revenue recognized 2016
Construction contracts	6,191,914	4,100,149	6,681,535	4,637,871
	6,191,914	4,100,149	6,681,535	4,637,871

29. External services and supplies

The detail of External services and supplies is as follows:

	2017	2016
Rents	20,088,262	19,026,505
Professional fees	17,246,877	16,815,096
Hygiene/Cleaning/Comfort	16,799,925	15,210,194
Energy	11,754,527	11,029,600
Subcontracts	9,443,692	5,469,854
Commissions	8,074,081	7,261,136
Aduertising	7,852,531	7,185,375
Maintenance and repair	6,269,633	6,263,151
Insurance	1,193,220	1,171,596
Others	5,792,905	5,527,415
	104,515,653	94,959,922

External services and supplies costs regarding the subsidiaries that entered the consolidation perimeter in 2017 amount to 229,008 Euros (Note 41).



External services and supplies costs regarding to the subsidiaries that exited the consolidation perimeter in 2017 amounted to 13,463,029 Euros (Note 41) with a corresponding amount of 15,309,735 Euros for the year 2016.

Detail of Rentals as at 31 December 2017 and 2016 is as follows:

	2017	2016
Leases	11,817,966	11,158,875
Concessions	2,976,020	2,994,096
Other operating rentals	5,294,276	4,873,534
	20,088,262	19,026,505

The caption Leases and Concessions include amounts regarding the medium and long term lease contracts and the concession of Pousadas network.

In accordance with Corporate Law, article 66° A, paragraph 1, b), we inform that the statutory audit fees for 2017 charged by the Statutory Auditor were 160,745 Euros.

30. Personnel costs

Personnal expenses incurred in 2017 and 2016 are as follows:

	2017	2016
Board of Directors		
Wages and salaries	2,587,278	2,243,110
Social security contributions	510,292	421,306
	3,097,570	2,664,416
Staff		
Wages and salaries	54,689,942	54,563,932
Social security contributions	11,525,079	11,212,450
Others	2,612,824	3,938,993
	68,827,845	69,715,375
	71,925,415	72,379,791

Personnel expenses regarding the subsidiary that entered the consolidation perimeter in 2017 amounted to 119,319 Euros (Note 41).



Personnel expenses regarding the subsidiaries that exited the consolidation perimeter in 2017 amounted to 17,847,753 Euros (Note 41) with a corresponding amount of 21,015,915 Euros for the year 2016.

The average number of employees of the companies included in this consolidation perimeter of Grupo Pestana in 2017 was 3,044 (consolidation perimeter of 2016: 3,094).

Personnel expenses include, in 2017, 1,730,331 Euros of estimated costs with profit sharing for the year (2016: 2,649,960 Euros).

In the caption Staff – others are included expenses for the termination of employment contracts, negotiated by mutual agreement, of 390,284 Euros (31 December 2016: 1,719,993 Euros).

31. Other income

The detail of Other income is presented as follows:

	2017	2016
Foreign currency exchange gains	2,473,939	1,521,639
Supplementary income	6,420,065	4,110,268
Government grants amortization	588,843	613,421
Gains on disposal of tangible fixed assets	2,273,586	6,928,264
Other	1,739,183	940,931
	13,495,616	14,114,523

Other income regarding the subsidiaries that entered the consolidation perimeter in 2017 amounted to 254,493 Euros (Note 41).

Other income regarding the subsidiaries that exited the consolidation perimeter in 2017, amounted to 18,601,660 Euros (Note 41) with a corresponding amount of 19,296,470 Euros for the year 2016.

As at 31 December 2017, the caption Gains on disposal of tangible fixed assets refers, mainly, to the disposal of apartments in Pestana Aluor Atlântico with an amount of 832,429 Euros and the disposal of Hotel Pestana Atlantic Gardens with an amount of 308,951 Euros (Note 6).

As at 31 December 2016, the caption Gains on disposal of tangible fixed assets refers, mainly, to the disposal of Hotel Pestana CR7 in Lisbon, Hotel Pestana Viking and apartments from Pestana Aluor Atlântico, with gains in the amount of 2,049,848 Euros, 2,775,340 Euros and 1,768,067 Euros, respectively (Note 6).



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The detail of Other expenses is presented as follows:

	2017	2016
Taxes	6,365,657	6,883,333
Commissions on credit cards	1,546,487	1,221,098
Losses in inventories	78,002	204,592
Disposal of tangible fixed assets	64,615	171,999
Disposal of investment properties	-	23,155
Foreign currency exchange losses	2,216,283	2,487,929
Inventory offers and samples	976,372	900,085
Others	1,907,994	1,279,234
	13,155,410	13,171,425

Other expenses regarding the subsidiaries that entered the consolidation perimeter in 2017, amounted to 10,714 Euros (Note 41).

Other expenses regarding the subsidiaries that exited the consolidation perimeter in 2017 amounted to 3,846,642 Euros (Note 41) with a corresponding amount of 2,082,566 Euros for the year 2016.

The caption Taxes refers mainly to the payment of property taxes (IMI and similar), and for 2016 it also includes the amount of VAT to be paid as a result of the disposal of the Hotel Pestana Viking, in the amount of 1,283,158 Euros.

The variation occurred in the caption Others relates mainly to the donation given by Grupo Pestana to the Forest and Nature Conservation Institute, IP-RAM in the amount of 557,254 Euros, exclusively for environmental purposes, namely for the construction of a fire cut strip on the edge of the city of Funchal.

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33. Gains and losses on investments in Joint ventures, Associates and Available-for-sale financial assets

Gains and losses in investments in Joint ventures, Associates and Available-for-sale financial assets are detailed as follows:

	2017	2016
Disposal of investments held:		
Pestana Management - Serviços de Gestão, S.A. (Note 41)	14,350,171	_
Hotéis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A. (Note 41)	9,807,762	-
Intervisa - Viagens e Turismo, Lda. (Note 41)	2,784,009	-
Pestana Segurança - Serviços de Segurança e Vigilância, Unip., Lda. (Note 41)	159,708	-
Pinheiromar, S.A. (Nota 41)	44,212	-
Salvintur - Sociedade de Investimentos Turísticos, S.A. (Note 11)	-	789,952
Wild Break 29 (PTY) Ltd	-	322,512
Gains / (Losses) from equity accounting - joint ventures (Note 9):		
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	282,828	(102,691)
Pestana CR7 - Madeira Hotel Investimentos Turísticos, S.A.	54,430	(76,405)
Solpor - Sociedade de Turismo do Porto Santo, Lda.	(1,024)	(3,341)
Gains / (Losses) from equity accounting - associates (Note 10):		
Enatur - Empresa Nacional de Turismo, S.A.	769,488	444,619
Albar - Sociedade Imobiliária do Barlavento, S.A.	(278,250)	(6,791)
SDEM - Soc. de Desenu. Empr. da Madeira, S.G.P.S., S.A.	-	(47,842)
Changes in the fair value of Available-for-sale financial assets	-	(86,690)
Goodwill write-off - Solpor - Sociedade de Turismo do Porto Santo, Lda.	-	(487,635)
Impairment loss - Imóveis Brisa - F.I.I.F. (Note 11)	-	(1,781,814)
Others	154,539	92,709
	28,127,872	(943,417)



