



GRUPO PESTANA – S.G.P.S., S.A.

(incorporated with limited liability in Portugal)

€60,000,000 2.5% Unsecured Senior Bonds due 2025

Issue Price: 99.314 per cent.

The €60,000,000 Senior Bonds due on 2025 (the “**Bonds**”) will be issued by Grupo Pestana – S.G.P.S., S.A. (the “**Issuer**”), a holding limited liability company (*sociedade gestora de participações sociais*) established and organized under the laws of the Republic of Portugal (“**Portugal**” or the “**Portuguese State**”), in a denomination of €100,000, in accordance with the Terms and Conditions of the Bonds set out herein. The Issuer has entered into a paying agency agreement on 19 September 2019 (the “**Paying Agency Agreement**”) with Banco Bilbao Vizcaya Argentaria S.A. – Sucursal em Portugal as paying agent (the “**Paying Agent**”).

The Bonds will bear interest on their outstanding principal amount from time to time from (and including) 23 September 2019 (the “**Issue Date**”) to (and including) 23 September 2025 (the “**Maturity Date**”) at a fixed rate of 2.5 per cent. per annum, payable annually in arrears on 23rd September of each year (each an “**Interest Payment Date**”), commencing on 23 September 2020.

The Bonds will be redeemed at their specified denomination on the Maturity Date. Under certain circumstances described in Condition 5 of the terms and conditions of the Bonds described under the section headed “Terms and Conditions of the Bonds” (the “**Terms and Conditions**”), the Bonds may be subject to early redemption by repurchase from the Issuer or any of its subsidiaries.

The Bonds will be represented in book entry form (*forma escritural*) in registered form (*nominativas*) and will be integrated in and held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“**Interbolsa**”), as the entity responsible for the management and operation of the Central de Valores Mobiliários, a Portuguese Securities Centralised System (the “**CVM**”). The CVM currently has links in place with Euroclear Bank, S.A./N.V. (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) through securities accounts held by Euroclear and Clearstream, Luxembourg with Affiliate Members of Interbolsa (as described herein). The Issuer and the Bonds will be assigned, on the Issue Date, a credit rating of BBB by Axesor Risk Management S.L.U. (“**Axesor**”). Axesor is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Application has been made to the Luxembourg Stock Exchange for Bonds to be admitted to the official list of the Luxembourg Stock Exchange (the “**Official List**”) and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the “**Euro MTF Market**”). The Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in the financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended (“**MiFID II**”). References in this Information Memorandum to the Bonds being “listed” shall mean that the Bonds have been admitted to the Official List and admitted to trading on the Euro MTF Market.

This Information Memorandum does not constitute a prospectus for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council (the “**Prospectus Regulation**”). Accordingly, this document has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Regulation and in particular the Luxembourg Commission de Surveillance du Secteur Financier, in its capacity as competent authority for the purposes of the Prospectus Regulation. Copies of this Information Memorandum and all documents incorporated by reference herein are available (i) on the website of the Luxembourg Stock Exchange (www.bourse.lu) and (ii) on the website of the Issuer (www.pestanagroup.com) and may be obtained, without charge on request, at the principal office of the Issuer during normal business hours.

Investing in the Bonds involves significant risks. Prospective investors should review carefully the section entitled “Risk Factors” of this Information Memorandum.

Sole Lead Arranger and Bookrunner

BBVA

IMPORTANT INFORMATION

This Information Memorandum as may be supplemented, contains summary information provided by the Issuer, Grupo Pestana – S.G.P.S., S.A..

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum in connection with the issue of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently supplemented or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Information Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 16, 2019. This Information Memorandum does not constitute a prospectus within the meaning of the Prospectus Regulation.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”) and as defined in the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder). For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Information Memorandum, see the section headed “*Subscription and Sale*”.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe for, or purchase, any Bonds.

Neither this Information Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer that any recipient of this Information Memorandum or any other financial statements should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of Bonds should be based upon such investigation as it deems necessary. This Information Memorandum may only be used for the purpose for which it has been published.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Information appearing in this Information Memorandum is only accurate as of the date of the front cover of this Information Memorandum and is based on matters as they exist as of such date and is subject to updating, revision, verification and amendment without notice. The business, financial condition, results of operations and prospects of the Issuer may have changed materially since such date. The Issuer confirms that where information herein has been sourced from a third party, this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from the information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer confirms that the information contained or incorporated by reference in this Information Memorandum is true and accurate in all material respects and not misleading and that there are no other facts the omission of which would, in the context of the issue of Bonds, make this Information Memorandum, as a whole, or any such information contained or incorporated by reference therein, misleading. Any statements of intention, opinion, belief or expectation contained in this Information Memorandum are honestly and reasonably made by the Issuer.

This Information Memorandum comprises listing particulars made pursuant to the Listing and Admission to Trading Rules & Regulations of the Luxembourg Stock Exchange. This Information Memorandum should be read and construed with any supplemental Information Memorandum and with any document incorporated by reference.

This Information Memorandum does not, and is not intended to, constitute an offer or invitation to any person to purchase Bonds. The information contained in this Information Memorandum is not and should not be construed as a recommendation by the Issuer that any recipient should purchase Bonds. Each such recipient must make and shall be deemed to have made its own independent assessment and investigation of the financial condition, affairs and creditworthiness of the Issuer and of the Issue as it may deem necessary and must base any investment decision upon such independent assessment and investigation and not on this Information Memorandum.

The distribution of this Information Memorandum and the offering for sale of Bonds or any interest in such Bonds or any rights in respect of such Bonds, in certain jurisdictions, may be restricted by law. Persons obtaining this Information Memorandum or any Bonds or any interest in such Bonds or any rights in respect of such Bonds are required by the Issuer to inform it about and to observe any such restrictions. In particular, but without limitation, such persons are required to comply with the restrictions on offers or sales of Bonds and on distribution of this Information Memorandum and other information in relation to the Bonds set out under the section headed "*Subscription and Sale*" below.

SUITABILITY OF INVESTMENT

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should assess, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Information Memorandum or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND FINANCIAL ADVISER AS TO TAX, LEGAL, FINANCIAL AND RELATED MATTERS CONCERNING THE PURCHASE OF THE BONDS.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

MIFID II product governance/Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/Prohibition of sales to EEA retail investors

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

FORWARD-LOOKING STATEMENTS

This Information Memorandum contains certain statements that are forward-looking statements, including statements using the words "*believes*", "*anticipates*", "*intends*", "*expects*" or other similar terms. This applies in particular to statements under the section headed "*General Information*" and statements elsewhere in this Information Memorandum relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the PIH Group and more specifically to the Grupo Pestana SGPS. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the PIH Group and more specifically to the Grupo Pestana SGPS, to be materially different from or worse than those expressed or implied by these forward-looking statements. Forward-looking statements speak only as of the date of this Information Memorandum and the Issuer expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Information Memorandum to reflect any change in its expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking

statements, the Issuer cannot assure you that projected results or events will be achieved and the Issuer cautions you not to place undue reliance on these statements.

Additionally, the assumptions on which the Issuer bases these forward-looking statements are subject to risks, uncertainties and other factors, including but not limited to those disclosed by the Issuer in this Information Memorandum, some of which may be unknown to the Issuer or not have been taken into account by the time this Information Memorandum was produced, and which may cause these forward-looking statements to be materially different from those actually expressed or implied.

INTERPRETATION

In this Information Memorandum, references to “**EUR**”, “**€**” and “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended by the Treaty on European Union.

References to the “**Group**”, “**Grupo Pestana**” or “**Grupo Pestana SGPS**” are to the Issuer and its consolidated subsidiaries as a whole.

References to the “**PIH**” are to the Pestana International Holding S.A..

References to the “**PIH Group**” are to the Pestana International Holding S.A. and all its consolidated subsidiaries, including the Issuer.

Where this Information Memorandum refers to the provisions of any other document, such reference should not be relied upon and the document must be referred to for its full effect.

The language of this Information Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Information Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies, which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds, but the inability of the Issuer to pay any amounts due on or in connection with any Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available or which it may not currently be asked to anticipate. Likewise, the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND ITS BUSINESS

Risks in relation to the global economy

The performance of the business that the Grupo Pestana undertakes is influenced by the economic conditions in Portugal. The business operations, financial conditions and results of operations of the Group may be adversely affected if the global economic environment and in particular, the economic environment in Portugal, deteriorates. Global growth is projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 per cent in 2020. Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 World Economic Outlook, reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4 percentage point and 0.1 percentage point, respectively.

The current forecast envisages that global growth will level off in the first half of 2019 and firm up after that. The projected pickup in the second half of 2019 is predicated on an ongoing buildup of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the euro area, and a gradual stabilization of conditions in stressed emerging market economies, including Argentina and Turkey. Improved momentum for emerging market and developing economies is projected to continue into 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress—a forecast subject to notable uncertainty. By contrast, activity in advanced economies is projected to continue to slow gradually as the impact of US fiscal stimulus fades and growth tends toward the modest potential for the group.

Beyond 2020, global growth is set to plateau at about 3.6 percent over the medium term, sustained by the increase in the relative size of economies, such as those of China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies (even though Chinese growth will eventually moderate). As noted in previous WEO reports, tepid labor productivity growth and slowing expansion of the labor force amid population aging will drag advanced economy growth lower over the projection horizon.

Growth across emerging market and developing economies is projected to stabilize slightly below 5 per cent, though with variations by region and country. The baseline outlook for emerging Asia remains favorable, with China's growth projected to slow gradually toward

sustainable levels and convergence in frontier economies toward higher income levels. For other regions, the outlook is complicated by a combination of structural bottlenecks, slower advanced economy growth and, in some cases, high debt and tighter financial conditions. These factors, alongside subdued commodity prices and civil strife or conflict in some cases, contribute to subdued medium-term prospects for Latin America; the Middle East, North Africa, and Pakistan region; and parts of sub-Saharan Africa. In particular, convergence prospects are bleak for some 41 emerging market and developing economies, accounting for close to 10 percent of global GDP in purchasing-power-parity terms and with total population close to 1 billion, where per capita incomes are projected to fall further behind those in advanced economies over the next five years.

(source: *World Economic Outlook*, April 2019)

Risks in relation to the Portuguese economy

Grupo Pestana operates its business exclusively in Portugal. Thus, its performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political events, as referred above.

In the 2018-21 horizon, according to the projections published in the Bulletin of the Bank of Portugal: *Projections for the Portuguese Economy 2018-2021*, the Portuguese economy is expected to continue its growth trajectory, albeit in a slowdown.

The projected profile corresponds to a stage of maturation of the economic cycle, where the output gap, after an approximately zero value in 2017, will be positive in subsequent years, and growth should gradually converge to potential.

Projections for GDP growth in Portugal are broadly in line with those projected for the Euro Area as a whole by the European Central Bank (ECB) under the Eurosystem projection exercise of December 2018. Against this background, the degree of cyclical synchronisation in the euro area remains high.

Most recent indicators suggest that private consumption should remain robust. In addition, consumer spending is being supported by the continuous increase in the minimum wage and favourable performance of the labour market. In 2019-2021, the progressive slowing of employment levels should be compensated by an acceleration in salaries, resulting in a very slight deceleration of the total wage bill. After very significant growth in 2017 (9.2%), Gross Fixed Capital Formation ("**GFCF**") is expected to have slowed down to 3.9% in 2018. In the first half of 2018, despite being broad-based across institutional sectors and types of product, this slowdown resulted primarily from the construction segment, reflecting inter alia a base effect associated to the very strong growth in investment in public works in 2017. GFCF growth is expected to keep an elasticity versus GDP growth above the historical average, decelerating from 6.6% in 2019 to 4.9% in 2021 (Bank of Portugal, *Projections for the Portuguese Economy: 2018-2021*).

The general government deficit reached 0.5 per cent. of the GDP in 2018, below the Ministry of Finance estimate (0.7% of GDP) presented in the 2019 Stability Programme. In 2017, public debt stood at 124.8 per cent. of GDP, having decreased to 121.5% in 2018, according to the Bank of Portugal's preliminary estimate. (source: *Portuguese Public Finance Council, Budget Outturn Report no 1/2019; INE, Quarterly National Accounts as updated on 27 March 2019*)

Despite the successful implementation of the Adjustment Programme and the recent economic recovery, the results of the Portuguese legislative election to be held in October 2019 may imply possible changes to governmental policies, with an effect on budget execution and on structural reforms. In addition, the success of the Adjustment Programme does not provide immunity from further negative impacts from other Eurozone countries due to worsening global economic conditions.

Prospective investors in the Bonds shall ensure that they have sufficient knowledge of the financial situation in Portugal and the Eurozone, and of the general economic situation and outlook, to enable them to make their own evaluation of the risks and merits of investing in the Bonds.

Prospective investors should specifically take into account the considerable uncertainty surrounding how the global and, in particular, the Eurozone economic situation will develop over time.

Hotel and tourism sector

The hotel sector is cyclical and sensitive in nature, being heavily influenced by prevailing economic trends. In recent years, the Group and the wider hotel sector have been greatly affected by factors such as: the change of the current international, national and local economic climates, especially in those locations where the Group has a higher concentration of activity; changes in the local market situation; a surplus of choice in relation to the selection of hotel accommodation, and the reduction of local demand for rooms and related services; competition in the sector; availability of funds; and other environmental and social factors.

The quarterly revenues and cash flows of the hotel sector are being affected by changes in mobility and seasonal patterns, which vary depending on the location and category of the hotel.

The management factors which affect the hotel sector in general are: competition from other hotels, motels or leisure centres; the use and popularity of sharing economy providers, such as Airbnb; demographic changes; modifications or cancellations of local, sportive and/or cultural touristic events; changes in travel patterns (which could be affected by increases in transportation costs); changes in airline timetables and fares, or atmospheric weather patterns; and strikes or reputational damage associated with the Grupo Pestana in the sector of activity in which it operates.

In particular, Group companies owning real estate property in the hotel industry can be affected by: the continuous need to renovate, refurbish and make improvements to hotels; increases in security costs; restrictive changes in regulations regarding urban planning and land usage, safety, hygiene and environmental rules; changes in administrative regulations which influence or determine salaries, prices or construction costs; changes in the characteristics of the hotel placements; and difficulties and costs associated with obtaining civil liability insurance policies or full-coverage insurance policies against all risks.

Unpredictable or adverse changes in relation to any of the above factors may result in detrimental effects to the business, assets, financial situation or the operational results of the Grupo Pestana. It cannot be guaranteed that economic recessions or other adverse economic trends in the hotel sector, tourism, the capital markets or national and local economies, when prolonged, will not negatively affect the Group.

In geopolitical terms, the Issuer considers Brexit to be one of the main geopolitical risks, and constantly monitors its effects and potential impacts. In this regard, it should be noted that in accordance with the last data available pertaining to the year 2018 and made available by the National Statistics Institute ("**INE**"), the United Kingdom was the leading source of hotel tourists to Portugal, representing 19.5 per cent. of the overnight stays of non-residents. Therefore, despite the current uncertainty created by the Brexit, the United Kingdom remains the main source of tourists for Portugal and, at present, the consequences for the industry are minimal and no significant impacts are foreseen on the British source market as a result of the Brexit. (*source: Statistics on Tourism 2018 – Edition August of 2019*)

The main touristic regions in Portugal are still Madeira and Algarve in the resort segment and the cities of Lisbon and Oporto (that concentrates the visitors of North region) in the urban segment (city breaks and meetings, incentives, conferences and exhibitions – MICE). The first

two destinations showed decreases mainly due to constraints related with the local airport and the dependency on the British market. In both destinations, there were decreases in visitors from the UK and Germany. The latter was particularly affected by the bankruptcy of airline companies which reduced the number of available flights to Madeira.