34. Finance expenses and income

Finance expenses and income is detailed as follows:

	2017	2016
Finance expenses		
Interest expenses	11,861,749	13,017,630
Interest rate swaps	1,188,578	2,989,655
Foreign currency exchange losses	214,448	3,969,951
Commissions and guarantee fees	1,727,880	1,147,127
Changes in swaps' fair value (Note 24)	-	18,625
	14,992,655	21,142,988
Finance income		
Interest income	532,917	400,629
Interest rate swaps	-	11,583
Foreign currency exchange gains	82,922	3,209,168
Changes in swaps' fair value (Note 24)	137,304	60,780
Others	16,596	15,626
	769,739	3,697,786

Finance expense regarding the subsidiaries that entered the consolidation perimeter in 2017 amounted to 26,399 Euros (Note 41).

Finance expenses regarding the subsidiaries that exited the consolidation perimeter in 2017 amounted to 2,933,396 Euros (Note 41) with a corresponding amount of 5,413,952 Euros for the year 2016.

Finance income regarding the subsidiaries that entered the consolidation perimeter in 2017 amounted to 35,630 Euros (Note 41).

Finance income regarding the subsidiaries that exited the consolidation perimeter in 2017 amounted to 157,886 Euros (Note 41) with a corresponding amount of 1,109,279 Euros for the year 2016.

The caption Changes in swaps' fair value relates in its entirety to the change in the fair value of derivative financial instruments considered as trading (Note 24).





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

	2017	2016
Current income tax:		
Current period income tax	(12,742,118)	(6,378,778)
Prior years' excesses/(insuficiencies)	874,782	98,899
	(11,867,336)	(6,279,879)
Deferred income tax:		
Arising and reversal of temporary differences	1,043,866	2,279,179
	1,043,866	2,279,179
	(10,823,470)	(4,000,700)

The tax rate to be applied 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:

	2017
Earnings before taxes	100,753,295
Tax resulting from applying domestic rates applicable in each country after intercompany eliminations	21,158,192
Difference to tax rate applied to deferred taxes	(102,034)
Non-taxable income	(11,614,137)
Non-deductible costs	1,783,800
	(9,932,371)
Municipal surcharge	716,227
State surcharge	1,823,197
Tax losses used	(1,184,924)
Tax incentive for investments (RFAI)	(1,989,482)
Autonomous taxation	171,772
Perimeter exits	935,642
(Excess) / Insufficiency of income tax estimate	(874,782)
	10,823,470



Since 2012, Grupo Pestana, S.G.P.S, S.A. is taxed under the Special Taxation Regime for Groups ("RETGS"). Consequently, current income tax is calculated based on the taxable profit or loss of the companies included in the tax consolidation perímeter, according to RETGS rules.

RETGS includes all subsidiaries in which the Group holds directly or indirectly at least 75% of the share capital and that are residents in Portugal and taxed under the Portuguese Corporate Income Tax.

Under the terms of article 69-A of the Portuguese Corporate Income Tax Code, the Group chose to widen the concept of Special Taxation Regime for Groups, to Pestana International Holdings, S.A, with Grupo Pestana, S.G.P.S., S.A. assuming the role defined in the number 3 of the referred article, regarding the fulfillment of all obligations imposed on the dominating company.

For companies not covered by the special tax rules, current income tax is calculated based on their respective taxable profit or loss, according to the tax rules in the country of each company.

The statutory income tax rates applicable in each country Grupo Pestana operates, for 2017 and 2016, are as follows:

	2017	2016
Germany	n.a.	29.72%
Spain	n.a.	25%
United States of America	n.a.	40%
Netherlands	n.a.	25%
Luxembourg	n.a.	27.08%
Portugal	21% - 22.5%	21% - 22.5%
United Kingdom	n.a.	20%

36. Discontinued operations

The Board of Directors of the subsidiary Grupo Pestana Pousadas, S.A. approved the disposal of Convento do Carmo, S.A. which was completed in 2016. Thus, as this hotel unit corresponded to a separate reportable segment within Grupo Pestana, in 2016, this operation was presented as discontinued.

On September 2016, Convento do Carmo, S.A. was disposed of to Brasturinvest, S.A., with a gain of 3,729,733 Euros.



37. Dividends per share

Dividends paid to shareholders during 2017 amount to 97,267,376 Euros, corresponding to 1.19 Euros per share (2016: 25,151,876 Euros, resulting in 0.31 Euros per share).

38. Commitments

The Group is performing works of structure renovation, facility and feature redevelopment and the maintenance of "Pousadas de Portugal" network, fulfilling the related requirements in the Management Assignment Agreement. Consequently, until the end of 2017 it has assigned for that purpose the corresponding annual amount.

Since 1987, a supplementary pension plan is in place for the employees of ECM, Lda, that were at service on that date and until 31 December 2007, qualifying as a defined benefit plan. To cover this liability a pension fund was incorporated in 1987. The fund is being managed autonomously by the insurance company SGF. As at 31 December 2017, the fund amounts to 1,392,180 Euros.

In 2008, ECM, Lda. changed the pension plan established by public deed on 21 December 1987, transforming the defined benefit plan into a defined contribution plan, with a contractual annual contribution of 2.5% of the Profit for the period, of the previous year.

31 December 2017	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Minimum lease payments of operating leases	16,112,583	61,394,063	161,591,157	239,097,803
31 December 2016	Less than 1 year	Between 1 and 5 years	More than 5 years	Total

Commitments with future minimum lease payments of operating leases, by maturity, are as follows:

The amounts presented refer to the last rents paid which are, in their majority, subject to inflation rate update.



39. Contingencies

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

	2017	2016
Mortgages		
Mortgages over hotel units	111,715,102	185,685,985
Mortgages over land	1,750,000	8,977,730
	113,465,102	194,663,715
Guarantees		
Guarantees and liability coverages	18,145,400	7,060,056
Bank guarantees	39,463,744	35,492,711
	57,609,144	42,552,767

Contingent assets

The special tax regime in Portugal for pure Holding Companies (with the legal status of S.G.P.S.), effective until 31 December 2013, considered that capital gains and capital losses arising from the sale, under specified conditions, of equity shares held by these companies, would not be considered in the calculation of taxable profit. On the other hand, this regime did not allow for the tax deductibility of the financial expenses associated with the acquisition of the mentioned equity shares. Nevertheless, this regime was revoked on 1 January 2014, without a transitional regime.

Thus, S.G.P.S. companies may have an amount of financial expenses for which tax deductibility was not allowed for, without benefitting from the tax exemption on capital gains and losses foreseen in the regime, and with no expected future tax benefit since this tax regime was revoked.