The internal market showed an increase of around 4% in terms of visitors in 2018 when compared with the previous year. The economic recovery (Gross Domestic Product, or GDP, continues to grow and is supported by a continued trade balance *superavit* and now also in investment and a reduction in unemployment which the tourism business much contributed for) helped sustain private consumption in tourism spending and related tourist activities.

Real Estate risk

Hotels require a high level of economic investment, mainly corresponding to the acquisition of real estate. In cases where the management of a hotel is not generating a profit, the high financial cost of the real estate investment might only be avoided by the sale of properties and, if there is a crisis in the real estate market in Portugal, this could lead to financial losses.

However, the real estate market may also offer interesting possibilities for materialising profits, as well as the possibility of easily obtaining funds through the creation of mortgages over the properties.

The Issuer accounting policy regarding real estate is recorded at acquisition cost deducted by the respective depreciation over the assets' projected economic life (in average 40 years for hotel buildings).

The initial transition for IFRS Standards was done back in 2009 using the deemed cost method. Since then the fixed assets have been subject to depreciation, resulting in a significant difference between the assets book value and its market value, which therefore allows to reduce the real estate risk.

Natural disaster/business interruption risk

Risks relating to natural or man-made disasters or contagious diseases could reduce the demand for lodging, which may adversely affect the Group's revenues.

So called "*Acts of God*", such as hurricanes, earthquakes, torrential storms, floods or fires, volcanoes, and other natural disasters, man-made disasters such as oil spills or dumping contaminants that affect beaches and tourist areas, and the spread of contagious diseases, could cause a decline in the level of business and leisure travel and reduce the demand for lodging.

Notwithstanding, the Group's activities are covered by appropriate insurance. Hotels with a high degree of exposure to such risks also have action plans designed to protect the health and safety of guests and employees, and the normal functioning of operations.

The Issuer of events that adversely influence domestic or international travel

The room rates and occupancy levels of the hotels in the Issuer's portfolio could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics or threats thereof, travel-related accidents or industrial action, natural disasters, or other local factors impacting specific countries, cities or individual hotels, as well as increased transportation and fuel costs. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Issuer's operations and financial results. In addition, inadequate planning, preparation, response or recovery in relation to a major incident or crisis may cause loss of life, prevent operational continuity, or result in financial loss, and consequently impact the value of our brands and/or the reputation of the Issuer.

Competitive business risk

The hotel industry is highly competitive. The Issuer is the largest and leading Portuguese group in the Hospitality business, with an operation focused on hotels, but complemented by other activities such as timeshare, residential tourism, golf, touristic entertainment and distribution. 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 99 hotels exceeding 11.000 rooms, making it the largest network with Portuguese origin, being in the top 25 of European hotel networks ranking and in the top 75 worldwide. Nevertheless, the Issuer faces a variety of competitive challenges in attracting new guests and maintaining customer loyalty among the existing customer base, including:

- (a) anticipating and responding to the needs of the customers;
- (b) differentiating the quality of the hotel services and products with respect to the Issuer's competitors;
- (c) maintaining a strong brand image and a reputation for consistent quality and service across the Issuer's hotels;
- (d) competitively and consistently pricing the rooms and achieving customer perception of value;
- (e) undertaking effective and appropriate promotional activities and effectively responding to promotional activities of the Issuer's competitors;
- (f) maintaining and developing effective website designs, mobile applications and online presence; and
- (g) attracting and retaining talented employees and management teams.

The Issuer compete with hotel operators of varying sizes, including major international chains with well-established and recognized brands offering a broad range of products, as well as specialist or independent hotel operators. Certain competitors have greater financial resources, greater purchasing economies of scale and lower cost bases than those of the Issuer's.

Consequently the competitors may be able to spend more on marketing and advertising campaigns, thereby increasing market share.

Furthermore, the competitors may be able to react more swiftly to changes in market conditions or trends or to offer lower prices or incur higher costs for longer than the Issuer can.

The adoption by competitors of aggressive pricing, intensive promotional activities and discount strategies or other actions that attract customers away from the Issuer's offer, may have an adverse effect on the Issuer's market share and position, thus affecting the Issuer's net turnover and EBITDA.

Additionally, the use and popularity of sharing economy providers, such as Airbnb, has grown rapidly in recent years in Portugal. Sharing economy providers compete against traditional accommodation providers such as hotels and hostels and may disrupt or reduce customer demand for traditional accommodation or require traditional accommodation providers to alter their business model or pricing structures in order to compete effectively.

Expansion risk

In order to remain competitive, the Issuer is required to incur in significant capital investment to increase its hotel room portfolio. It typically takes several months or years from the commencement of a project to completion of a new hotel, and demand for hotel rooms in particular locations may change significantly between the time the decision to enter a particular market or region is taken and the time at which a hotel commences operations.

If future demand for the Issuer's hotels does not match the growth in the Issuer's hotel room portfolio, the Issuer may experience lower occupancy than expected or be required to lower the room rates in a particular hotel to attract customers, which could have an adverse effect on the profitability of the Issuer's investments and results of operations.

Supply and demand fluctuation risk

The Issuer's net turnover and cash flows depend upon numerous factors, such as bookings and revenue per room. In the hotel industry, these factors are affected by seasonality depending upon the location and category of hotels. As a result, the level of demand for the Issuer's hotel rooms and other products and services fluctuates over the course of the calendar year with slight variations among the geographical segments. The Issuer's occupancy and net turnover is generally lower from October through March. Notwithstanding, a significant proportion of the Issuer's expenses is incurred more evenly throughout the year. Therefore, the Issuer's profitability fluctuates during the year and the Issuer's liquidity is typically at its highest during the months from September to November.

Brand risk

As a chain hotel operator, the Issuer's brand, image and reputation constitute a significant part of the Issuer's value proposition and serve to enhance its recognition among customers. The Issuer depends on its ability to develop its brand and image as a leading hotel operator across the markets where it operates.

Travelers expect that the Issuer will provide a consistent level of quality and value, and this reputation has strengthened the Issuer's image and brand across its hotels worldwide. Any event, such as the poor quality of products and services, whether as a result of the actions of the Issuer's employees or financial limitations, that leads to customer complaints or negative publicity or reviews by customers could damage the Issuer's image, reputation or brand, which could negatively affect business. The Issuer's reputation could also be damaged if customer complaints or negative reviews of the Issuer or its activities were to be published on travel sites or public social network websites.

There is no assurance that the Issuer will be able to successfully maintain or enhance consumer awareness of its brands or that the Issuer's initiative to reposition its brands will be successful or cost-effective. Failure to maintain or enhance consumer awareness to the Issuer's brands and generate demand in a cost-effective manner would negatively affect the Issuer's ability to compete in the hotel industry and would negatively affect business. As new media, such as social media and smart phones, continue to develop, the Issuer will need to spend more to develop new means to promote its brand awareness through such media outlets. If the Issuer fails to adapt to new media forms, it may lose market share, which would negatively affect business.

Moreover, if the Issuer's trademarks, intellectual property or know-how are copied or used without authorisation, the value of the brand, reputation, competitive advantage and goodwill could be harmed. The Issuer regularly applies to register its trademarks in the countries in which it operates. Notwithstanding, those trademark registrations may not be granted or that the steps taken to protect the trademarks, intellectual property or know-how in these countries will be adequate to prevent others, including third parties or former employees, from copying or using the Issuer's trademarks, intellectual property or know-how without authorisation. The Issuer's intellectual property and know-how are also vulnerable to unauthorised use in some countries where local law may not adequately protect it.

Monitoring the unauthorised use of our intellectual property and know-how is difficult and the Issuer may need to resort to litigation to enforce its intellectual property rights. Litigation of this type could be costly, force the Issuer to divert resources, lead to counterclaims or other claims against the Issuer or otherwise harm the Issuer's business. Any failure to maintain and

protect the Issuer's trademarks and other intellectual property and know-how could reduce the value of the Issuer's brand and harm its business.

The Issuer has been continually investing in social media and other platform's in order to reach directly, as much as possible, the target and potential clients, and go along with the market technological trends.

The Issuer is exposed to risks associated with its intellectual property

Given the importance of brand recognition to the Issuer's business, the protection of its intellectual property poses a risk due to the variability and changes in controls, laws and effectiveness of enforcement globally. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Issuer's brands and its ability to develop the business.

The Issuer is exposed to inherent risks in relation to changing technology and systems

As the use of internet and mobile technology grows and customer needs evolve at pace, the Issuer may find that its evolving technology capability is not sufficient and may have to make substantial additional investments in new technologies or systems to remain competitive. Failure to keep pace with developments in technologies or systems may put the Issuer at a competitive disadvantage. In addition, the technologies or systems that the Issuer chooses to deploy may not be commercially successful or the technology or system strategy may not be sufficiently aligned with the needs of the business. Any such failure could adversely affect guest experiences, and the Issuer may lose customers, fail to attract new customers, incur substantial costs or face other losses. This could further affect the Issuer's reputation in regards to innovation.

The Issuer is exposed to risks related to information security and data privacy

The Issuer is increasingly dependent upon the availability, integrity and confidentiality of information, including, but not limited to, guest and employee credit card, financial and personal data; and business performance, financial reporting and commercial development. The information is sometimes held in different formats such as digital, paper, voice recordings and video and could be stored in many places, including facilities managed by third-party service providers. The threats towards the Issuer's information are dynamic, and include cyber attacks, fraudulent use, loss or misuse by employees and breaches of our vendors' security arrangements amongst others. The legal and regulatory environment around data privacy and requirements set out by the payment-card industry surrounding information security across the many jurisdictions in which the Issuer operates are constantly evolving. If the Issuer fails to appropriately protect information and ensure relevant controls are in place to enable the appropriate use and release of information through the appropriate channels in a timely and accurate manner, business performance, guest experience and the reputation of the Issuer may be adversely affected. This can lead to revenue losses, fines, penalties, litigation and other additional costs.

The Issuer requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Issuer must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Issuer's strategic business plans could be undermined by failure to build a resilient corporate culture, failure to recruit or retain key personnel, the unexpected loss of key senior employees, failures in the Issuer's succession planning and incentive plans, or a failure to invest in the development of key skills. The market in which the Issuer operates is experiencing economic growth and the Issuer must compete against other companies inside

and outside the hospitality industry for suitably qualified or experienced employees. Failure to attract and retain employees may threaten the success of the Issuer's operations in these markets. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Issuer risks losing accumulated knowledge if key employees leave the Issuer.

Regulatory requirements

The Issuer is subject to numerous laws and regulations, including licensing requirements such as construction permits and authorisations, land use and zoning permits, food and beverage regulations, tax, competition and employment laws and regulations.

In addition, the Issuer may be required to maintain or renew existing licenses or permits, or acquire new licenses or permits, for its business or operations. Compliance with applicable rules and regulations and related dialogue with regulatory authorities involve significant costs and resources.

The Issuer's operations and the properties owned, lease, manage and develop are also subject to extensive environmental laws and regulations, including requirements addressing:

- (a) health and safety, such as fire protection;
- (b) the use, management and disposal of hazardous substances and wastes, such as cleaning products, batteries and refrigerants;
- (c) the discharge of solid waste materials, such as refuse or sewage, into the environment; and
- (d) air emissions.

Complying with environmental or other laws and regulations, or addressing violations arising under them, could increase the Issuer's environmental costs and liabilities, increase capital expenditures, reduce profits or limit the Issuer's ability to run its business.

Existing environmental laws and regulations may be revised or new laws and regulations related to global climate change, air quality or other environmental and health concerns may be adopted or become applicable to the Issuer. The Issuer could also be subject to liability for the cost of investigating or remediating hazardous substances or waste on, under or in real property it currently or formerly manages, owns, leases or develops.

The presence or release of hazardous or toxic substances or waste, or the failure to properly clean up such materials, could cause the Issuer to incur significant costs, or jeopardize the Issuer's ability to develop, use, sell or rent real property it owns or operates or to borrow using such property as collateral. In addition, the Issuer's may be required to manage, abate or remove materials containing hazardous substances such as mold, lead or asbestos during demolitions, renovations or remodeling at properties that it manages, owns, leases or develops. The costs related to such management, abatement, removal or related permitting could be substantial.

FINANCIAL RISKS

Interest rate risk

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

For long-term borrowings, and as a way to mitigate a possible change in long-term interest rate, Grupo Pestana SGPS 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.

Foreign exchange risk

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

Grupo Pestana SGPS 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.

Financial risk

Grupo Pestana SGPS follows a growth strategy, which implies significant volumes of investments with relatively long return dates. Therefore, those investments are associated with financing sources with adequate refund dates. Moreover, the hotel business presents a significant exposure to the variability of economic cycles and especially resorts face significant seasonality.

These factors are determinant in defining Grupo Pestana SGPS's financial risk management policy. This policy aims, above all else, to ensure the significant reductions of these risks in a prudent way, searching to focus on efficient hotel business management itself and ensuring to each new significant investment its medium and/or long term financial structure and whenever possible with fixed rate interest. In addition, Grupo Pestana SGPS has in place cash pooling arrangement that allows each of the subsidiaries of the Grupo Pestana SGPS to use the excess cash from any other subsidiary, if needed.

Grupo Pestana SGPS is going through a very positive business economic cycle which originated 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 the Group already works and to whom it owes most of its medium and/or long term debt.

Liquidity risk

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

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

Regular 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.

Credit risk

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

Sales to individual customers must be paid for upon check out which mitigates the credit risk generated by the hospitality activity. Additionally and considering the considerable amount of

corporate customers and tour operators, the Group considers that the concentration of credit risk in the activity is reduced.

In order to increase credit risk hedging, the Issuer acquired in 2018 a credit insurance from a leading insurance company in the Portuguese market which includes the most significant part of the credit on companies and tour operators in the main feeder markets for the Group's units.

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

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

The Issuer is subject to changes in financial reporting standards, such as IFRS 16, which could materially adversely affect Issuer's reported results of operations

The Issuer's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. Accordingly, from time to time the Issuer is required to adopt new or revised IFRS issued by the International Accounting Standards Board ("**IASB**") and adopted by the European Union.

The Issuer will adopt the new IFRS 16 (as issued by the IASB and subsequently endorsed by the European Union in October 2017) by the required effective date of 1 January 2019. IFRS 16 introduces a new approach to lessee accounting, requiring they recognize assets and liabilities for the rights and obligations created by all types of leases (previously only finance leases). Lease assets will then be depreciated over the term of the lease, while liabilities will be cash settled against, and accreted upwards to future value. The approach in IFRS 16 for lessor accounting remains substantially unchanged compared to IAS 17. Lessors continue to classify leases as operating or finance leases.

While the adoption of IFRS 16 has no impact on the cash flow generating capacity of the Group, it can have a significant effect on the Group's consolidated financial statements and, as a result, on commonly used financial ratios and performance metrics such as leverage ratios and EBITDA.

The Group estimates the adoption of the IFRS 16 using the retrospective approach as foreseen in the standard with an equally estimated impact of an increase in assets of approximately EUR 118,000,000, an increase in liabilities of approximately EUR 139,000,000 and a decrease in retained earnings of approximately EUR 16,000,000 and in deferred tax liabilities of approximately EUR 5,000,000.

These and further changes in financial reporting standards or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

RISKS IN RELATION TO THE BONDS

Bonds may not be a suitable investment for all investors

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient

knowledge and experience to (i) make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Information Memorandum or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- (i) the Bonds are appropriate investments for it from a legal perspective;
- (ii) the Bonds can be used as collateral for various types of borrowing; and
- (iii) whether other regulations or restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The market price of the Bonds may be volatile

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's results of operations, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts, the actual or expected sale of a large number of Bonds or other debt securities, prevailing interest rates and the market for similar securities, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's results of operations, financial condition or prospects.