In this context, in March 2017, Grupo Pestana submitted a gracious grievance, which was not accepted by the Tax Authority, requesting the recovery of the financial expenses for which the deductibility was not allowed for, as referred above, at the same time that no tax exemption could be applied for capital gains or losses obtained under the regime, and for which it will not be possible to benefit from in the future, given that the tax regime was revoked.



As a consequence of the developments verified in 2017, Grupo Pestana presented, in November 2017, a Judicial challenge in Funchal's Tax and Administrative Court with the objective of obtaining the tax acceptance of financial expenses, which deductibility was never allowed for under the tax regime effective until 2013.

Contingent liabilities

As at 31 December 2017, Grupo Pestana had contingent liabilities of approximately 1,290,626 Euros arising from pending lawsuits.



40. Perímetro de consolidação

As Subsidiárias incluídas no perímetro de consolidação, pelo método integral, à data de 31 de dezembro de 2017, são apresentadas como segue:

Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
Amoreira - Aldeamentos Turísticos, Lda.	Portugal	Imobiliária	31-12-2017	4,799,671	6,359,432	1,559,761	-	(44,049)	99.01%	99.01%
Beloura Hotel e Golfe - Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2017	8,293,980	15,231,204	6,937,224	4,135,184	1,144,047	100.00%	100.00%
Carlton Palácio - Sociedade de Construção e Exploração Hoteleiras, S.A.	Portugal	Hotelaria	31-12-2017	40,363,852	69,241,959	28,878,107	23,985,146	7,085,035	100.00%	100.00%
Carvoeiro Golfe - Sociedade de Mediação Imobiliária, Unipessoal Lda.	Portugal	Imobiliária	31-12-2017	1,376,177	1,871,800	495,623	7,027,436	938,891	99.01%	99.01%
Caruoeiro Golfe, S.A. ^(b)	Portugal	Golfe e Imobiliária	31-12-2017	47,261,952	111,347,717	64,085,766	48,381,088	11,114,645	99.01%	99.01%
Cota Quarenta - Gestão e Administração de Centros Comercias, S.A.	Portugal	Imobiliária	31-12-2017	5,329,295	21,973,487	16,444,193	-	189,372	100.00%	100.00%
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Bebidas	31-12-2017	7,017,103	30,349,170	23,332,068	28,039,616	555,546	100.00%	100.00%
Eurogolfe, S.A.	Portugal	Golfe	31-12-2017	12,634,739	14,315,073	1,680,334	640,801	1,810,381	100.00%	100.00%
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2017	36,747,649	65,951,128	29,203,479	39,606,632	5,654,844	95.68%	95.68%
Herdade da Abrunheira - Projectos de Desenvolvimento Turístico e Imobiliário, S.A.	Portugal	Imobiliária	31-12-2017	214,725	6,510,769	6,296,044	-	(267,353)	66.67%	66.67%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hotelaria	31-12-2017	3,075,480	7,086,208	4,010,728	2,387,431	75,480	100.00%	100.00%





Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
Imóveis Brisa - Fundo de Investimento Imobiliário Fechado	Portugal	Fundo Imobiliário	31-12-2017	7,695,566	14,274,279	6,578,713	-	453,442	100.00%	100.00%
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hotelaria e Animação	31-12-2017	44,101,839	68,003,564	23,901,725	36,551,174	10,159,841	100.00%	100.00%
M. & J. Pestana - Sociedade de Turismo da Madeira, S.A.	Portugal	Hotelaria / DRHP	31-12-2017	118,745,631	339,291,722	220,546,091	66,325,927	20,032,194	100.00%	100.00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Animação Turística	31-12-2017	1,798,450	3,807,819	2,009,370	663,855	584,147	100.00%	100.00%
Natura XXI, Lda.	Portugal	Imobiliária	31-12-2017	1,412,918	1,440,508	27,591	135	(28,895)	100.00%	100.00%
Pestana Cidadela - Investimentos Turisticos, S.A.	Portugal	Hotelaria	31-12-2017	8,275,270	16,693,818	8,418,548	6,406,135	938,725	100.00%	100.00%
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotelaria / DRHP	31-12-2017	12,407,618	26,114,048	13,706,430	9,381,265	2,188,726	52.00%	52.00%
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	Portugal	Hotelaria	31-12-2017	7,827,894	17,449,176	9,621,282	8,108,347	2,786,444	60.00%	60.00%
Saluor - Sociedade de Investimento Hoteleiro, S.A. $^{\scriptscriptstyle (b)}$	Portugal	Hotelaria / DRHP	31-12-2017	167,287,761	236,724,381	69,436,620	45,023,954	23,082,576	100.00%	100.00%
SDEM - Sociedade de Desenuoluimento Empresarial da Madeira, SGPS, S.A.	Portugal	Seruiços	31-12-2017	918,435	1,695,558	777,124	19,042	(141,299)	47.73%	51.14%
SDM - Sociedade de Desenuoluimento da Madeira, S.A. ^(a)	Portugal	Seruiços	31-12-2017	10,101,723	17,021,146	6,919,423	10,534,778	3,003,446	47.73%	51.14%
Sociedade de Investimentos Hoteleiros D. João II, S.A.	Portugal	Hotelaria / DRHP	31-12-2017	1,367,785	4,107,408	2,739,624	640,384	96,145	100.00%	100.00%

a) Only 47.73% of the company is owned by Grupo Pestana, S.G.P.S., S.A. which, however, controls the entity by means of a shareholder agreement signed with Francisco da Costa e Filhos, S.A. for the assignment of 3.41% of voting rights over the Company.

b) In 2017, the subsidiaries Rolldown Golfe, Lda. and Viquingue, S.A. were merged into Carvoeiro Golfe, S.A. and Salvor, S.A., respectively, with effect from January 1, 2017.





The subsidiaries included in the consolidation perimeter (full consolidation) as at 31 December 2016 are as follows:

Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
Amesteldijk Hotel Ontwkkeling B.V.	Holanda	Hotelaria	31-12-2016	10,221,775	41,533,527	31,311,753	-	(16,043)	99.92%	99.92%
Amoreira - Aldeamentos Turísticos, Lda.	Portugal	Imobiliária	31-12-2016	4,843,720	6,356,622	1,512,902	-	(32,332)	99.01%	99.01%
Beloura Hotel e Golfe - Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2016	7,065,657	15,226,355	8,160,698	3,586,847	2,058,698	100.00%	100.00%
Carlton Palácio - Sociedade de Construção e Exploração Hoteleiras, S.A.	Portugal	Hotelaria	31-12-2016	42,921,333	64,223,805	21,302,472	19,843,153	10,370,075	100.00%	100.00%
Caruoeiro Golfe - Sociedade de Mediação Imobiliária, Unipessoal Lda.	Portugal	Imobiliária	31-12-2016	437,285	5,961,391	5,524,106	893,332	424,025	99.01%	99.01%
Caruoeiro Golfe, S.A.	Portugal	Golfe e Imobiliária	31-12-2016	56,747,876	106,078,507	49,330,631	24,989,878	3,375,461	99.01%	99.01%
Cota Quarenta - Gestão e Administração de Centros Comercias, S.A.	Portugal	Imobiliária	31-12-2016	5,276,331	21,733,837	16,457,506	1,122,677	143,587	100.00%	100.00%
Desarollos Hoteleros Barcelona 2004 S.A.	Espanha	Hotelaria	31-12-2016	5,746,965	14,464,995	8,718,029	2,871,760	142,109	99.92%	99.92%
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Espanha	Bebidas	31-12-2016	6,464,557	28,138,528	21,673,970	26,415,035	(274,301)	100.00%	100.00%
Eurogolfe, S.A.	Portugal	Golfe	31-12-2016	11,092,514	12,044,790	952,276	567,156	282,269	99.01%	99.01%
Global Mandalay, S.L.U.	Espanha	Hotelaria	31-12-2016	16,951	867,939	850,988	-	(62,328)	99.92%	99.92%
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2016	32,151,436	68,328,501	36,177,065	35,380,431	2,416,370	95.68%	95.68%
Herdade da Abrunheira - Projectos de Desenvolvimento Turístico e Imobiliário, S.A.	Portugal	Imobiliária	31-12-2016	482,078	6,514,385	6,032,308	-	(329,101)	66.67%	66.67%
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotelaria	31-12-2016	47,288,634	103,024,267	55,735,633	4,232,156	88,333	99.92%	99.92%
Hotel Rauchstrasse 22, S.A.R.L.	Luxemburgo	Hotelaria	31-12-2016	6,817,839	19,477,718	12,659,878	1,610,966	264,952	92.71%	92.71%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hotelaria	31-12-2016	3,033,308	7,717,999	4,684,690	1,441,357	(454,165)	100.00%	100.00%
Intervisa Viagens e Turismo, Lda.	Portugal	Dist. Turística	31-12-2016	556,579	2,713,250	2,156,671	1,260,467	189,953	100.00%	100.00%
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel. e Animação	31-12-2016	42,777,632	68,611,757	25,834,125	32,857,459	8,655,240	100.00%	100.00%






Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
M. & J. Pestana - Sociedade de Turismo da Madeira, S.A.	Portugal	Hotelaria / DRHP	31-12-2016	115,052,007	337,161,681	222,109,674	58,000,638	16,424,420	100.00%	100.00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Animação Turística	31-12-2016	1,214,302	3,422,229	2,207,927	687,631	(50,526)	100.00%	100.00%
Natura XXI, Lda.	Portugal	Imobiliária	31-12-2016	1,441,812	1,452,591	10,779	180	(13,426)	99.01%	99.01%
Pestana Berlim S.A.R.L.	Luxemburgo	Hotelaria	31-12-2016	484,717	2,447,829	1,963,112	5,837,245	303,837	99.92%	99.92%
Pestana Cidadela - Investimentos Turisticos, S.A.	Portugal	Hotelaria	31-12-2016	7,336,545	17,331,344	9,994,799	5,978,856	623,378	100.00%	100.00%
Pestana New York East Side 39 LLC	Portugal	Hotelaria	31-12-2016	1,000,100	1,082,267	82,167	-	-	99.92%	99.92%
Pestana Holland Holding B.V.	Holanda	Hotelaria	31-12-2016	12,624,057	15,162,287	2,538,229	-	(42,772)	99.92%	99.92%
Pestana Management UK, Limited	Reino Unido	Hotelaria	31-12-2016	455,285	2,109,631	1,654,347	10,205,812	333,323	74.94%	74.94%
Pestana Management - Serviços de Gestão, S.A.	Portugal	Seruiços	31-12-2016	2,742,622	12,816,426	10,073,803	24,915,865	878,342	100.00%	100.00%
Pestana Manhattan 39 LLC	USA	Hotelaria	31-12-2016	9,465,611	8,865,465	(600,146)	-	(29,389)	99.92%	99.92%
Pestana Miami LLC	USA	Hotelaria	31-12-2016	4,425,469	20,761,319	16,335,850	4,820,910	(259,827)	99.92%	99.92%
Pestana Segurança - Serviços de Segurança e Vigilância, Unipessoal Lda.	Portugal	Seruiços	31-12-2016	237,865	588,728	350,863	1,314,160	9,803	100.00%	100.00%
Pestana USA Inc	USA	Hotelaria	31-12-2016	14,212,959	13,396,544	(816,415)	-	(45,563)	99.92%	99.92%
Pinheiro Mar, S.A.	Portugal	Hotelaria	31-12-2016	1,044,340	5,202,765	4,158,425	8,769,064	992,821	100.00%	100.00%
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotelaria / DRHP	31-12-2016	12,826,392	28,461,773	15,635,381	8,811,146	1,941,753	52.00%	52.00%
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	Portugal	Hotelaria	31-12-2016	5,041,450	15,070,902	10,029,452	6,075,452	1,707,392	60.00%	60.00%
Rolldown Golfe, Lda.	Portugal	Golfe	31-12-2016	1,192,892	5,640,245	4,447,353	1,371,640	83,033	99.01%	99.01%
Saluor - Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hotelaria / DRHP	31-12-2016	151,635,868	193,929,827	42,293,958	30,079,133	12,360,314	99.01%	99.01%
SDM - Sociedade de Desenvolvimento da Madeira, S.A. $^{\scriptscriptstyle (c)}$	Portugal	Seruiços	31-12-2016	19,594,585	23,262,161	3,667,577	9,614,027	3,244,003	15.00%	70.00%
Sociedade de Investimentos Hoteleiros D. João II, S.A.	Portugal	Hotelaria / DRHP	31-12-2016	1,271,640	3,810,149	2,538,509	713,146	88,431	99.01%	99.01%
Viquingue, Sociedade Turística, S.A.	Portugal	Hotelaria / DRHP	31-12-2016	13,606,105	19,205,580	5,599,475	4,807,339	2,750,501	99.01%	99.01%

c) Only 15% of the company was owned by Grupo Pestana, S.G.P.S., S.A., which, however, controlled the entity by means of a shareholder agreement signed with Mr. Dionísio Pestana, who assigned to Grupo Pestana 55% of the voting rights over the company. sociedade.