It is possible that the market for the Bonds will be subject to disruptions. Any such disruption may have a negative effect on the Bondholders, regardless of the Issuer's prospects and financial performance. As a result, there may not be an active trading market for the Bonds. If no active trading market develops, Bondholders may not be able to resell their Bonds at a fair value, if at all.

The secondary market generally

Bonds may have no established trading market when issued, and one may never develop.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Bonds generally would have more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

Although application is expected to be made to the Luxembourg Stock Exchange for the Bonds to be admitted to the Official List and to trading on the Euro MTF Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that a developed secondary market would permit.

Bondholders in countries with currencies other than the euro will be exposed to exchange rate risks

Bondholders residing in countries that have not adopted the euro as their official currency will be exposed to an additional investment risk related to variations in the rate of exchange between the currency of their country of residence and the euro. Bonds will only be issued and listed in Euros.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in fixed rate securities, including the Bonds, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The Bonds will be assigned, on the Issue Date, a credit rating of BBB by Axesor. The rating of the rating agency is a way to measure risk. In the market, investors demand higher returns on higher risk and should assess the likelihood of a downward variation in the credit quality of the Issuer or the Bonds (if any is assigned), which could lead to a loss of liquidity in the Bonds purchased in the market and a loss in value. The rating reflects only the view of the rating agency at the time of the evaluation, and takes into consideration the credit rating of the Issuer, as well as the structural characteristics and other aspects of the Issue. However, the rating may not reflect the potential impact of risks related to structure, market and other factors in the valuation of the Bonds. The credit rating can be revised upward or downward, suspended or even withdrawn by the rating agency. The downward revision, suspension or withdrawal of the credit rating by the rating agencies could alter the price of the Bonds for the perception of the markets and hinder the Issuer's access to debt markets and impact on its ability to achieve financing. Therefore, any change in creditworthiness, or the perception of it, could also adversely affect the market value of the Bonds.

The value of the Bonds could be adversely affected by a change in Portuguese law or administrative practice

The terms and conditions of the Bonds are based on Portuguese law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Portuguese law or administrative practice after the date of this Information Memorandum and any such change could materially adversely impact the value of any Bonds affected by it.

The Issuer may be able to incur more indebtedness in the future

The Issuer may incur substantially more debt in the future. Although, as referred in the Terms and Conditions of the Bonds, the Issuer undertook to accept restrictions on the incurrence of additional indebtedness and on the granting of security in respect thereof, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the referred Issuer undertaking does not prevent the Issuer from incurring obligations that do not constitute indebtedness under said undertaking. As such, the Issuer may incur additional debt in the future, secured or otherwise, which could mature prior to the Bonds, and such debt could be secured on an equal, ratable and *pari passu* basis with the Bonds.

Changes to tax legislation and to other laws or regulation

The Issuer might be adversely affected by changes in the tax legislation and other laws or regulations applicable in Portugal, the EU or those countries in which it operates or may operate in the future, as well as by changes of interpretation by the competent tax authorities of legislation and regulation. The measures taken by the Portuguese Government in order to achieve fiscal consolidation and to stimulate the economy may result in higher taxes or lower tax benefits. Further changes or difficulties in the interpretation of or compliance with new tax laws and regulations might negatively affect the Issuer's business, financial condition and results of operations.

Risks related to withholding tax regime

The income derived from the Bonds held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime laid down in Decree-Law no. 193/2005 of 7 November 2005, as amended (the "**Debt Securities Taxation Act**"), may benefit from an up-front withholding tax exemption, provided that certain procedures and certification requirements are complied with (see "**Taxation – Portuguese Taxation**" for these procedures and certification requirements). In order to benefit from the specific tax regime of the Debt Securities Taxation Act, it is mandatory that the Bonds are integrated in

and held through (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Debt Securities Taxation Act. Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 25 per cent. (in case of legal persons), of 28 per cent. (in case of individuals) or of 35 per cent. (in case of payments to (i) omnibus accounts without the disclosure of the effective beneficiary or to (ii) legal persons or individuals resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (*Portaria*) no. 150/2004 of 13 February, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*"), as the case may be, or, if applicable, in reduced withholding tax rates of up to 15 per cent., pursuant to tax treaties signed by Portugal, provided that the procedures and certification requirements established by the relevant tax treaty are complied with (see "*Taxation – Portuguese Taxation*").

Risks relating to the Portuguese Insolvency Laws

Insolvency proceedings are governed by the Portuguese Insolvency and Corporate Recovery Code, enacted in 2004 through Decree-Law no. 53/2004, of March 18, as amended (*Código da Insolvência e da Recuperação de Empresas*) (the "**PICRC**"). Any potential insolvency proceeding with respect to a Portuguese company, such as the Issuer, may be initiated in Portugal and the proceedings shall be governed pursuant to the PICRC.

In addition, a Portuguese company will, in principle, be subject to insolvency proceedings covered by the EU Insolvency Regulation.

Under the EU Insolvency Regulation, Portuguese courts are entitled to open main insolvency proceedings against a Portuguese entity if its center of main interests ("**COMI**") is located in Portugal. For this purpose, Article 3(1) of the EU Insolvency Regulation provides that the COMI of a "*debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties*".

Such a proceeding has a universal scope and intends to cover the whole of the debtor's assets. In the case of a company or a legal person, the place of the registered office shall be presumed to be the COMI in the absence of proof to the contrary. However, this presumption will cease to apply if the registered office has been moved to another EU Member State within the three-month period prior to the request for the opening of insolvency proceedings.

In accordance with the PICRC, the debtor is deemed insolvent when it is unable to comply with its obligations as they fall due. Companies are also deemed insolvent when liabilities are significantly higher than assets (over-indebted balance sheet). Both are determined on the basis of a fair assessment. However, the insolvency proceeding may be started, for example, in the following cases: (i) general default of the debtor's payment obligations; and (ii) the escape of the members of the board of directors, without appropriate replacements being appointed; among others. It is up to the debtor to prove its solvency with recourse to its legally mandatory account books.

In addition to the standard insolvency proceedings provided in the PICRC, the 2012 reform introduced a new pre-insolvency proceeding named "special revitalization procedure" (*processo especial de revitalização*) (the "**PER**"), which was again amended in June 2017. The PER aims

at facilitating the recovery of any debtor who owns or runs a business (all other debtors may resort to another proceeding named "*Processo Especial para Acordo de Pagamento*", which is very similar to the PER) in financial distress or in the imminence of becoming insolvent by means of an agreement between the debtor and its creditors. If such an agreement has been approved by the prescribed majority of creditors and has been confirmed by the court, it becomes binding to all creditors, including those who opposed the agreement. The filing for the PER is made jointly by the debtor and by creditors holding, at least, 10% of the non-subordinated credits. Moreover, the application for the PER must be instructed with a statement signed by a certified accountant or a statutory auditor, whenever the auditing of accounts is legally required, attesting that the company is not in a situation of insolvency.

The insolvency proceedings may be initiated either by (i) the debtor (voluntary insolvency); (ii) any person who is responsible for the debtor's debts; (iii) any of its creditors, whatever the nature of the credit or (iv) by the Public Prosecution Office (*Ministério Público*) (compulsory insolvency). Debtors have the duty to file for insolvency within 30 days upon becoming aware of the insolvency situation or after the date the debtor should be aware of the insolvency situation. Individuals who do not own a business are exempt from the duty to file for insolvency.

The PICRC establishes a single main insolvency procedure, called *processo de insolvência*. The insolvency proceedings may, after the insolvency's declaration having been issued by the court, lead to the liquidation of the company or to the approval of an insolvency plan.

The commencement of the insolvency proceedings is based in a written petition filed by the debtor or by any of the persons described above with the court. If the petition is not filed by the debtor, the court shall notify the debtor to submit within ten days a pleading challenging the insolvency petition. If and when the debtor does not oppose the petition, the facts described in the petition are deemed confessed and the court shall immediately declare the insolvency of the debtor if such facts are sufficient to establish that the debtor is insolvent. If the debtor submits a pleading challenging the insolvency petition, the court must schedule a hearing of the petitioner and the debtor within five days. After the hearing, the court declares the insolvency or orders the closing of the proceedings.

In the declaration of insolvency, the court shall, *inter alia*, appoints the insolvency administrator (*administrador da insolvência*) (the "**Liquidator**"), who will immediately take control of the debtor's assets. The declaration of insolvency is registered in the civil or commercial registry (as the case may be) and is published online in a webpage run by the Portuguese Ministry of Justice, called Citius. The Liquidator has the power to collect the assets of the debtor company wherever those assets may be located.

Insolvency automatically deprives the debtor (or its legal representatives, if applicable) of the power to manage and dispose of the debtor's assets. Such powers are vested in the Liquidator, who is entitled to carry out all transactions in the ordinary course of business, to continue trading, being also responsible for collecting the debtor's assets, selling all these assets and making all the arrangements in order to pay the creditors and all the expenses.

However, the court or the first general meeting of creditors may, in certain circumstances and at the debtor's request, allow him to retain the management of his assets, provided that he has submitted a restructuring plan or undertakes to submit such plan within 30 days.

The first general meeting of creditors resolves on (i) whether to close or pursue the debtor's business and (ii) whether to liquidate the assets immediately or ask the Liquidator to draft an insolvency plan.

The declaration of insolvency entails the suspension of all debt enforcement proceedings against the debtor as well as the suspension of any measures requested by the insolvency creditors relating to the debtor's assets. According to case law of the Portuguese Supreme

Court, the declaration of insolvency also leads to the extinction of all lawsuits aiming at collecting sums or claiming performance of obligations from the debtor.

During the insolvency proceedings, the Liquidator will assess and quantify the claims against the debtor company. Creditors will be able to submit their claims by lodging their proofs of claim with the Liquidator. Creditors are entitled to challenge the Liquidator's decisions on this subject by filing a motion with the court.

All creditors have to file a proof of claim with the Liquidator within the deadline set by the court (up to 30 days from the declaration of insolvency). Any creditor who fails to file a proof of claim within the prescribed deadline runs a high risk of not being acknowledged by the Liquidator and of not being paid within the insolvency proceedings, unless said creditor, provided certain requirements are met, files a special lawsuit for the acknowledgement of its claim (*ação de verificação ulterior de créditos*) within six months from the day when the declaration of insolvency has become final and definitive (*res judicata*).

The court has to issue a ruling on the claims and on their ranking before any payments can be made. If no one has challenged the Liquidator's decisions on the claims and their ranking, the court may simply confirm them. If such decisions have been challenged, the court may, if need be, hold a hearing and then rule on the subject.

The PICRC distinguishes between guaranteed claims (*créditos garantidos*) which constitute secured claims (including special preferred claims), privileged claims (*créditos privilegiados*) that include general preferred claims over assets of the insolvent estate, common claims (*créditos comuns*) and subordinated claims (*créditos subordinados*).

Among others, the following creditors or claims enjoy some degree of priority: (i) claims from employees; (ii) court fees, including the remuneration of the Liquidator and other administrative and legal costs; (iii) taxes and social security; and (iv) creditors with security over the assets of the debtor.

Before making any payments to the creditors, the Liquidator will set aside the sums or assets needed to pay off the debts of the insolvent estate (namely, expenses incurred after the declaration of insolvency in connection with the management or liquidation of the debtor's assets).

The debts of the insolvent estate are paid out of the income of the insolvent estate. If the said income proves insufficient, the remaining debts of the insolvent estate are paid out of the proceeds of the sale of the debtor's assets. In principle, only 10% of the proceeds from the sale of assets encumbered with *in rem* security interests may be set aside to pay the debts of the insolvent estate. This 10% threshold may, however, be disregarded by the Liquidator if necessary to pay off all debts of the insolvent estate.

After securing full payment of the debts of the insolvent estate and after the court ruling on the claims and their ranking has become final and definitive (*res judicata*), the Liquidator may begin to make payments to all other creditors.

Bondholders meetings, modifications and waivers

The Terms and Conditions of the Bonds, as well as the applicable laws and regulations, contain rules on convening Bondholders' meetings to deliberate on matters affecting the Issuer's interests in general. Those rules provide that decisions based on certain majorities are binding on all Bondholders, including those who have not participated or voted in that particular meeting and those who voted against the approved resolution.

Payment procedures in respect of the Bonds

Payment of principal and interest in respect of the Bonds will be (i) credited, according to the procedures and regulations of Interbolsa, to TARGET2 payment current accounts held in the

payment system of TARGET2 by Affiliate Members of Interbolsa whose accounts with Interbolsa are credited with such Bonds, and thereafter (ii) credited by such Affiliate Members of Interbolsa from the respective above mentioned payment current accounts to the accounts of the Bondholders or of Euroclear or Clearstream, Luxembourg with said Affiliate Members of Interbolsa, as the case may be.

Bondholders must rely on the procedures of Interbolsa to receive payment under the Bonds, and the Issuer and the Paying Agent will have no responsibility or liability for Interbolsa's records relating to payments made in respect of beneficial interests in the Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

The English language translations of the audited consolidated financial statements of the Group as of and for each of the years ended 31 December 2018 and 31 December 2017, together with English language translations of the auditor's reports thereon, are deemed to be incorporated in to and form part of this Information Memorandum.

These can be found at <https://www.pestanagroup.com>.

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Copies of the documents specified above as containing information incorporated by reference in this Information Memorandum may be inspected, free of charge, at the specified offices (which are set out below) of the Issuer and the Paying Agent. The audited consolidated financial statements of the Issuer as of and for each of the years ended 31 December 2018 and 31 December 2017 are available on the website of the Issuer (<https://www.pestanagroup.com>) as well as on the LuxSE website www.bourse.lu.

WEBSITE ADDRESSES IN THIS PROSPECTUS ARE INCLUDED FOR REFERENCE ONLY AND THE CONTENTS OF ANY SUCH WEBSITES ARE NOT INCORPORATED BY REFERENCE INTO, AND DO NOT FORM PART OF, THIS PROSPECTUS.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds.

The €60,000,000 unsecured Bonds, grouped in a single class and series that pay a fixed annual interest rate of 2.5% as it is regulated in Condition 4 (*Interest*) below and due 23 September 2025 (the “**Bonds**”) will be issued by Grupo Pestana – S.G.P.S., S.A. (the “**Issuer**” or “**Pestana**” and together with its subsidiaries the “**Group**”) on 23 September 2019 (the “**Issue Date**”) at 99.134% (the “**Issue Price**”). The nominal value of each Bond will be €100,000.

The issue was authorised by the resolutions of the board of directors of the Issuer passed on 21 August 2019 and on 17 September 2019. The Bonds have the benefit of a paying agency agreement dated 19 September 2019 (as amended or supplemented from time to time, the “**Paying Agency Agreement**”) between the Issuer and Banco Bilbao Vizcaya Argentaria S.A. – Sucursal em Portugal, as paying agent (the “**Paying Agent**”), which expression includes any paying agent appointed from time to time in connection with the Bonds.

Any reference to **Holders** or **Bondholders** shall mean the person in whose name the Bonds are registered in the individual securities account held with an Affiliate Member of Interbolsa (as defined below) in accordance with Portuguese law and the relevant Interbolsa procedures and, for the purposes of Condition 7 (*Taxation*), the effective beneficiary of the income attributable thereto.

1. Form, Denomination, Price and Status

The Bonds will be issued on the Issue Date by the Issuer and will be fully subscribed by the Bondholders on or about one day after the Issue Date.