Associates and Joint ventures included in consolidation through the equity method, as at 31 December 2017 and 2016, are as follows:

Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Imobiliária	31-12-2017	1,147,898	1,185,050	37,152	-	(5,056)	49.81%	49.81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hotelaria	31-12-2017	70,262,819	94,724,762	24,461,943	2,504,844	1,570,384	46.88%	46.88%
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2017	1,706,051	3,737,847	2,031,796	2,197,329	108,861	50.00%	50.00%
Solpor - Sociedade de Turismo do Porto Santo Lda.	Portugal	Imobiliária	31-12-2017	940,650	942,345	1,695	-	(2,048)	50.00%	50.00%
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A	. Portugal	Hotelaria	31-12-2017	7,860,274	15,749,867	7,889,593	4,065,732	565,656	50.00%	50.00%

Entity	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit/ (Loss)	% Owned	% controled
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Imobiliária	31-12-2016	1,152,954	1,183,945	30,990	-	(13,633)	49.81%	49.81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hotelaria	31-12-2016	70,852,908	96,392,801	25,539,893	2,500,220	907,387	46.88%	46.88%
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	Portugal	Seruiços	31-12-2016	1,101,574	1,759,779	658,204	29,672	(164,788)	3.75%	25.00%
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	Portugal	Hotelaria	31-12-2016	1,597,190	5,851,626	4,254,437	892,052	(152,810)	50.00%	50.00%
Solpor - Sociedade de Turismo do Porto Santo Lda.	Portugal	Imobiliária	31-12-2016	982,699	988,231	5,532	48,560	36,587	50.00%	50.00%
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A	. Portugal	Hotelaria	31-12-2016	7,294,618	14,873,837	7,579,219	901,774	(205,382)	50.00%	50.00%





41. Changes in the consolidation perimeter

In 2017, Grupo Pestana acquired and/or started to include in the consolidation perimeter the following subsidiaries:

____ SDEM – Sociedade de Desenvolvimento Empresarial da Madeira, S.A.;

Imóveis Brisa – Fundo de Investimento Imobiliário Fechado.

The financial position of these companies included in the consolidation perimeter as at the entry date, is as follows:

	SDEM, S.A.	Imóveis Brisa – F.I.I.F.	Total
Purchasing price	826,936	7,242,122	8,069,058
Assets			
Tangible fixed assets	-	10,689,293	10,689,293
Intangible assets	-	1,030,000	1,030,000
Investment properties	-	1,239,950	1,239,950
Available-for-sale financial assets	843,398	-	843,398
Trade and other receivables	62,924	153,256	216,180
Coporate tax receivable	9,886	-	9,886
Inventories	-	359,750	359,750
Cash and cash equivalents	849,464	536,717	1,386,181
Total Assets at fair value	1,765,672	14,008,966	15,774,637
Liabilities			
Borrowings	641,385	-	641,385
Deferred revenue	-	3,000	3,000
Trade and other payables	21,705	6,763,843	6,785,548
Total liabilities at fair value	663,090	6,766,843	7,429,933
Net assets	1,102,582	7,242,122	8,344,704
% acquired	75,00%	100,00%	
Goodwill	-	-	-



The Income statement of the entities included in the consolidation perimeter, in reference to the period comprised between the respective entry dates and 31 December 2017 is as follows:

	SDEM, S.A.	Imóveis Brisa – F.I.I.F.	Total
Revenue	19,042	-	19,042
External services and supplies	(60,841)	(168,167)	(229,008)
Personnel expenses	(119,319)	-	(119,319)
Depreciation and amortization	-	(68,667)	(68,667)
Impairment of receivables	-	(13,839)	(13,839)
Other income	14,222	240,271	254,493
Other expenses	(3,634)	(7,079)	(10,714)
Operating profit	(150,530)	(17,482)	(168,012)
Finacial expenses	(26,399)	-	(26,399)
Financial income	35,630	-	35,630
Profit before tax	(141,299)	(17,482)	(158,781)
Income tax	-	-	-
Profit for the period	(141,299)	(17,482)	(158,781)
Profit for the period attributable to:			
Grupo Pestana shareholders	(67,442)	(17,482)	(84,924)
Non-controlling interests	(73,857)	-	(73,857)
	(141,299)	(17,482)	(158,781)

On 13 December 2017, Grupo Pestana disposed of the investment representing 99.92% of the share capital of Hotéis do Atlântico – Sociedade Imobiliária and Gestão de Hóteis, S.A., to Pestana International Holdings S.A. for the amount of 31,000,000 Euros, obtaining a capital gain of 9,807,762 Euros (Note 33). The disposal also included the accessory contributions of capital and loans granted to the company, which were disposed of at their nominal value of Euro 24,000,000 and Euro 59,144,198, respectively. Consequently, this company, as well as its subsidiaries, exited the consolidation perimeter with effect from December 1, 2017.

For the same reason, Grupo Pestana decided, on 29 November 2017, to dispose of, to the company ESGAP - Empresa Serviços de Gestão e Administrativos Partilhados, S.A., formerly designated as Pinheiromar, S.A., the investments held in companies that provide services to the various companies of Pestana Hotel Group, namely shared management support services, travel agency services and security services. These companies are Pestana Management - Serviços de Gestao, S.A. disposed of for 19,000,000 Euros, Intervisa Viagens e Turismo, Lda. disposed of for 3,500,000 Euros and Pestana Segurança - Vigilance and Security Services, Unipessoal Lda. disposed of for 500,000 Euros, resulting in capital gains of 14,350,171 Euros, 2,784,009 Euros and 159,708 Euros, respectively (Note 33). Consequently, these companies were excluded from the consolidation perimeter with effect from 1 November 2017.



On June 9, 2017, Grupo Pestana disposed of the entire financial investment held in the company Pinheiromar, S.A., as well as the respective accessory contributions of capital, for 50,000 Euros and 165,000 Euros, respectively, resulting in a capital gain of Euro 44,212 (Note 33). Consequently, this company was excluded from the consolidation perimeter with effect from June 1, 2017.

In 2017, the following subsidiaries were disposed of:

- Pinheiromar, S.A.;
- ____ Pestana Management Serviços de Gestão, S.A.;
- ____ Pestana Segurança Serviços de Segurança e Vigilância, Unipessoal, Lda.;
- ____ Intervisa Viagens e Turismo, Lda.;
- Hotéis do Atlântico Sociedade Imobiliária e de Gestão de Hotéis, S.A..
- Hotéis do Atlântico, S.A. owned, directly, the following subsidiaries that were thus also disposed of:
- ____ Pestana Miami, LLC.;
- Pestana CR7 Manhattan 39, LLC.;
- Pestana USA, Inc.;
- Pestana New York East Side 39, LLC.;
- ____ Pestana Management UK Ltd.;
- Hotel Rauchstrasse 22 S.à.r.l.;
- ____ Pestana Berlin S.à.r.l.;
- ____ Desarrollos Hoteleros Barcelona 2004, S.A.;
- ____ Global Mandalay, S.L.;
- Pestana Holland Holding B.V.;
- ____ Amsteldijk Hotel Ontwikkeling B.V..





The financial position of the entities excluded from the consolidation perimeter as at the exit date, is as follows:

	Pinheiromar, S.A.	Pestana Management, S.A.	Intervisa, Lda.	Pestana Segurança, Lda.	Hotéis do Atlântico, S.A. e subsidiárias	Total
Sales price	50,000	19,000,000	3,500,000	500,000	31,000,000	54,050,000
Assets						
Tangible fixed assets	6,113	1,142,089	3,974	26,438	166,279,046	167,457,659
Intangible assets	-	905,678	172,512	13,720	-	1,091,910
Deferred tax assets	3,802	613,942	1,386	-	2,026,791	2,645,922
Trade and other receivables	27,749	4,194,909	561,081	301,345	3,328,588	8,413,671
Corporate tax receiuable	-	195,054	-	-	158,628	353,682
Inventories	-	-	-	-	49,049	49,049
Cash and cash equivalents	-	574,671	29,814	251	15,818,935	16,423,670
Total assets acquired at fair value	37,664	7,626,342	768,767	341,754	187,661,036	196,435,563
Liabilities						
Provisions	-	24,367	-	-	-	24,367
Borrowings	487	-	-	-	52,922,508	52,922,995
Derivative financial instruments	-	-	-	-	916,341	916,341
Deferred tax liabilities	-	-	-	-	5,510,697	5,510,697
Deferred revenue	-	2,952,147	-	1,462	1,505,804	4,459,413
Trade and other payables	31,389	-	52,776	-	105,639,157	105,723,322
Total liabilities acquired at fair value	31,876	2,976,514	52,776	1,462	166,494,507	169,557,135
Net assets	5,788	4,649,829	715,991	340,292	21,166,528	26,878,428
Cumulative translation adjustments	-	-	-	-	(1,061,151)	(1,061,151)
Non-controlling interests	-	-	-	-	1,103,794	1,103,794
% disposed of	100.00%	100.00%	100.00%	100.00%	99.92%	
Gains / (losses) on disposal (Note 33)	44,212	14,350,171	2,784,009	159,708	9,807,762	27,145,862





The Income statement of the entities excluded from the consolidation perimeter in reference to the period from 1 January 2017 to the respective exit date is as follows:

	ESGAP, S.A.	Pestana Management, S.A.	Intervisa, Lda.	Pestana Segurança, Lda.	Hotéis do Atlântico, S.A. e subsidiárias	Total
Revenue	-	2,757,100	1,442,612	22,240	23,441,554	27,663,506
Cost of goods sold	-	-	-	(5,128)	(1,119,097)	(1,124,225)
External services and supplies	(75,994)	(6,070,040)	(28,786)	(50,611)	(7,237,598)	(13,463,029)
Personnel costs	-	(11,009,027)	(145,872)	(641,502)	(6,051,352)	(17,847,753)
Depreciation and amortization	-	(250,572)	(76,264)	(6,463)	(2,346,897)	(2,680,196)
Impairment of receivables	-	1,306	-	-	(50,431)	(49,125)
Other income	6,511	17,383,285	241,071	782,646	188,148	18,601,660
Other expenses	(5,409)	(85,416)	(955,824)	(144)	(2,799,849)	(3,846,642)
Operating profit	(74,892)	2,726,636	476,937	101,038	4,024,478	7,254,196
Financial expenses	(21,869)	-	(136,353)	-	(2,775,175)	(2,933,396)
Financial income	-	2,208	49	94	155,535	157,886
Profit before tax	(96,761)	2,728,844	340,634	101,132	1,404,838	4,478,686
Income tax	-	12,914	(893)	1,294	225,722	239,038
Profit for the period	(96,761)	2,741,758	339,741	102,426	1,630,560	4,717,725
Profit for the period attributable to:						
Grupo Pestana shareholders	(96,761)	2,741,758	339,741	102,426	1,472,786	4,559,951
Non-controlling interests	-	-	-	-	157,774	157,774
	(96,761)	2,741,758	339,741	102,426	1,630,560	4,717,724



Also in 2017, Grupo Pestana ceased to include in the consolidation perimeter the subsidiary Viquingue - Sociedade Turística, S.A., due to the merger with Salvor - Sociedade de Investimento Hoteleiro, S.A. and the subsidiary Rolldown - Golfe, Lda. due to the merger with Carvoeiro Golfe, S.A..

In 2016, Grupo Pestana acquired and started to include in the consolidation perimeter the subsidiary ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal, Lda. The subsidiary was acquired from Pestana International Holdings S.A., having January 1, 2016 been considered as the entry date in the consolidation perimeter.

The financial position of the company included in the consolidation perimeter as at the entry date, is as follows:

	ECM, Lda.
Acquisition price	17,500,000
Assets	
Tangible fixed assets	18,943,103
Other financial investments	40,652
Deferred tax assets	202,067
Trade and other receivables	4,804,783
Inventories	2,674,848
Cash and cash equivalents	575,524
Total assets acquired at fair value	27,240,977
Liabilities	
Provisions	3,502,197
Borrowings	12,825,971
Deferred revenue	2,500,318
Trade and other payables	1,211,993
Shareholders loans	6,700,498
Total liabilities acquired ta fair value	26,740,977
Net assets	500,000
% acquired	100.00%
Goodwill (Note 7)	17,000,000



The Income statement of the entity included in the consolidation perimeter, in reference to the period comprised between the respective entry date and 31 December 2016 is as follows:

	ECM, Lda.
Revenue	25,512,610
Cost of goods sold	(8,616,334)
External services and supplies	(8,586,721)
Personnel costs	(6,072,303)
Depreciation and Amortization	(1,861,993)
Impairment of receivables	(50,466)
Imparirment of inventories	(95,278)
Other income	1,298,925
Other costs	(1,114,736)
Operating profit	413,703
Financial costs	(493,203)
Profit befor tax	(79,500)
Income tax	44,058
Profit for the period	(35,442)
Profit for the period attributable to:	
Grupo Pestana Shareholders	(35,442)
Non-controlling interests	-
	(35,442)

During 2016, Grupo Pestana incorporated Pestana NY East Side 39 LLC and included it in the consolidation perimeter. The aim of this entity is to own and develop a hotel in New York.

In 2016, Grupo Pestana ceased to include in the consolidation perimeter the subsidiary Mandreal – Consultadoria, S.A., due to the merger with Cota Quarenta, S.A. and the subsidiary Rio de Prata – Consultadoria e Participações, S.A., due to the merger with Carlton Palácio, S.A..







As at 31 December 2017 and 2016, Grupo Pestana is owned and controlled by Pestana International Holdings S.A., which holds 99% of the share capital. The ultimate owner, Mr. Dionísio Pestana, holds the remaining part 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 2017 and 2016 the remuneration received by the Board of Directors is described in Note 30.