- (a) **Form and denomination:** The Bonds are issued in denominations of €100,000 each and tradable in integral multiples of €100,000 thereafter. The Bonds will be represented in dematerialized book-entry (*forma escritural*) and nominative (*nominativas*) form.
- (b) **Status of the Bonds:** The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank *pari passu* among themselves and at least *pari passu* with all present and future unsecured and unsubordinated indebtedness of the Issuer, save for such obligations that may be preferred by the provisions of applicable law.
- (c) **Price of the Bonds:** 99.314%.
- (d) **ISIN Code:** The Interbolsa acting has the Portuguese codification agency has assigned the following ISIN to identify the Bonds: PTGRPAOM0012.
- (e) **Ratings:** The Bonds will be assigned, on the Issue Date, a credit rating of BBB by Axesor.

2. Register, title and transfers

- (a) **Registration:** The Bonds are registered with the Central de Valores Mobiliários (“**CVM**”), a Portuguese Securities Centralised System managed and operated by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“**Interbolsa**”). Each person shown in the individual

securities accounts held with an Affiliate Member of Interbolsa as having an interest in the Bonds shall be considered the holder of the principal amount of Bonds recorded therein. The Bonds will be registered in the relevant issue account of the Issuer with Interbolsa and will be held in control accounts opened by each Affiliate Member of Interbolsa on behalf of the Bondholders. The control account of a given Affiliate Member of Interbolsa will reflect at all times the aggregate principal amount of Bonds held in the individual securities' accounts of the Bondholders with that Affiliate Member of Interbolsa.

- (b) **Title:** Title and other rights to or in respect of the Bonds registered in an individual securities account held with an Affiliate Member of Interbolsa will be evidenced by one or more certificates of title (each a "**Certificate**") issued and delivered to the relevant Bondholder by such Affiliate Member of Interbolsa upon the request by the relevant Bondholder and in accordance with that Affiliate Member of Interbolsa's procedures and pursuant to article 78 of the Portuguese Securities Code. Title to the Bonds passes upon registration in the relevant individual securities accounts held with an Affiliate Member of Interbolsa. Any Bondholder will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Bondholder. No physical document of title will be issued in respect of the Bonds.
- (c) **Transfers:** The Bonds are to be issued without any restrictions on their transferability. Consequently, the Bonds may be transferred and title to the Bonds may pass (subject to Portuguese law and to compliance with all applicable rules, restrictions and requirements of Interbolsa or, as the case may be, the relevant Affiliate Member of Interbolsa) upon registration in the relevant registry of each Affiliate Member of Interbolsa.

3. Covenants

For so long as any Bond or Coupon remains outstanding, the Issuer undertakes that:

3.1 Limitation on additional indebtedness

- (i) the ratio of Total Net Financial Debt to EBITDA is lower than or equal to 4.5x; and
- (ii) the ratio of EBITDA to Net Interest Expense exceeds or is equal to 2.0x; and
- (iii) the ratio of Book Value of Tangible Fixed Assets to Total Net Unsecured Debt is higher than 130%.

The above-mentioned ratios shall be calculated on an annual basis and based on the most recent audited annual consolidated financial statements of the Issuer approved by the general shareholders' meeting within the applicable legal timings.

The Issuer will deliver to the Paying Agent following the publication of each set of financial statements up until the 30 June of the following year, a certificate (a "**Compliance Certificate**") setting out (in reasonable detail) computations as to the compliance by the Issuer with the covenants set out in paragraphs (i), (ii) and (iii) of Condition 3.1 above. Each Compliance Certificate shall be signed by a duly authorised representative of the Issuer and shall be reported on by the Independent Auditor on the proper extraction of the numbers used in the financial covenant.

The Issuer shall ensure, and be responsible for, the Paying Agent receiving the above confirmation from the Independent Auditor before the date set out above.

3.2 Negative Pledge

So long as any Bond or Coupon remains outstanding the Issuer will not and will cause each of its Subsidiaries not to create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues to secure any Relevant Indebtedness, except in the following situations ("**Permitted Security Interest**"):

- (i) the Issuer or any of its Subsidiaries, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
 - a. all amounts payable by the Issuer under the Bonds are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
 - b. such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of Bondholders; or
- (ii) Security Interests already created by the Issuer or any Subsidiary before the date of this Terms and Conditions of the Bonds or replacement of Security Interests already created by the Issuer or any Subsidiary; or
- (iii) the Security Interests are created to secure Relevant Indebtedness with maturity up to one year; or
- (iv) the Security Interests affects the assets of an entity which, when the Security Interest was created, was unrelated to the Issuer, and which was subsequently acquired by the Issuer; or
- (v) the Security Interests arises by operation of law and in the ordinary course of business of the Issuer or the Subsidiary; or
- (vi) the creation of the Security Interests does not prevent the Issuer to comply with the ratio of Book Value of Tangible Fixed Assets to Total Net Unsecured Debt referred in Condition 3.1 (iii) above.

For the purpose of this Condition, "**Relevant Indebtedness**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are (or are intended to be) quoted, listed or dealt in or traded in any securities market either regulated or non-regulated.

The Issuer shall ensure (*obrigação de resultado*) that, and be responsible for, its Subsidiaries complying with this Condition.

3.3 Information undertakings

The Issuer will post on its website and will make available to the Paying Agent and to the Luxembourg Stock Exchange, within 180 days following year end, its' audited annual consolidated financial statements, which shall include, amongst others, P&L, cash flow and balance sheet and report of the Independent Auditor with appropriate notes.

4. Interest

4.1 Interest payment dates. Interest period

The Bonds bear interest from and including the Issue Date at the rate established in Condition 4.2 (*Interest rate*) below payable annually in arrears on 23 September of each year (each, an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 23 September 2020 and ending (and including) on the Maturity Date subject as provided in Condition 6 (*Payments*). The first Interest Payment Date will be 23 September 2020 and the last Interest Payment Date will be the Maturity Date.

Such interest will be payable in respect of each interest period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Issue Date) to (but excluding) the next (or first) Interest Payment Date (“**Interest Period**”). If the last day thereof is not a Business Day, the end of the relevant Interest Period shall be deemed (but excluding) the first immediately following Business Day.

Each Bond will cease to bear interest where such Bond is being redeemed or repaid pursuant to Condition 5 (*Redemption and Purchase*) or Condition 8 (*Events of Default*), from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Bonds is improperly withheld or refused, in which event interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holder, and (ii) the day the Paying Agent has receipt of all sums due in respect of all the Bonds.

In accordance with the abovementioned, the interest of the Bonds will accrue daily on Actual/Actual basis and will be payable in arrears as of the corresponding Interest Payment Date.

4.2 Interest rate

The interest rate applicable to the Bonds shall be a fixed annual interest rate equal to 2.5% (the “**Fixed Interest Rate**”).

5. Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed or purchased and cancelled as herein provided, the Bonds will be redeemed at their principal amount on the Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5 (*Redemption and Purchase*).
- (b) **No other redemption:** The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraph (a) (*Final redemption*) of this Condition 5 (*Redemption and Purchase*), except in accordance with Condition 5 (c) (*Purchase*) below.
- (c) **Redemption for tax reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 (thirty) nor more than 60 (sixty) days’ notice to the Paying Agent and to the Bondholders (which notice shall be irrevocable) in accordance with Condition 13 (*Notices*), if:
 - (i) on the occasion of the next payment due under the Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or

regulations of a Relevant Jurisdiction (as defined in Condition 16 (*Definitions*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Bonds (on or about 23 September 2019); and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Paying Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Bonds redeemed pursuant to this Condition 5(c) (*Redemption and Purchase - Redemption for tax reasons*) will be redeemed at their principal amount outstanding with interest accrued to (but excluding) the date fixed for redemption.

- (d) **Purchase:** Subject to compliance with applicable laws and regulations, the Issuer or any of its Subsidiaries, may at any time purchase Bonds in the following conditions:

- (i) through a tender offer directed to all Bondholders at any price, or
- (ii) in the open market at any price.

Such Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, cancelled and while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders.

- (e) **Cancellation:** All Bonds so redeemed shall be cancelled and may not be reissued or resold. Bonds purchased by the Issuer shall be cancelled and may not be reissued or resold as well. However, as provided in previous section c), Bonds purchased by a Subsidiary may, at the option of the relevant Subsidiary, be held, resold, reissued or cancelled.

- (f) **Redemption at the option of the Bondholder:** Promptly upon becoming aware that a Change of Control has occurred, the Issuer will serve a Change of Control Notice to the Bondholders and the Paying Agent. Following the service of the Change of Control Notice, each Bondholder may require the Issuer to redeem, in whole but not in part, its' Bonds by submitting a redemption notice to the Paying Agent during normal business hours of the Paying Agent within the Change of Control Period. After the Change of Control Period elapses, the Issuer will redeem the Bonds of the Bondholders who have served an Early Redemption Notice within 7 (seven) days.

Bonds redeemed pursuant to this Condition 5(f) (*Redemption and Purchase - Redemption at the option of the Bondholder*) will be redeemed at their principal amount outstanding with interest accrued to (but excluding) the date of redemption.

For the purposes of this condition:

"Change of Control" means the Relevant Shareholder ceasing to own, directly or indirectly, 50.1% of the share capital and voting rights of the Issuer.

"Change of Control Notice" means the notice of a Change of Control event given by the Issuer to the Bondholders and the Paying Agent, in accordance with Condition 13 (Notices), specifying the circumstances giving rise to the Change of Control event, the procedure for exercising the redemption option and the date upon which the Change of Control Period will end.

"Change of Control Period" means the period of 30 (thirty) days commencing on the date of the Change of Control Notice.

"Early Redemption Notice" means the Bondholder request to the Issuer for the early redemption of its' Bonds due to a Change of Control event.

- (g) **Notice of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

6. Payments

Payment of principal and interest in respect of the Bonds will be made in accordance with the Paying Agency Agreement, namely: (i) transfer, on the payment date and according to the applicable procedures and regulations of Interbolsa, from the payment current account which the Paying Agent uses for payments in respect of securities held through Interbolsa to the payment current accounts held according to the applicable procedures and regulations of Interbolsa by the Affiliate Members of Interbolsa, and thereafter (ii) transferred by such Affiliate Members of Interbolsa from the respective above-mentioned payment current accounts held according to the applicable procedures and regulations of Interbolsa to the accounts of the Bondholders or of Euroclear or Clearstream, Luxembourg with said Affiliate Members of Interbolsa, as the case may be.

All payments to be made by the Issuer in connection with the Bonds will be net and therefore be made free of any deductions, set offs or counterclaims.

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

If the date for payment of any amount in respect of the Bonds is not a Payment Business Day, the Holder thereof shall not be entitled to payment until the next following Payment Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

7. Taxation

7.1 Payment of interest without Withholding

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied in the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event,

without prejudice to the provision set out in Condition 5(c) (*Redemption and Purchase – Redemption for tax reasons*) above, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction, except that no additional amounts shall be payable in relation to any payment in respect of any Bonds:

- (i) to, or to a third party on behalf of, a Bondholder who is liable to the Taxes in respect of the Bond by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond; or
- (ii) to, or to a third party on behalf of, a Bondholder that may qualify for the application of Decree-Law 193/2005, of 7 November, as amended from time to time, and in respect of whom all procedures and information required from a Bondholder in order to comply with said Decree-Law 193/2005, of 7 November, and any implementing legislation, are not timely performed or received, as the case may be, or which do not timely comply with the formalities in order to benefit from tax treaty benefits, when applicable; or
- (iii) to, or to a third party on behalf of, a Bondholder resident for tax purposes in the Relevant Jurisdiction, or resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the “low tax jurisdictions” list approved by Ministerial Order (*Portaria*) no. 150/2004 of 13 February, as amended from time to time (*“Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis”*), with the exception of (a) central banks and governmental agencies, as well as international institutions recognized by Portugal, of those low tax jurisdictions, and (b) low tax jurisdictions which have a double taxation treaty in force or a tax information exchange agreement in force with Portugal, provided that all procedures and information required from a Bondholder under Decree-Law no. 193/2005, of 7 November 2005 regarding (a) and (b) are complied with or received, as the case may be; or
- (iv) to, or to a third party on behalf of a Bondholder who is (i) a Portuguese resident legal entity subject to Portuguese corporation tax (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), or (ii) a legal entity not resident in Portugal acting with respect to the holding of the Bonds through a permanent establishment in Portugal to which the income or gains obtained from the Bonds are attributable (with the exception of entities which benefit from Portuguese withholding tax waiver); or
- (v) presented for payment by or on behalf of a Bondholder into an account held on behalf or undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment and such disclosure is required by law; or
- (vi) presented for payment by or on behalf of a Bondholder who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Bonds for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto

(any such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA withholding.

For the purposes of the above, "**Bondholder**" means the persons in whose name the Bonds are registered in the individual securities account held with an Affiliate Member of Interbolsa, in accordance with Portuguese law and the relevant Interbolsa procedures, or the person who is the effective beneficiary of the income attributable thereto.

7.2 Additional Amounts

Any reference in these Terms and Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition.

8. Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing:

- (a) **Non-payment:** default is made in the payment on the due date of principal or interest in respect of any of the Bonds and such failure continues for a period of 5 (five) Business Days in the case of principal and 10 (ten) Business Days in the case of interest.
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, and such default remains unremedied for 30 (thirty) days or longer if allowed by the representative of the Bondholders, after written notice thereof, addressed to the Issuer by the relevant Bondholders, has been delivered to the Issuer.
- (c) **Cross-default:**
 - (i) any such present or future Indebtedness of the Issuer or of its Subsidiaries is not paid when due or, as the case may be, within any applicable grace period; or
 - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than (A) at the option of the Issuer or of its Subsidiaries or (B) at the option of the creditor of such Indebtedness in circumstances where no event of default (howsoever described) has occurred; or
 - (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the Indebtedness, guarantees or indemnities in respect of which one or more of the events mentioned above in this paragraph c) have occurred, individually or in the aggregate equals or exceeds €10,000,000 (or its equivalent in any other currency or currencies).
- (d) **Proceedings:** one or more final judicial or administrative decisions in respect of the Issuer or a Subsidiary where there is no possibility for defense or appeal or the filing of one or more judicial or administrative proceedings in respect of the Issuer or a Subsidiary, unless the Issuer or the Subsidiary fully pays the value in question within 60 (sixty) days starting from the filing of the court proceedings or notice of the tax or Social Security debt assessment, or the existence of a tax or Social Security debts enforcement proceeding in respect of the Issuer or a Subsidiary, unless (i) the Issuer or such Subsidiary, as the case may be, provides a suitable guarantee to suspend such enforcement proceeding or (ii) such proceeding is being contested by appropriate

means by the Issuer or such Subsidiary, as the case may be, and the Issuer or such Subsidiary, as the case may be, has been advised by recognized independent legal advisers of good repute that it is reasonable to do so, in any of the cases above, if the decision or proceedings determines the Issuer or such Subsidiary's responsibility in an amount exceeding €10,000,000 (or its equivalent in another currency), considered individually or in aggregate.

- (e) **Enforcement Proceedings:** a seizure of any kind (such as: *penhora*, *arresto*, *arrolamento* or *apreensão*) or a retention right (*direito de retenção*) or other legal process with similar nature or that has similar effects in the Issuer or any of its Subsidiaries is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries for an amount in excess of €10,000,000 (or its equivalent in any other currency or currencies) and is not discharged or stayed within 90 (ninety) days.
- (f) **Insolvency:** the Issuer is insolvent or unable to pay its debts, or is declared insolvent or a voluntary request has been submitted to a relevant court for the declaration of insolvency, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Issuer.
- (g) **Pari passu and Issuer undertakings:** the Issuer breaches any of the covenants set forth in Condition 3 (*Covenants*).
- (h) **Validity:** the validity of the Bonds is contested by the Issuer or the Issuer denies any of its obligations under the Bonds (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise), or is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Bonds or any such obligations are or become unenforceable or invalid, in each case as a result of any law or regulation applicable in the Portuguese Republic or any ruling of any court in the Portuguese Republic whose decision is final and unappealable.
- (i) **Winding up:** an order is made or an effective resolution passed for the winding-up (*liquidação*) or dissolution (*dissolução*) of the Issuer, or the Issuer ceases to carry on all or substantially all of its business or operations.
- (j) **Failure to take action:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done, after due notification and any applicable grace period, in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Bonds admissible in evidence in the courts of Portugal is not taken, fulfilled or done.
- (k) **Cessation of business:** the Issuer ceases or the Issuer and its Subsidiaries taken as a whole cease, in each case, to carry on the whole or substantially the whole of the business conducted by it or them.
- (l) **Analogous events:** any event occurs which under the laws of any Relevant Jurisdiction has a similar effect to any of the events referred to in any of the foregoing paragraphs.