Transactions and balances with related parties

During the year 2017, Grupo Pestana carried out the following transactions with related parties:

	Seruices obtained	Interest expenses	Services rendered	Interest obtained	Sales of financial investments
Shareholder	18,785	1,792,752	19,679	-	114,144,198
Pestana International Holdings S.A.	18,785	1,792,752	19,679	-	114,144,198
Joint ventures	24,746	-	1,200,092	-	-
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	-	-	542,157	-	-
Solpor - Sociedade de Turismo do Porto Santo Lda.	-	-	46	-	-
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	24,746	-	657,889	-	-
Associates	2,707,964	-	44,104	16,871	-
Enatur - Empresa Nacional de Turismo, S.A.	2,707,964	-	43,699	16,871	-
Albar - Sociedade Imobiliária do Barlavento, S.A.	-	-	405	-	-
Other related parties	3,572,567	118,035	2,779,303	-	23,000,000
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	-	-	-	-	-
Djebel, S.A.	-	-	144,516	-	-
Pestana Management - Serviços de Gestão, S.A.	3,098,579	3,482	448,173	-	-
Pestana Segurança - Serviços de Segurança e Vigilância, Unipessoal Lda.	111,832	345	-	-	-
Intervisa Viagens e Turismo, Lda.	138,793	-	230,976	-	-
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	-	-	17,674	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	-	-	126,496	-	-
ESGAP, S.A.	72,805	-	-	-	23,000,000





	Seruices obtained	Interest expenses	Services rendered	Interest obtained	Sales of financial investments
Salvorhotéis Moçambique - Investimentos Turísticos, S.A.	-	-	150,238	-	-
Wild Break 29 (PTY), Ltd	346	-	98,901	-	-
Bazaruto, Lda.	-	-	12,668	-	-
Empreendimentos Turísticos, Lda.	-	-	119,438	-	-
Southern Escapes Travel and Tourism (PTY), Ltd	-	-	11,115	-	-
Afrotours, S.A.	33	-	238,457	-	-
Rotas de África, Lda.	4,556	-	56,938	-	-
São Tomé Invest S.A.	1,945	-	43,603	-	-
Pestana Marrocos, s.a.r.l.	4,926	-	411,470	-	-
Brasturinvest Investimentos Turísticos, S.A.	98,740	-	627,180	-	-
Inversiones Vistalparque C.A.	39,551	-	3,679	-	-
Pestana Miami LLC	-	-	474	-	-
Surinor, S.A.	-	-	2,569	-	-
Carolgud, S.A.	-	-	2,588	-	-
Atlantic Holidays Ltd	462	-	32,149	-	-
Pestana Berlim S.A.R.L.	-	32,541	-	-	-
Pestana Holland Holding B.V.	-	6,731	-	-	-
Amesteldijk Hotel Ontwkkeling B.V.	-	74,936	-	-	-
Key management personnel	-	-	-	-	-
	6,324,062	1,910,787	4,043,178	16,871	137,144,198





During the year 2016, Grupo Pestana carried out the following transactions with related parties:

	Acquisition of financial investments	Services obtained	Interest expenses	Seruices rendered	Interest obtained	Sales of financial investments
Shareholder	17,500,000	18,294	1,103,247	30,397	-	23,900,000
Pestana International Holdings S.A.	17,500,000	18,294	1,103,247	30,397	-	23,900,000
Joint ventures	-	20,522	-	429,677	-	-
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	-	8	-	240,523	-	-
Solpor - Sociedade de Turismo do Porto Santo Lda.	-	-	-	46	-	-
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	-	20,514	-	189,108	-	-
Associates	-	2,575,307	-	23,978	17,859	-
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	-	5,243	-	-	-	-
Enatur - Empresa Nacional de Turismo, S.A.	-	2,570,064	-	23,552	17,859	-
Albar - Sociedade Imobiliária do Barlavento, S.A.	-	-	-	425	-	-
Other related parties	-	427,148	-	1,789,644	-	2,655,000
Djebel, S.A.	-	-	-	21,245	-	-
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	-	-	-	20,330	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	-	-	-	213,252	-	2,650,000
Saluorhotéis Moçambique - Investimentos Turísticos, S.A.	-	-	-	203,464	-	-
Wild Break 29 (PTY), Ltd	-	-	-	117,817	-	-
Bazaruto, Lda.	-	-	-	11,326	-	-
Empreendimentos Turísticos, Lda.	-	-	-	197,594	-	-
Afrotours, S.A.	-	-	-	294,642	-	-
Rotas de África, Lda.	-	566	-	69,250	-	-
São Tomé Invest S.A.	-	-	-	49,518	-	-
Pestana Marrocos, s.a.r.l.	-	286	-	467,799	-	_





	Acquisition of financial investments	Services obtained	Interest expenses	Services rendered	Interest obtained	Sales of financial investments
Brasturinvest Investimentos Turísticos, S.A.	-	166,112	-	69,534	-	5,000
Argentur Inversiones Turisticas S.A.	-	190,591	-	409	-	-
Inversiones Vistalparque C.A.	-	66,905	-	20,424	-	-
Surinor, S.A.	-	-	-	12,285	-	-
Carolgud, S.A.	-	-	-	6,672	-	-
Atlantic Holidays Ltd	-	2,689	-	14,084	-	-
Key management personnel	-	-	-	-	-	-
	17,500,000	3,041,271	1,103,247	2,273,696	17,859	26,555,000

At the end of 2017 and 2016, the balances arising from loans and borrowings with related parties are as follows:

	31-12	2-2017	31-12-2016			
	Borrowings obtained	Loans granted	Borrowings obtained	Loans granted		
Shareholder	44,415,448	_	47,343,939	-		
Pestana International Holdings S.A.	44,415,448	-	47,343,939	-		
Associates	-	1,190,593	-	1,190,593		
Enatur - Empresa Nacional de Turismo, S.A.	-	1,190,593	-	1,190,593		
Key management personnel	-	-	-	-		
	44,415,448	1,190,593	47,343,939	1,190,593		





At the end of 2017, the balances arising from transactions with related parties are as follows:

	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
Shareholder	78,144,198	-	-	78,144,198	20,575	-	20,575
Pestana International Holdings S.A.	78,144,198	-	-	78,144,198	20,575	-	20,575
Joint ventures	3,016	-	-	3,016	3,835	-	3,835
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	1,653	-	-	1,653	2,493	-	2,493
Solpor - Sociedade de Turismo do Porto Santo Lda.	1,045	-	-	1,045	-	-	-
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	318	-	-	318	1,342	-	1,342
Associates	109,633	-	-	109,633	237,727	-	237,727
Enatur - Empresa Nacional de Turismo, S.A.	79,591	-	-	79,591	237,727	-	237,727
Albar - Sociedade Imobiliária do Barlavento, S.A.	30,042	-	-	30,042	-	-	-
Other related parties	42,227,811	-	-	42,227,811	10,672,652	-	10,672,652
Hoteis do Atlântico - Sociedade Imobiliária e Gestão de Hotéis, S.A.	456,814	-	-	456,814	4,487	-	4,487
Djebel, S.A.	324	-	-	324	232,443	-	232,443
Pestana Management - Serviços de Gestão, S.A.	23,766,035	-	-	23,766,035	7,272,931	-	7,272,931
Pestana Segurança - Serviços Segurança e Vigilância, Unip. Lda.	39,918	-	-	39,918	618,105	-	618,105
Intervisa Viagens e Turismo, Lda.	406,037	-	-	406,037	2,158,787	-	2,158,787
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	102	-	-	102	-	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	175	-	-	175	125,877	-	125,877