- (m) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its material obligations under or in respect of the Bonds, then any Bond may, by notice in writing given to the Issuer by any Bondholder in respect of such Bond, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount, together with accrued interest, without further formality,

then any Bondholder may by written notice to the Issuer and to the Paying Agent at the specified office of the Agent, declare any Bond held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its principal amount outstanding, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, provided that any such action is not contrary to the terms of any Extraordinary Resolution or other resolution of the Bondholders.

The Issuer shall notify the Bondholders of any Event of Default (and the steps, if any, being taken to remedy it if capable of remedy) upon becoming aware of its occurrence.

9. Prescription

The Bonds will become void unless claims in respect of principal and/or interest are made within a period of 20 (twenty) years (in the case of principal) and 5 (five) years (in the case of interest) after the Relevant Date therefor.

10. Paying Agent

Acting under the Paying Agency Agreement and in connection with the Bonds, the Paying Agent acts solely as agent of the Issuer, and does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Paying Agent and its initial specified office is Banco Bilbao Vizcaya Argentaria S.A. – Sucursal em Portugal, with head office in Avenida da Liberdade, no. 222, Lisbon, Portugal.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor agent and additional or successor agents provided, however, that the Issuer shall at all times maintain (a) an agent, and (b) so long as the Bonds are listed on any multilateral trading facility, secondary market, there will at all times be an Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant multilateral trading facility or secondary market.

Notice of any change in the Paying Agent or in its specified offices shall promptly be given to the Bondholders.

11. Meeting of Bondholders and Common Representative

11.1 Meetings

- (a) **Meeting of Bondholders:** Meetings of the Bondholders to consider any matter affecting their interests, including the modification or abrogation of any of these Conditions by Extraordinary Resolution and the appointment or dismissal of a common representative, are governed by the Portuguese Commercial Companies Code.

- (b) **Request for meetings:** Meetings may be convened by a common representative (if any) or by the chairman of the general meeting of shareholders of the Issuer before the appointment of, or in case of refusal to convene the meeting by, a common representative, and when the common representative and the chairman of the general meeting of shareholders refuse to convene a meeting, Bondholders holding not less than 5 (five) per cent. in principal amount of the Bonds for the time being outstanding may petition the court to order the convening of a meeting.
- (c) **Quorum:** The quorum required for a convened meeting to pass a resolution other than an Extraordinary Resolution will be any person or persons holding or representing the Bonds then outstanding, regardless of the principal amount thereof; and an Extraordinary Resolution will require the attendance of a person or persons holding or representing at least 50 (fifty) per cent. of the principal amount of the Bonds then outstanding or, at any adjourned meeting, the attendance of a person or persons holding or representing the Bonds then outstanding, independently of the principal amount thereof.
- (d) **Majorities:** The majority required to pass a resolution other than an Extraordinary Resolution is the majority of the votes cast at the relevant meeting; the majority required to pass an Extraordinary Resolution, including, without limitation, a resolution relating to the modification or abrogation of certain provisions of these Conditions, is of at least 50 (fifty) per cent. of the principal amount of the Bonds then outstanding or, at any adjourned meeting, 2/3 (two thirds) of the votes cast at the relevant meeting.

Resolutions passed at any meeting of the Bondholders will be binding on all Bondholders, whether or not they are present at the meeting or have voted against the approved resolutions.

Resolutions involving the increase of charges to Bondholders require unanimity to be approved.

- (e) **Modification and waiver:** The Bonds and these Terms and Conditions may be amended without the consent of the Bondholders to correct manifest errors. In addition, the Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply, with the Paying Agency Agreement, if to do so could not reasonably be expected to be materially prejudicial to the interests of the Bondholders. Any modification, abrogation, waiver or authorisation made in accordance with this Condition 11 (*Meeting of Bondholders and Common Representative*) shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.
- (f) **Notices to Bondholders:** Any notices to be made to the Bondholders shall be made in accordance with Condition 13 (*Notices*) or by sending a notice to all Bondholders.

11.2 Appointment, Dismissal and substitution of the Common Representative

- (a) **Appointment:** A Common Representative of the Bondholders may be appointed, in accordance with articles 357 up to 359 of the Portuguese Companies Code, after the Issue Date, which appointment must be immediately notified to the Issuer, identifying the Common Representative and the relevant contact details, notably

the address, telephone, fax and e-mail deemed relevant for the purposes of Condition 13 (*Notices*).

- (b) **Dismissal and substitution:** The Bondholders may dismiss and substitute the Common Representative by way of a resolution passed for such purpose as provided for by the Portuguese Companies Code.

For the purposes of this Condition "**Common Representative of the Bondholders**" means, if any, one or more of the eligible persons referred to in article 357(2) of the Portuguese Companies Code from time to time appointed by the Bondholders for the administration on behalf of the Bondholders' joint interests under or in respect of the Bonds pursuant and subject to this Condition and article 359 of the Portuguese Companies Code.

12. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to be consolidated, and form a single series, with the Bonds.

13. Notices

- (a) **Notices to Bondholders:** Notices to the Bondholders shall be valid, so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, if published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or in such other manner as the Luxembourg Stock Exchange or its rules and regulations may prescribe or accept. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. The Issuer shall comply with any applicable Portuguese law in respect of notices relating to the Bonds.
- (b) **Notices to the Issuer and Paying Agent:** All communications to be made to the Issuer and/or Paying Agent in connection with these Conditions and the Bonds shall be made in writing and may be served by letter or by electronic mail to the following addresses (or any substitute address, e-mail, department or officer as a party may notify to the other by not less than 5 (five) Business Days' notice):

Issuer

Grupo Pestana – S.G.P.S., S.A.

Contact: Pedro Fino

Tel.: +351 210 417 132

Email: pedro.fino@pestana.com

Paying Agent

Banco Bilbao Vizcaya Argentaria S.A. – Sucursal em Portugal

Contact: Miguel Sousa

Tel.: +351 21 311 7390

Email: miguel.sousa@bbva.com

Any communication or document made or delivered by a party to the other in connection with these Conditions and the Bonds will only be effective:

- (a) if by way of letter, when it has been left at the relevant address or 5 (five) Business Days counted as from the date registered in registered mail ("*correio registado*"). In the case of Bondholders, other than the Sole Lead Manager, the address shall be deemed as the address recorded in the respective register of Bondholders of the Affiliate Members of Interbolsa through which the Bonds are held,
- (b) if by way of electronic mail, when actually received in readable form,

provided, however, that (i) any communication or document or electronic mail to be made or delivered to the Issuer or the Sole Lead Manager will only be effective if it is marked for the attention of the department or officer identified above (or any substitute department or officer as the Issuer or the Sole Lead Manager shall specify for this purpose); and (ii) that if a fax or e-mail is received by the other party but not in legible or readable form, such party will do its best to alert the party sending the communication of such fact.

14. Listing

Application has been made for admission of the Bonds to the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market.

If for any reason whatsoever not attributable to the Issuer the Bonds cease to be traded on the Euro MTF Market, or if for tax reasons the trading of the Bonds can no longer be maintained on the Euro MTF Market, the Issuer shall be entitled to apply for the Bonds to be admitted and traded in another non-regulated market or multilateral trading facility of its choosing, not being necessary for such purposes the Bondholders prior consent. In the event of such a change, the Bondholders will be notified in accordance with Condition 13 (*Notices*) or by sending a notice to all Bondholders.

15. Governing Law and Jurisdiction

- (a) **Governing law:** The Bonds and any non-contractual obligations arising out of or in connection with the Bonds are governed by Portuguese law.
- (b) **Jurisdiction:** The Portuguese courts have exclusive jurisdiction to settle any dispute (the "**Dispute**") arising out of or in connection with the Bonds (including a dispute regarding any non-contractual obligation arising out of or in connection with the Bonds).

16. Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"Affiliate Member of Interbolsa"	means any authorised financial intermediary entitled to hold control accounts with the CVM on behalf of Bondholders and includes any banks or financial intermediaries appointed by Euroclear Bank SA/N.V. (" Euroclear ") and Clearstream Banking, S.A. (" Clearstream, Luxembourg ") for the purpose of holding individual securities accounts on behalf of Euroclear and Clearstream, Luxembourg
"Axesor"	means Axesor Risk Management SL, a credit rating agency established in the European Union and registered under the CRA Regulation. A list of rating agencies registered under the CRA Regulation can be found at: http://www.esma.europa.eu/page/List-registered-and-certified-CRAs
"Bondholder" or "Holder"	means the persons or legal entities in whose name the Bonds are registered in the relevant individual securities accounts held with the Affiliate Member of Interbolsa in accordance with Portuguese law and the relevant regulations and procedures of Interbolsa.
"Book Value of Tangible Fixed Assets"	<p>means all tangible fixed assets as shown in the annual consolidated financial statements of the Issuer, excluding the value of those fixed assets encumbered with mortgages that represent a 50% or higher amount of the book value of the asset.</p> <p>For the avoidance of doubt, any impact in tangible fixed assets of recording leases under IFRS16 will be excluded from the computation of Book Value of Tangible Fixed Assets, for the purpose of the calculation of the ratio of Book Value of Tangible Fixed Assets to Total Net Unsecured Debt under section 3.1 (iii).</p>
"Business Day"	means a day which is both (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Lisbon; and (ii) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open.
"Clearstream, Luxembourg"	means Clearstream Banking société anonyme, Luxembourg.
"Condition"	means any of the conditions included in these Terms and Conditions.
"Coupon"	means the annual nominal interest rate paid on the Bonds, expressed as a percentage of the face value.

“CVM”

means the Portuguese central securities clearing system (*Central de Valores Mobiliários*) composed of interconnected securities accounts, through which such securities (and inherent rights) are created, held and transferred.

“EBITDA”

means in relation to the consolidated financial statements of the Issuer, the profit from operations (*resultado operacional*), as that term is defined in the Issuer’s financial statements adding the depreciation and amortization, but excluding any gain and loss on investments in subsidiaries, joint ventures, associates and equity instruments at fair value through profit and loss, as shown in the Issuer’s consolidated annual financial statements.

For the avoidance of doubt, any impact in EBITDA of recording leases under IFRS16 will be excluded from the computation of EBITDA, for the purpose of the calculation of the ratios Total Net Financial Debt to EBITDA and EBITDA to Net Interest Expense, under section 3.1 (i) and (ii) respectively.

If during a relevant testing period a company or entity were acquired and became a member of the Group for the purposes of IFRS-GAAP, for the purposes of calculating the EBITDA on the corresponding date of calculation referred to such relevant testing period it will be considered that the individual EBITDA of the acquired company for that relevant testing period is the EBITDA of such company generated since the beginning of such relevant testing period. The provision under this paragraph is only for the purposes of avoiding the accounting effect of IFRS-GAAP in the covenants as regards considering all the debt of the acquired company but only its EBITDA as from the date of its acquisition by the Group.

“EBITDAR”

means in relation to the consolidated financial statements of the Issuer, the profit from operations (*resultado operacional*), as that term is defined in the Issuer’s financial statements adding the depreciation, amortization and rents, but excluding any gain and loss on investments in subsidiaries, joint ventures, associates and equity instruments at fair value through profit and loss, as shown in the Issuer’s consolidated annual financial statements.

If during a relevant testing period a company or entity were acquired and became a member of the Group for the purposes of IFRS-GAAP, for the purposes of calculating the EBITDAR on the corresponding date of calculation referred to such relevant testing period it will be considered that the individual EBITDAR of the acquired company for that relevant testing period is the EBITDAR of such company generated since the beginning of such relevant testing period. The provision under this paragraph is only for the purposes of avoiding the accounting effect of IFRS-GAAP in the covenants as regards considering all the debt of the acquired

	company but only its EBITDAR as from the date of its acquisition by the Group.
"EUR", "Euro" or "€"	means the lawful currency of the member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended.
"Euro MTF Market"	means the Luxembourg Stock Exchange non-regulated market.
"Euroclear"	means Euroclear Bank S.A./N.V.
"Event of Default"	Means the events indicated pursuant to Condition 8 (<i>Events of Default</i>).
"Extraordinary Resolution"	means a resolution concerning a Reserved Matter.
"Financial Indebtedness"	<p>means any indebtedness of the Group for or in respect of:</p> <ul style="list-style-type: none"> (a) moneys borrowed; (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent; (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any financial lease or hire purchase contract which would, in accordance with IFRS-GAAP, be treated as a finance or capital lease; (e) receivables sold or discounted (other than any receivables to the extent they are sold on a nonrecourse basis); (f) any amounts due and payable under any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price; (g) without double counting any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (h) without double counting the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above. <p>For the avoidance of doubt, any impact in the Group's liabilities of recording leases under IFRS16 will be excluded from the computation of Financial Indebtedness, for the purpose of the calculation of the ratios of Total Net Financial Debt to EBITDA and Book Value of Tangible Fixed Assets to Total Net Unsecured Debt under section 3.1 (i) and (iii) respectively.</p>

"GOP"	means the gross operating profit ("Gross Operating Profit – GOP") as defined by the Uniform System of Accounts for Lodgings Industry, <i>i.e.</i> , <i>Operating revenues minus Operating Costs</i> .
"Indebtedness"	<p>means in respect of the Issuer or any of its Subsidiaries any indebtedness for money borrowed or raised or backed if an to the extent that such indebtedness would appear as a liability on the consolidated balance sheet of the Issuer which accrues any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments but excluding:</p> <ul style="list-style-type: none"> (i) any undrawn commitments; (ii) indebtedness owed by a Subsidiary to the Issuer or to another Subsidiary; <p>any operating lease.</p>
"Independent Auditor"	means the Issuer's independent auditor, currently KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
"Interbolsa"	means Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., as operator of the <i>Central de Valores Mobiliários</i> .
"Interest Payment Date"	has the meaning given to such term in Condition 4.1 (<i>Interest Payment Dates. Interest Period</i>).
"Issue Date"	means 23 September 2019.
"Maturity Date"	means 23 September 2025.
"Net Interest Expense"	means, in relation to the audited consolidated financial statements, as applicable, financial costs (<i>gastos financeiros</i>) minus financial income (<i>rendimentos financeiros</i>) as defined in the Issuer's financial statements, but excluding any impact in financial costs of recording leases under IFRS16
"Payment Business Day"	means any day on which (subject to Condition 9 (<i>Prescription</i>)) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange) in Lisbon and a day on which the TARGET2 System is open.
"Portugal"	means the Republic of Portugal.
"Portuguese Companies Code"	means the Companies Code (<i>Código das Sociedades Comerciais</i>) enacted by Decree law no. 262/86, of 2 September 1986, as amended.
"Relevant Date"	means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Paying Agent, on or prior to such due date, it

	means the date on which the full amount of such moneys having been so received, notice to that effect is duly given to the Holders.
"Relevant Jurisdiction"	means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which the Issuer becomes tax resident.
"Relevant Shareholder"	means Mr. Dionísio Fernandes Pestana and any and all of his legal successors, including, for the avoidance of doubt, his spouse, descendants and any and all testamentary successors.
"Reserved Matter"	means any proposal: <ul style="list-style-type: none"> (a) to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest due on any date in respect of the Bonds or to alter the method of calculating the amount of any payment in respect of the Bonds on redemption or maturity; (b) to change the currency in which amounts due in respect of the Bonds are payable; (c) for modification or abrogation of any material provisions of these Conditions or the Bonds; (d) for the acceleration of the obligations under the Bonds; and to amend this definition.
"Security"	means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;
"Subsidiary"	means any entity that from time to time of which the Issuer (i) owns, directly or indirectly, more than 50 (fifty) per cent. of the share capital or similar rights of ownership, or (ii) owns or is able to exercise, directly or indirectly, more than 50 (fifty) per cent. of the voting rights, or (iii) has the right to appoint the majority of the members of the board of directors and in each case such entity is within the consolidation perimeter of the Issuer.
"TARGET System"	means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.
"Terms and Conditions"	means in relation to the Bonds, the terms and conditions applicable to the Bonds.
"Total Net Financial Debt"	means any outstanding amounts in respect of the Financial Indebtedness of the Group deducting an amount of cash (at bank or at hand) or cash equivalents held by the Group.

For the avoidance of doubt, any impact in the Group's liabilities of recording leases under IFRS16 will be excluded from the computation of Financial Indebtedness, for the purpose of the calculation of the ratio of Total Net Financial Debt to EBITDA under section 3.1 (i).

"Total Net Unsecured Debt"

means the Financial Indebtedness of the Group that is not secured by a Security over any assets of the Group, deducting an amount of cash (at bank or at hand) or cash equivalents held by the Group.

For the avoidance of doubt, any impact in the Group's liabilities of recording leases under IFRS16 will be excluded from the computation of Financial Indebtedness, for the purpose of the calculation of the ratio of Book Value of Tangible Fixed Assets to Total Net Unsecured Debt under section 3.1 (iii).

"Voting Rights"

means the right generally to vote at a general meeting of shareholders (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting rights by reason of the happening of any contingency).

DESCRIPTION OF THE ISSUER

General Information

The Issuer was incorporated in Funchal on December 2002, under the registered name of Grupo Pestana – S.G.P.S., S.A.. The Issuer's registered head office is Largo António Nobre, no. 1, 9000-022 Funchal Madeira Island, Portugal. The Issuer is registered with the Commercial Registry of Funchal under the sole registration and taxpayer number 511 220 448, with a share capital fully subscribed and paid-up of EUR 83,530,000 represented by 83,530,000 shares, with a nominal value of EUR 1 each.

The Issuer is a holding company organized as a "*sociedade gestora de participações sociais*" and a "*sociedade anónima*" (share limited liability company) under the laws of the Republic of Portugal.

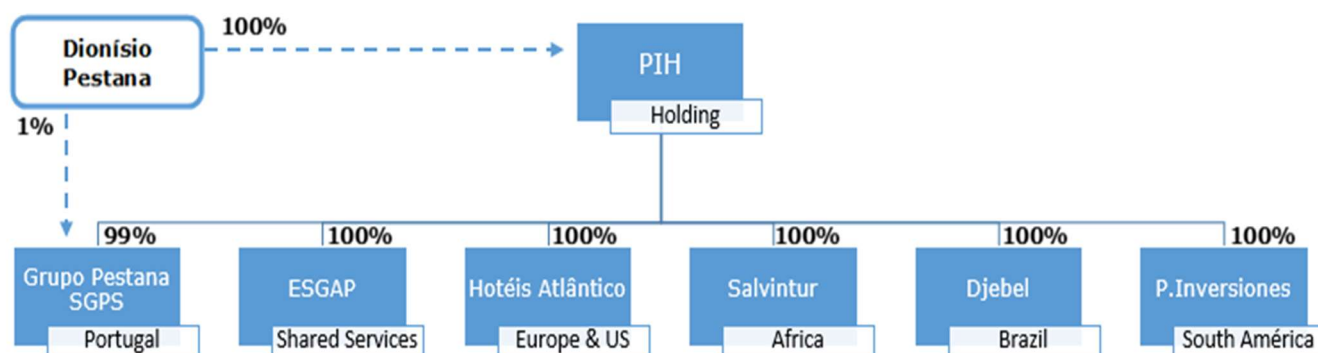
As per article 3 of its articles of association, the Issuer sole corporate object is the management of shareholdings in other companies as an indirect form of carrying on economic activities.

The Issuer is subject to the general laws applicable to share and holding companies, particularly by the Portuguese Companies Code ("*Código das Sociedades Comerciais*"), the Portuguese Securities Code ("*Código dos Valores Mobiliários*"), to the legal regime on holding companies (i.e. Decree-law 459/88, of 30 of December, as amended from time to time) and its articles of association.

Pestana International Holding structure

Pestana International Holding S.A. ("**PIH**" or together with its subsidiaries the "**PIH Group**") is the holding company based in Luxembourg, wholly owned by Mr. Dionísio Fernandes Pestana.

In accordance with the diagram below, PIH has a direct shareholding of 100% in the share capital of ESGAP - Empresa de Serviços de Gestão e Administrativos Partilhados, S.A. ("**ESGAP**"), Hotéis do Atlântico – Sociedade Imobiliária e de Gestão de Hotéis, S.A. ("**Hotéis Atlântico**"), Salvintur - Sociedade de Investimentos Turísticos, S.A. ("**Salvintur**"), Djebel, S.A. ("**Djebel**") and Pestana Inversiones, S.L. ("**P.Inversiones**"). PIH has a direct shareholding of 99% in the share capital of Grupo Pestana – S.G.P.S., S.A. (the Issuer).



Approximately 65 companies are included in PIH Group, spreading over 15 countries.

PIH's corporate structure has been evolving over the years due to the significant growth verified during this period and is expected to continue to do so. Today's structure represented above is already prepared for this evolution with separate sub-holdings for each geography:

- **PIH** – is the holding company, based in Luxembourg;
- **ESGAP** – is the sub-holding for the PIH shared services subsidiaries providing services to all PIH Group companies;
- **Grupo Pestana SGPS (the Issuer)** – is the Portuguese sub-holding that owns the subsidiaries in Portugal including all business segments (Hotel, Vacation Club, Real Estate & Residence, Golf, Brewery, Casino and Wellness);
- **Hotéis Atlantico** – is the sub-holding that owns the subsidiaries in USA and Europe (excluding Portugal) and it currently includes the hotel business in these countries: USA, UK, Germany, Holland, Spain;
- **Salvintur** – is the sub-holding that owns the subsidiaries in Africa including hotel business in the following countries: South Africa, Mozambique, São Tomé, Cape Verde, Morocco. Salvintur also includes some small operations of Real Estate & Residence in São Tomé and Mozambique and a small Casino operation in São Tomé;
- **Djebel** – is the sub-holding that owns the subsidiary in Brazil and it includes hotel and residence operations in that country;
- **Pestana Inversiones** – is the sub-holding that owns the subsidiaries in South America: Argentina and Uruguay and it includes hotel operations in these countries.

The current structure was established in 2017 after the last reorganization of the PIH Group, when the Issuer sold (i) to PIH the participations in Hotéis Atlantico and (ii) to ESGAP the participations in Pestana Management, Intervisa and Pestana Segurança, all of them PIH shared services companies.

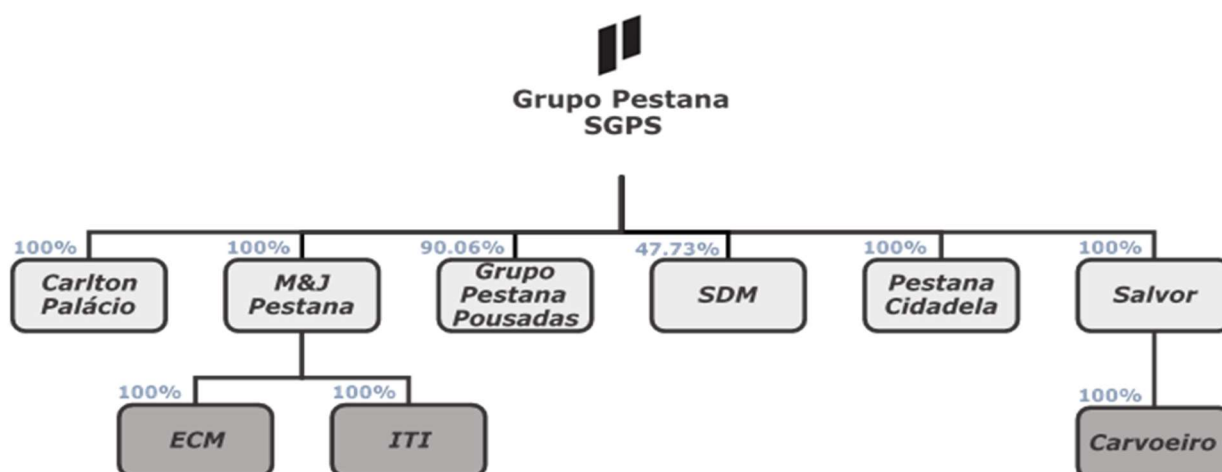
As a result, after the reorganization, the PIH Group has a specific subsidiary focused in one particular region or country with a shared services company (ESGAP) which enables to setup standard procedures on a worldwide basis, as well as providing the PIH Group's management real time information in a centralized point from any PIH Group operation in the world.

Grupo Pestana SGPS structure

The Issuer is the holding company of the Portuguese subsidiaries.

Grupo Pestana SGPS is comprised of companies that are mainly engaged in leisure and tourism activities and more specifically, in the management and operation of hotels under its property, leasing, management or franchise agreements, and in vacation club operations. Grupo Pestana SGPS is engaged in the promotion of all types of business related to tourism, hotel leisure and recreational activities, as well as participation in the creation, development and execution of new operations, establishments or companies, in the tourist, hotel or any other recreational or leisure business, thus comprising all the different business segments of the Group (Hotel, Vacation Club, Real Estate & Residence, Golf, Brewery, Casino and Wellness).

The diagram below features the most relevant companies of the Grupo Pestana SGPS as at the date of this Information Memorandum:



Direct shareholdings of the Issuer and of its subsidiaries

- The Issuer holds, directly, 100% of the share capital of the following entities: Carlton Palácio; M&J Pestana; Pestana Cidadela and Salvor;
- The Issuer holds directly 90.06% of the share capital of Grupo Pestana Pousadas;
- The Issuer holds directly 47.73% of the share capital of SDM;
- M&J Pestana holds directly 100% of the share capital of ECM and ITI as well as the remaining 9.94% of Grupo Pestana Pousadas;
- Salvor holds directly 100% of the share capital of Carvoeiro.

Relevant assets

The diagram below features the most relevant assets with reference to the Group's subsidiary who owns it:

Company	Most Relevant Asset
Carlton Palácio	<i>Pestana Palace</i>
	<i>Pestana Cascais</i>
	<i>Pestana Douro</i>
ECM	<i>Brewery</i>
ITI	<i>Pestana Casino Park</i>
	<i>Pestana Casino Studios</i>
	<i>Pestana Porto Santo</i>
	<i>Casino da Madeira</i>
MJ Pestana	<i>Pestana Village / Miramar</i>
	<i>Pestana Carlton Madeira</i>
	<i>Pestana Palms</i>

	<i>Pestana Bay/Gardens</i>
	<i>Pestana Promenade</i>
	<i>Pestana Royal Bay</i>
Salvor	<i>Pestana Alvor Praia</i>
	<i>Pestana Dom João II & Vilas</i>
	<i>Pestana Alvor South Beach</i>
	<i>Pestana Blue Alvor</i>
	<i>Pestana Alvor Atlântico</i>
Carvoeiro	<i>6 Golf Courses</i>
SDM	<i>Financial Services</i>
Grupo Pestana Pousadas	<i>35 Pousadas</i>

Overall activity of PIH Group

PIH Group has its origins dated back to 1972, with the establishment of M&J Pestana S.A. to invest in a new hotel in Madeira Island to be managed back then under the Sheraton brand. This same hotel is currently denominated Pestana Carlton Madeira hotel and was the first of 99 hotels that are now operated by the PIH Group in 15 countries, under 4 different Pestana hotel sub-brands.

The PIH Group started with resort operations in Madeira in the 70's and moved to Algarve in the late 80's. The internationalization step was initiated in the 90's through Portuguese speaking countries, first in Africa and then in Brazil. In 2003, PIH Group won the tender to manage the concession of "Pousadas de Portugal" network, a Portuguese boutique hotel chain, at that time with 42 Pousadas. In the last 10 years the development strategy focused on enlarging the chain footprint throughout the major European and North American cities, such as London, Berlin, Miami, Amsterdam or Madrid.

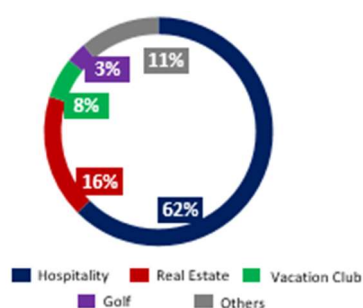
The PIH Group's development strategy is based on five vectors:

- Expansion of Pestana's geographical footprint – preferably through the major European and North American cities, but also exploring good opportunities in other markets. Investment decisions will continue to be taken cautiously (low investment amounts per hotel room), based on the PIH Group's capacity to generate cash flows and maintaining a reduced level of leveraging;
- Investing in innovation – either through new technology implementation, partnerships with startups, adapting PIH Group's brands to new markets, exploring different business models or different hotel concepts;
- Operational focus in gaining/maintaining efficiency – constantly reviewing business processes, enhancing new technology and engaging new people. The creation of Pestana shared services center enabled to hire highly specialized and talented people and create centers of excellence with enough scale for significant technology investments that provide top quality services to all PIH Group's business units around the globe;
- Hire, train and maintain the best people – motivated always to do their best and to exceed the PIH Group customers' expectations. Partnerships with hotel management schools help hiring new skilled people and to constantly train the PIH Group's employees;

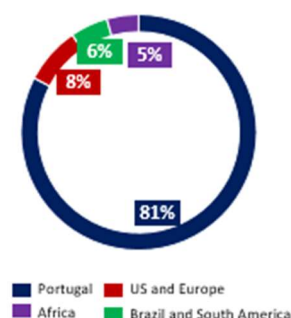
- Provide top quality services – generating demand for the PIH Group's products and services and providing them high value for money, earning the trust for them to have "The time of their lives" with PIH Group.