	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
ESGAP, S.A.	17,035,696	-	-	17,035,696	90,006	_	90,006
Salvorhotéis Moçambique - Investimentos Turísticos, S.A.	218	-	-	218	823	-	823
Empreendimentos Turísticos, Lda.	13,121	-	-	13,121	-	-	-
Afrotours, S.A.	60	-	-	60	-	-	-
Rotas de África, Lda.	504	-	-	504	-	-	-
Pestana Marrocos, s.a.r.l.	12,400	-	-	12,400	-	-	-
Brasturinvest Investimentos Turísticos, S.A.	381,099	-	-	381,099	164,754	-	164,754
Argentur Inversiones Turisticas S.A.	935	-	-	935	-	-	-
Pestana Miami LLC	70,753	-	-	70,753	1,195	-	1,195
Pestana Manhattan 39 LLC	-	-	-	-	588	-	588
Atlantic Holidays Ltd	93	-	-	93	-	-	-
Pestana Management UK, Limited	1,217	-	-	1,217	2,130	-	2,130
Pestana Berlim S.A.R.L.	195	-	-	195	-	-	-
Desarollos Hoteleros Barcelona 2004 S.A.	2,060	-	-	2,060	528	-	528
Amesteldijk Hotel Ontwkkeling B.V.	40,054	-	-	40,054	-	-	-
Key management personnel	-	-	-	-	-	-	
	120,484,658	-	-	120,484,658	10,934,789	-	10,934,789





At the end of 2016, the balances arising from transactions with related parties are as follows:

	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
Shareholder	3,900,000	-	-	3,900,000	309,606	-	309,606
Pestana International Holdings S.A.	3,900,000	-	-	3,900,000	309,606	-	309,606
Joint ventures	4,416,164	-	-	4,416,164	26,430	-	26,430
Pestana CR7 - Madeira Investimentos Turísticos, S.A.	4,041,981	-	-	4,041,981	13,969	-	13,969
Solpor - Sociedade de Turismo do Porto Santo Lda.	46	-	-	46	-	-	-
Pestana CR7 - Lisboa Hotel Investimentos Turísticos, S.A.	374,137	-	-	374,137	12,461	-	12,461
Associates	159,257	-	-	159,257	1,712	-	1,712
Enatur - Empresa Nacional de Turismo, S.A.	133,257	-	-	133,257	1,712	-	1,712
Albar - Sociedade Imobiliária do Barlavento, S.A.	26,000	-	-	26,000	-	-	-
Other related parties	5,836,568	-	-	5,836,568	1,661,812	-	1,661,812
Djebel, S.A.	810,981	-	-	810,981	473,475	-	473,475
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	2,802	-	-	2,802	-	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	139,796	-	-	139,796	8,205	-	8,205
Salvorhotéis Moçambique - Investimentos Turísticos, S.A.	542,575	-	-	542,575	11,985	-	11,985
Wild Break 29 (PTY), Ltd	84,811	-	-	84,811	3,552	-	3,552
Bazaruto, Lda.	27,484	-	-	27,484	526	-	526
Empreendimentos Turísticos, Lda.	21,892	-	-	21,892	121	-	121





	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
Afrotours, S.A.	52,166	-	_	52,166	9,451	-	9,451
Rotas de África, Lda.	13,735	-	-	13,735	2,595	-	2,595
São Tomé Invest S.A.	6,616	-	-	6,616	-	-	-
SOHEOTUR, S.A.	5,717	-	-	5,717	-	-	-
Pestana Marrocos, s.a.r.l.	246,231	-	-	246,231	7,857	-	7,857
Brasturinvest Investimentos Turísticos, S.A.	3,161,861	-	-	3,161,861	736,742	-	736,742
Argentur Inversiones Turisticas S.A.	64,896	-	-	64,896	136,743	-	136,743
Inversiones Vistalparque C.A.	484,017	-	-	484,017	47,186	-	47,186
Surinor, S.A.	5,174	-	-	5,174	-	-	-
Carolgud, S.A.	2,634	-	-	2,634	-	-	-
Atlantic Holidays Ltd	50,834	-	-	50,834	159	-	159
Pestana Inversiones, S.L.	112,347	-	-	112,347	223,216	-	223,216
Key management personnel	-	-	-	-	-	-	-
	14,311,989	-	-	14,311,989	1,999,560	-	1,999,560





43. 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:

Transactions that do not impact cash flow

	2016	Cash flow	Perimeter changes	Changes in fair value	Accrual / Deferral	2017
Bankloans	222,852,710	(23,734,172)	(50,350,165)	-	1,513,394	150,281,767
Commercial paper	28,527,151	4,277,777	-	-	(4,269)	32,800,658
Bond loans	108,079,264	-	-	-	277,173	108,356,437
Cash flow from investing activities	359,459,125	(19,459,539)	(50,350,165)	-	1,786,297	291,435,718



There are no relevant events to report.

Consolidated Annual Report Grupo Pestana, S.G.P.S., S.A.





Funchal, March 7 2018

The Certified Accountant

Luis Miguel Miranda Fernandes

The Board of Directors

Dionísio Fernandes Pestana

President

José Alexandre Lebre Theotónio

Member

José de Melo Breyner Roquete

Member

Hermanus Roelof Willem Troskie

Member



STATUTORY AUDITOR'S REPORT

1



Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the 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 2017 (which shows total assets of Euro 951,887,623 and total shareholders' equity of Euro 269,839,805 including a net profit of Euro 90,221,659), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Grupo Pestana, S.G.P.S., S.A. as at 31 December 2017, 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 for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the 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 Directors' Report in accordance with the applicable law and regulations;

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3°, 1069-316 Lisboa, Portugal Tel +351 213 599 000, Fax +351 213 599 999, www.pwc. pt Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000 Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485 c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

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.

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 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;

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 Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the 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.

April 30, 2018

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

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

REPORT AND OPINION OF THE OFFICIAL AUDITOR





Report and Opinion of the Supervisory Body

(Free translation from the original in Portuguese)

To the Shareholders

In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the consolidated Directors' Report and consolidated financial statements as presented by the Board of Directors of Grupo Pestana S.G.P.S., S.A. with respect to the year ended December 31, 2017.

During the year, we have accompanied the evolution of the activity of the Company and its more significant subsidiaries and associates, as and when deemed necessary. We have verified the timeliness and adequacy of the accounting records and respective supporting documentation, as well as the effectiveness of the internal control system, only to the extent that the controls are of relevance for the control of the Company's activity and the presentation of the financial statements. We have also ensured that the law and the Company's articles of association have been complied with.

As a consequence of our work, we have issued the attached Consolidated Statutory Audit Report.

Within the scope of our mandate, we have verified that:

i) the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the corresponding notes to the accounts, allow an adequate understanding of the financial position, the results, the comprehensive income, the changes in equity and cash flows of the Company;

ii) the accounting policies and valuation methods applied are appropriate;

iii) the consolidated Directors' Report is sufficiently clear as to the developments of the business and the position of the Company and the subsidiaries included in the consolidation and highlights the more significant aspects;

On this basis, and taking into account information obtained from the Board of Directors and the Company's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:

- i) the consolidated Directors' Report be approved;
- ii) the consolidated financial statements be approved;

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April 30, 2018

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

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.







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