Although PIH Group's core business is hospitality, it incorporates other complementary businesses that contribute to a consistent and diversified product offer to the PIH Group's customers/guests and at the same time reduces business risk by diversifying sources of income, distribution channels, as well as geographic footprint, as follows:

PIH 2018 Revenue split by business¹



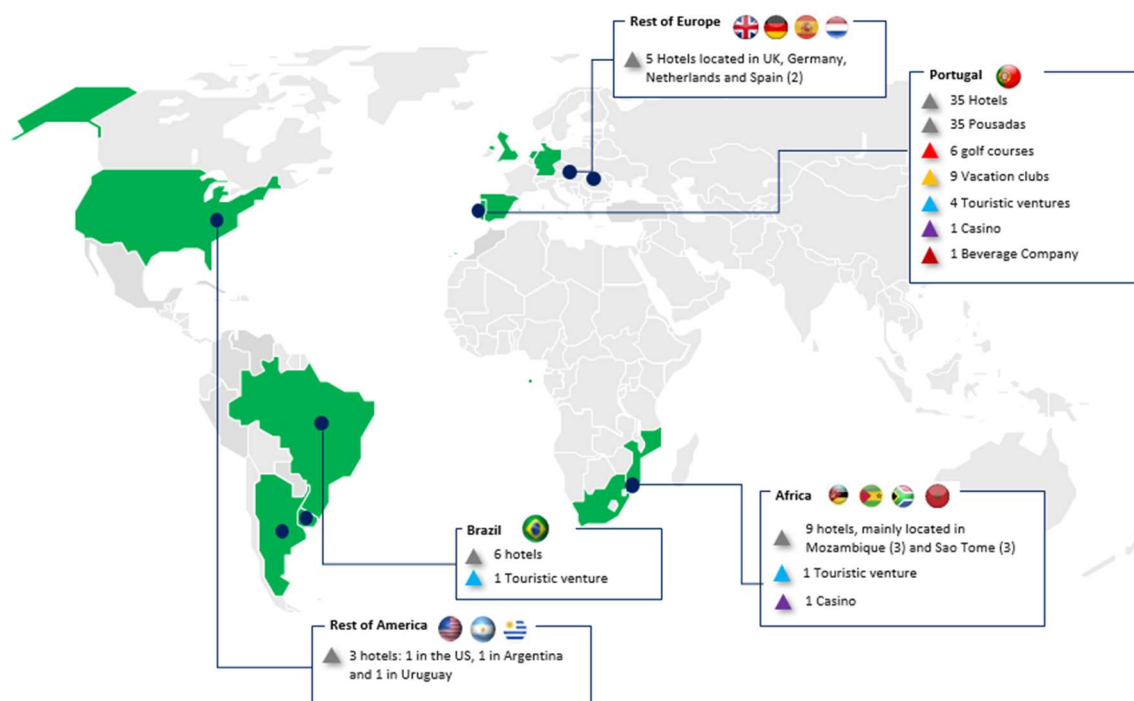
PIH 2018 Revenue split by country (based on hotel location)



Source: Management information

From the 99 hotels with approximately 11,000 rooms managed under Pestana brands, circa 70% of them are Resort hotels with significant revenues originated by the leisure segment and approximately 30% are city hotels blending leisure and business segments.

Pestana International Holdings (PIH) asset base



Source: Management information

¹ Others: includes Brewery and other Business, representing 6% and 5% of total revenues respectively.

As of end of 2018, total tangible assets of PIH Group were recorded in the balance sheet amounting to EUR 901,776,247.

All PIH Group's operations show very high profitability levels, due to the PIH Group's experience and expertise in their management, sharing best-case benchmarks between the different hotels and using the shared services centers of excellence to promote high standard processes.

Today, as shown above, the majority of PIH Group's business units are located in Portugal and these generate the large majority of the PIH Group's EBITDA, also due to the significant scale of operations achieved in Portugal that enable the share of resources between different hotels.

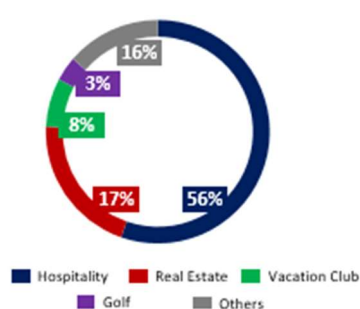
Nevertheless, the strategy of geographic diversifications is starting to produce results, reducing the importance of Portuguese operations in the overall PIH Group. With the existing pipeline of opening operations, it is expected that the weight of Portuguese operations in total EBITDA will be below 80% in the next 2 or 3 years.

Grupo Pestana SGPS activity

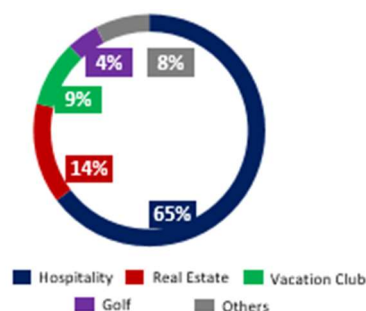
Headquartered in Lisbon and with more than 2,700 employees, the Group aggregates all PIH's businesses in Portugal.

The Issuer is the leader by number of hotels, rooms and beds in the Portuguese hospitality business and top 10 in the Iberian region, with over 8,000 rooms under four brands².

2018 Revenue split by business³



2018 Gross Operating Profit split by business⁴



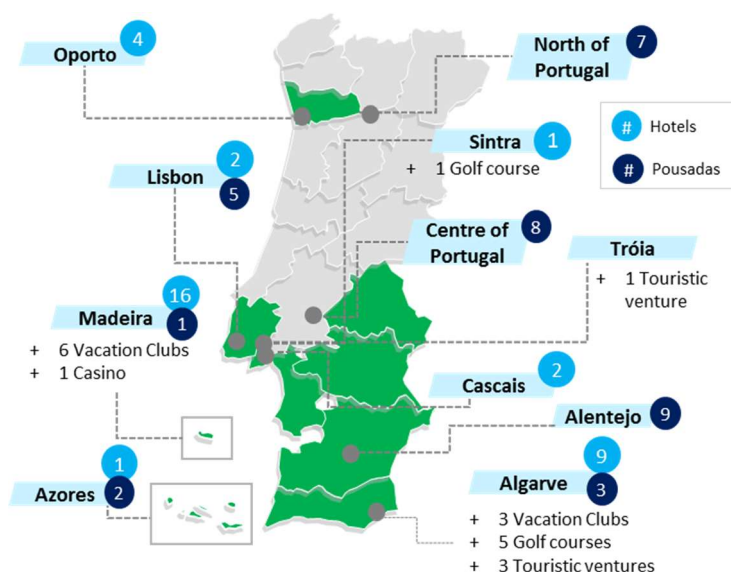
Source: Management information

Grupo Pestana SGPS comprises a total of 35 hotels, 9 units of vacation club, 6 golf courses, 4 real estate ventures, 1 casino gambling concession, the management of 35 Pousadas de Portugal and 1 brewery company. The location of each of the assets is as follows:

² Source: Deloitte Portuguese Hospitality Atlas 2018 – 13th edition available at <https://www2.deloitte.com/pt/en/pages/transportation-infrastructure/articles/hospitality-atlas-2018.html>

³ Others: includes Brewery and other Business, representing 7% and 9% of total revenues.

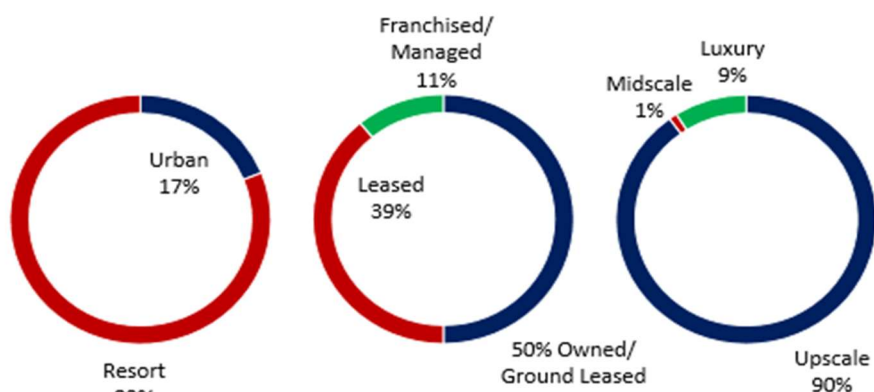
⁴ Others: includes Brewery and other Business, representing 1% and 7% respectively.



Source: Management information

The Issuer operates all the four Group brands, largely under an ownership model and with major presence in the resort segment.

Split of rooms as of June 2019:



Source: Management information

Grupo Pestana SGPS has total net fixed assets of EUR 619.9 million (as of December 2018), which results from its strategy of holding a large part of its assets (hotels, golf courses and land) where the business units managed by the Group are installed, which explains the significant value and expressive weight of fixed assets. It should be noted that these fixed assets are recorded at cost less accumulated depreciation, which represents a high value reserve since the market values, according to our internal estimates, are significantly higher than the accounting values.

The main business lines of the Grupo Pestana SGPS include:

Hospitality

With 35 hotels across Portugal, mostly owned by the Issuer subsidiaries, and the management of 35 Pousadas of Portugal with a 20 year running concession won in 2003, renewable for an additional period of 5 years. The most relevant Pousadas, in terms of cash flow (i.e. Oporto,

Lisbon, Cascais and Viseu), will continue to be managed for 50 years as a result of the significant investments where done by Pestana in requalifying such hotels.

Hospitality comprises 4 main brands, targeting different client segments:

- **Pestana Hotels & Resorts:** a portfolio of four and five star hotels located across Portugal. 28 hotels are included in this category.
- **Pousadas de Portugal:** 35 of the country's most historical and iconic properties. This brand comprises unique Portuguese Heritage hotels located in sites such as castles, palaces, forts, monasteries and convents, mainly in the upscale segment.
- **Pestana Collection:** luxurious buildings and monuments, located in prime locations in major Portuguese cities. 5 hotels are included in this category.
- **Pestana CR7 "Lifestyle hotels":** the brand results from a Joint Venture between Pestana and Cristiano Ronaldo and targets the millennial segment. 2 hotels are included in this category, in the upscale segment.

Real Estate

This business line comprises the sale of villas and apartments for touristic use and are near Pestana's golf courses or hotel units, with no construction made for inventory. The services provided to owners include: maintenance, gardening and housekeeping, among others. The possibility to rent houses to other guests is also available for the owners. This business line has doubled its weight on the Group's revenue (2018 vs 2017).

Real estate has a significant expression for the Group, especially in the Algarve - Carvoeiro/Ferragudo area -, where vacation housing has developed alongside excellent golf courses, providing a peaceful and green landscape to the owners and friends. Pestana does not start building new housing for which it has not already arranged a purchaser, thus greatly limiting the Group's inventory risk. As such, the Group only builds new houses after having entered into the respective sale agreements with the purchasers and having received advance deposits, which are coordinated with the construction work steps.

The Troia Eco Resort is a history of success within the business line, having gained in the last 4 years significant expression and exposition within the Group. Applying innovative methods of construction in order to preserve the ecological aspect of this project, has granted its success, in one of the last exclusive beach eco resorts of Europe with an extension of 4 kilometers of Atlantic beach.

The segment includes different services, for example, real estate and maintenance services, gardening, housekeeping and reception so that the house owners have the free time to enjoy their vacation getaway. Most of these houses are second houses and therefore used by their owners only a few months/weeks per year. Pestana offers their owners the possibility to rent their houses to other guests, with a profit sharing business model.

Pestana Vacation Club

This business line comprises 9 resorts located in Algarve and Madeira. Founded 30 years ago, the Club enables members (currently over 30.000 families) to travel across the Group's hotels, providing a very stable source of income. Pestana Vacation Club owners are a very loyal customer and therefore they are entitled to very special benefits within the Pestana business units.

Although approximately 80% of the Pestana's Vacation Club income is generated in the Madeira Island resorts, members have the possibility of experiencing all their hotels around the globe.

Brewery

This business line includes ECM (Empresa de Cervejas da Madeira) since 1994. The company, founded in 1872, is one of Madeira's most prestigious producer of beer, soft drinks, juices, water, and wines. Products are sold and distributed through large retailers and HORECA (*Hotel/Restaurant/Café*) distribution channels, being Pestana hotels in Madeira one of their main customers.

Other business lines

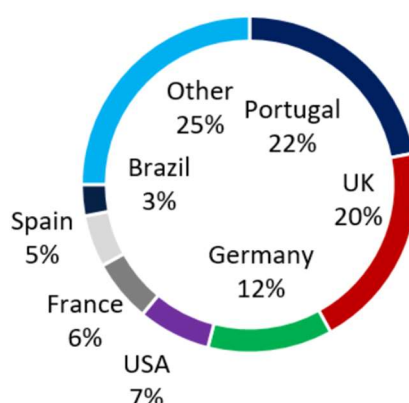
Other business lines include 5 golf courses in the Algarve and 1 in Sintra. The Group got involved in the Golf segment in order to reduce seasonality of hotel business in Algarve resort hotels, which is currently a significant feeder market for such hotels. The success of this strategy and the efficient management of the golf courses enabled this segment to grow and the Group now manages six golf courses.

Additionally, one Casino in Madeira, a Wellness center in Madeira and the Group's SPAs are included in the Entertainment segment and are fundamental to enrich guests experience in the PIH Group's resorts.

Finally, a joint venture with Madeira's Government has been established to diversify the island's economy.

It is important to highlight that, from the total revenue generated in the hotels located in Portugal, no more than 25% are related to Portuguese guests. UK, Germany, USA and Brazil represent a large portion of the guests staying in the Group's hotels in Portugal, therefore significantly reducing its dependence from the Portuguese domestic market.

Grupo Pestana SGPS main feeder markets (% of 2018 revenue)



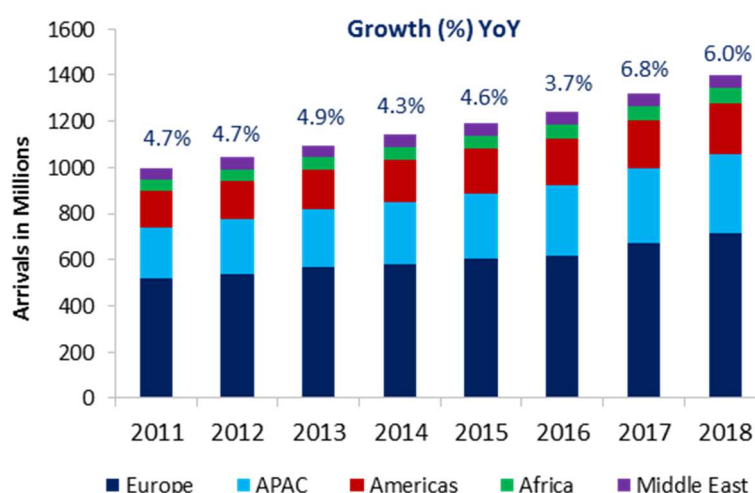
Source: Management information

Industry information

The tourism business continued to register positive growth at global level, becoming an important factor in the economic sustainability in some countries in the south of Europe.

The global arrival of international tourists reached about 1.326 million in 2018, an increase of around 6% compared to last year's values, according to the latest UNWTO's World Tourism Barometer. Predictions from the same source for 2030 remain impressive, overcoming 1.809 million tourists.

Tourist arrivals evolution and growth (YoY)



Source: World Tourism Organization (UNWTO)

Growth in revenue from international tourists is estimated to have reached a value of around 5% in 2018. Therefore, and according to the latest UNWTO data, the tourism sector continues to represent about 10% of the world's GDP, 1/10 of employment and 1.6 billion USD in exports which represents about 7% of international trade and over 30% of service exports.

Global investment in the sector remains healthy. The availability of funds existing in the market as a result of central banks' liquidity policies and the relatively high yields practiced in the hospitality market have contributed to a high level of transactions in the last 3 years. The growth registered in the main regions of the globe accompanied by the sustained increase in tourist flow have allowed for the maintenance of the global investment in this sector.

Despite the consistency of the European touristic market in the last years, political uncertainty in important countries like the UK, France or Italy conditioned the volume of investment in the continent in 2018. On the other hand, the dynamic economy of the US market contributed to a significant increase of investments made in the USA. As a consequence of the pressure to increase interest rate in the market, hospitality market yields also had some inflationary pressure although with very slight increases. To increase returns investors continued to look within western markets to countries such as Portugal, Spain and Greece and secondary cities in Germany and the UK although interest has decreased significantly in the latter with the increased uncertainty surrounding Brexit.

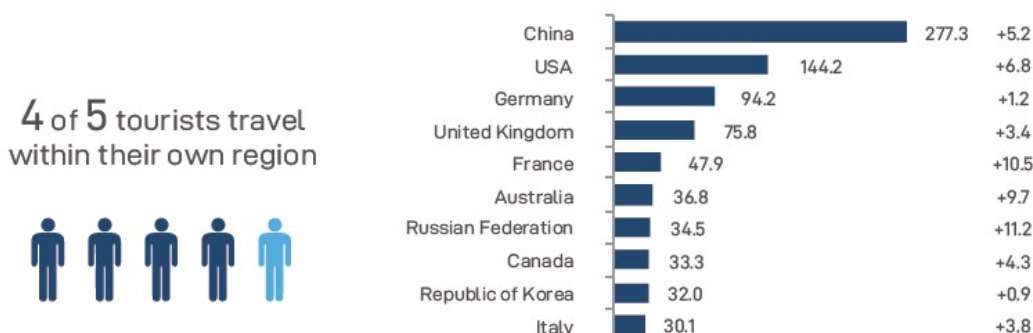
Following world trend, growth in tourism in Europe reached 6% in 2018. The stronger markets in terms of tourist demand were Portugal, Spain, Greece, France and Italy with some deceleration in the end of 2018, due to uncertainty surrounding Brexit and tourism recovery in North African countries. It should be noted that the continued international openness in the last years in Portugal contributed significantly to an increase perception of quality of the country as a tourist destination.

According to the European Travel Commission report of the last quarter of 2018 - Trends and Perspectives, Europe registered a strong performance in terms of growth in international tourists of around 6%. Turkey (+22%), Balkans (+14%) and Greece (+9%) were some of the highlighted tourist destinations in 2018.

Portugal and Spain, after several consecutive years of significant growth, saw the volume of tourist arrivals stabilize.

In terms of international visitors, China, USA and Germany are the top 3 spenders, but other countries in development such as India, Russia or Brazil are increasing the expense in tourism at very significant levels.

Top spenders 2018 (US\$bn and % change vs. 2017)

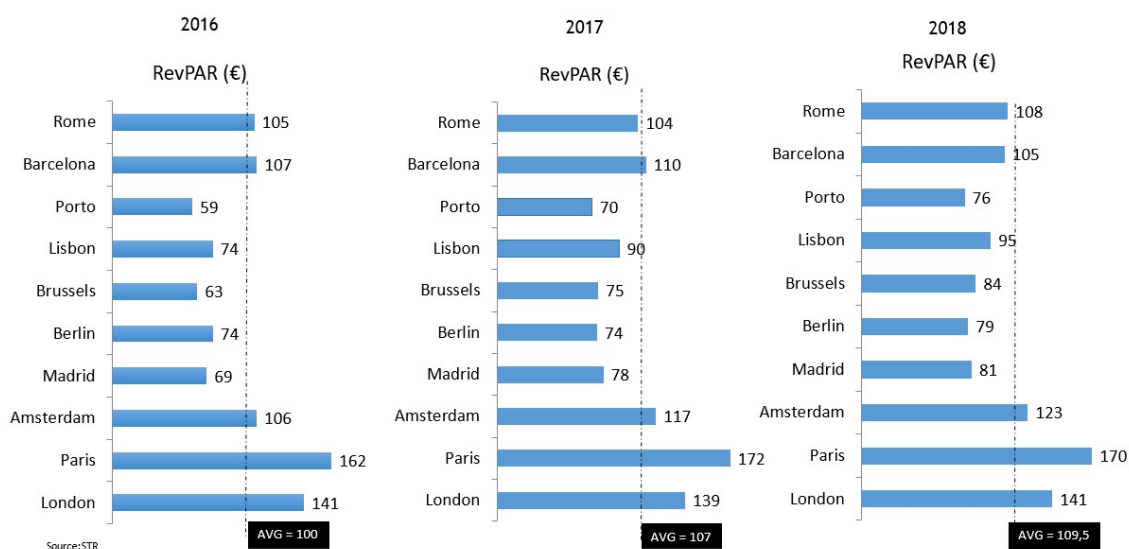


Source: World Tourism Organization (UNWTO)

Major European cities are facing high demand of tourists eager to visit their museums, taste their local gastronomy, share moments with local fragrance, sleep in boutique hotels full of history and culture or sharing housing and living with local habitants.

These value-added destinations have been able to raise their profitability accordingly (RevPAR – Revenue per available room), together with the increasing of rooms inventory.

Revenue per available room (RevPar) of major European cities



Source: STR Global

During the last 3 years Lisbon and Oporto have gained momentum, reducing significantly its profitability gap towards top European cities.

Portuguese market has regained attraction during these years. Genuine culture, gastronomy or experiences at affordable prices, openness from local residents to tourists, ease of speaking different languages, together with the fine weather have shown tourists a wonderful experience in Portugal, with increasing repeated guests coming over and over again.

Portuguese tourism highlights

		2018F	Δ 18/17	2017	Δ 17/16	2016
Domestic visitors ('000)		8,291	4%	7,980	5.0%	7,600
International visitors ('000)		12,762	0%	12,712	11.3%	11,418
Overnights stays by international visitors ('000)		40,809	-2%	41,727	8.9%	38,300
Revenue (millions €)		16,668	10%	15,153	18.4%	12,800
RevPAR (€)		52.66	5%	50.30	19.8%	42.00
Feeder Markets (by number of visitors) ('000)	Weight 18	2018F	Δ 18/17	2017	Δ 17/16	2016
United Kingdom	14%	1,828	-5.8%	1,940	2.5%	1,893
Spain	14%	1,750	1.4%	1,725	4.0%	1,659
France	10%	1,324	-2.1%	1,351	1.8%	1,328
Germany	10%	1,262	-3.8%	1,312	9.3%	1,201
USA	7%	828	20.1%	690	36.2%	506
Brazil	7%	944	8.6%	870	39.1%	626
Others	38%	4,826	0.1%	4,824	16.7%	4,132
TOTAL	100%	12,763		12,712		11,344

Source: Turismo de Portugal, INE and Bank of Portugal.

UK, Spain, France and Germany are traditionally the main feeder markets for Portuguese tourism, but countries like USA or Brazil are increasing their importance also as a result of TAP's (Portuguese airline company) strategy to create its hub in Lisbon linking the Brazilian and US market to Europe.

The main touristic regions in Portugal are still Madeira and Algarve in the resort segment and the cities of Lisbon and Oporto (that concentrates the visitors of North region) in the urban segment (city breaks and meetings, incentives, conferences and exhibitions or MICE). The first two destinations showed decreases mainly due to constraints related with the local airport and the dependency on the British market. In both destinations, there were decreases in visitors from the UK and Germany. The latter was particularly affected by the bankruptcy of airline companies which reduced the number of available flights to Madeira.

The internal market showed an increase of around 4% in terms of visitors in 2018 when compared with the previous year. The economic recovery (Gross Domestic Product, or GDP, continues to grow and is supported by a continued trade balance superavit and now also in investment and a reduction in unemployment which the tourism business much contributed for) helped sustain private consumption in tourism spending and related tourist activities.

The increase in demand which has been verified in the main national touristic markets continued to be met with an increase in offer in 2018, namely in the main Portuguese destinations. Since this growth in offer has been lower than the increase in demand, tourism in Portugal continued to grow in a consistent and sustainable way in the previous year.

Another contributing factor to the dynamism in tourism was the growth in low-cost airlines available in the Portuguese market. The number of low cost companies operating in Portugal went from 3 in 2001 to 15 nowadays.

According to the National Civil Aviation Authority (ANAC), these operators registered a very significant growth in terms of passengers transported between 2003 and 2006 with their national market share increasing from 6% to 22%. The growth in passengers transported by these operators has remained steady, which implied additional gains in market share, to 37% in 2011 and to over 40% in 2017.

Key financial highlights

The Consolidated financial statements are prepared by Grupo Pestana SGPS in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and effective as at 1 January 2018. 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 English language translations of the audited consolidated financial statements of the Group as of and for each of the years ended 31 December 2018 and 31 December 2017, together with English language translations of the auditor's reports thereon, are deemed to be incorporated in to and form part of this Information Memorandum.

As referred in the chapter *Documents Incorporated by Reference* of this Information Memorandum, these are available on the website of the Issuer <https://www.pestanagroup.com> as well as on the LuxSE website www.bourse.lu.

Consolidated statement of financial position

The table below expresses the consolidated statement of financial position of Grupo Pestana SGPS, with reference to 31 December 2017 and 31 December 2018:

(Amounts expressed in Euros)

		31 December	
		2018	2017
Assets			
Non-current			
Tangible fixed assets		619,927,361	566,215,054
Intangible assets		25,653,420	27,764,046
Investment properties		8,328,251	8,420,704
Investment in joint ventures		5,560,788	5,403,585
Investment in associates		11,737,961	11,930,722
Equity instruments at fair value through profit and loss		1,577,373	1,355,718
Deferred tax assets		68	3,719,921
Trade and other receivables		11,111,071	11,835,921
		<u>683,896,293</u>	<u>636,645,671</u>
Current			
Inventories		86,468,875	92,408,983
Trade and other receivables		48,350,633	166,419,819
Income tax receivable		192,442	133,019
Cash and cash equivalents		39,716,014	56,280,131
		<u>174,727,964</u>	<u>315,241,952</u>
Total assets		<u>858,624,257</u>	<u>951,887,623</u>
Equity			
Capital		125,420,973	150,420,973
Other reserves		22,920,005	9,579,170
Retained earnings		39,675,970	9,692,769
Profit for the period attributable to shareholders		63,737,931	85,950,244
Non-controlling interests		15,282,398	14,196,649
Total equity		<u>267,037,277</u>	<u>269,839,805</u>
Liabilities			
Non-current			
Provisions		701,767	603,953
Borrowings		242,931,737	270,892,176
Derivatives		485,180	1,069,253
Deferred tax liabilities		27,431,182	30,628,345
Deferred revenue		147,137,852	161,411,251
Trade and other payables		3,952,078	5,302,029
		<u>422,639,796</u>	<u>469,907,007</u>
Current			
Provisions		3,997,357	3,980,564
Borrowings		49,433,561	65,983,265
Deferred revenue		28,097,235	30,859,263
Trade and other payables		85,866,372	102,164,240
Income tax liabilities		1,552,659	9,153,479
		<u>168,947,184</u>	<u>212,140,811</u>
Total liabilities		<u>591,586,980</u>	<u>682,047,818</u>
Total equity and liabilities		<u>858,624,257</u>	<u>951,887,623</u>

Source: Annual accounts of the Issuer 2018.

Cash Flow

The table below expresses the consolidated cash flow of Grupo Pestana SGPS, with reference to 31 December 2017 and 31 December 2018:

(Amounts expressed in Euros)

	Period ended 31 December	
	2018	2017
Cash flow from operating activities		
Receipts from customers	368,078,850	324,239,105
Payments to suppliers	(197,314,856)	(140,238,603)
Payments to personnel	(55,349,761)	(74,536,205)
Cash generated from operations	115,414,233	109,464,297
Income tax paid	(21,353,077)	(2,800,570)
Other payments	(1,224,179)	1,105,657
Net cash flow from operating activities	92,836,977	107,769,384
Cash flow from investing activities		
Receipts related to:		
Tangible assets	1,880,443	8,128,232
Intangible assets	-	139,977
Disposal of subsidiaries	95,144,198	41,655,079
Interest income and similar	115,086	484,773
Dividends	165,000	-
Payments related to:		
Tangible assets	(79,990,998)	(52,559,459)
Intangible assets	-	(864,573)
Acquisition of non-controlling interests	(4,183,257)	(3,982,257)
Other financial investments	-	(17,901)
Net cash flow from investing activities	13,130,472	(6,151,556)
Cash flow from financing activities		
Receipts related to:		
Borrowings	51,519,151	29,655,342
Shareholder contributions and other equity instruments	2,000,000	-
Other financing items	-	2,255,738
Payments related to:		
Borrowings	(93,018,201)	(49,114,882)
Interest expenses and similar charges	(12,941,041)	(14,975,675)
Dividends	(41,220,151)	(97,267,376)
Reimbursement of other equity distributions	(28,251,600)	-
Net cash flow from financing activities	(121,911,842)	(129,446,852)
Changes in cash and cash equivalents	(15,944,393)	(27,829,024)
Effects of exchange differences	17,122	3,747,465
Cash and cash equivalents at the beginning of the period	55,439,019	79,520,578
Cash and cash equivalents at the end of the period	39,511,748	55,439,019

Source: Annual accounts of the Issuer 2018.

Profit and loss

The table below expresses the consolidated income statement of Grupo Pestana SGPS, with reference to 31 December 2017 and 31 December 2018:

(Amounts expressed in Euros)

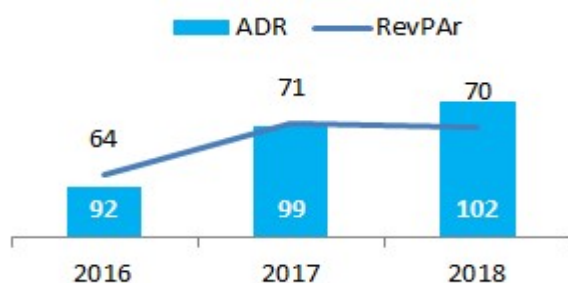
	Period	
	2018	2017
Revenue	364,949,912	342,170,602
Cost of goods sold	(65,109,780)	(48,295,318)
External services and supplies	(122,987,082)	(104,515,653)
Personnel expenses	(56,266,535)	(71,925,415)
Charges of depreciation and amortization	(29,104,337)	(32,191,125)
Reversals of impairment losses of tangible assets	237,642	3,395,327
Impairment of receivables	290,433	(766,855)
Impairment of inventories	(161,206)	(104,111)
Provisions	(182,854)	(967,486)
Other income	9,147,111	13,495,616
Other expenses	(8,368,261)	(13,155,410)
Gains and losses on investments in subsidiaries, joint ventures, associates and equity instruments at fair value through profit and loss	305,605	28,127,872
Operating profit	92,770,668	115,268,045
Financial expenses	(10,923,353)	(14,992,655)
Financial income	430,342	769,739
Profit before tax	82,277,657	101,045,129
Income tax	(14,071,877)	(10,823,470)
Profit for the period	68,205,780	90,221,659
Profit for the period attributable to:		
Shareholders of the group	63,737,931	85,950,244
Non-controlling interests	4,467,849	4,271,415
	68,205,780	90,221,659
EBITDA	123,000,433	145,511,161
EBITDAR	132,892,120	160,083,740

Source: Annual accounts of the Issuer 2018.

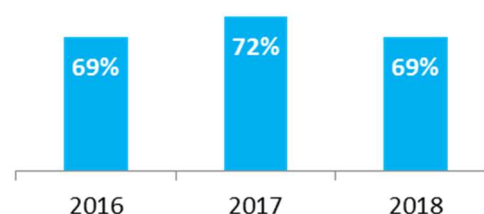
Revenue per available room and average daily rate

As of 31 December 2018, 31 December 2017 and 31 December 2016, the Issuer registered the following RevPAR, ADR and Occupancy rates in accordance with the following table:

RevPar and ADR (in EUR)



Occupancy



Source: Management information

Average ADR and Occupancy rates are above Portugal's average of EUR 79.8 and 65.4%, respectively.

Capital structure

The debt structure as of 31 December 2018 and 2017 as follows:

Debt (in EurMn)	2018	2017
Current Portion		
Bank Loans	36,3	34,4
Commercial paper	11,4	5,9
Bank overdrafts	0,2	0,8
Non-Current Portion		0,0
Bank Loans	111,7	116,5
Commercial paper	25,4	26,8
Capital Markets-Bond:	107,5	107,5
Total Gross debt	292,5	292,0
Financial Leasing	4,8	5,6
Cash and equivalents	39,7	56,3
Total Net Debt	257,6	241,4
Total Net Debt / EBITDA⁵	2,1x	2,0x

Source: Management Information.

As of end of 2018, total amount of debt secured by fixed tangible assets of Grupo Pestana amounted to EUR 132,000,725.

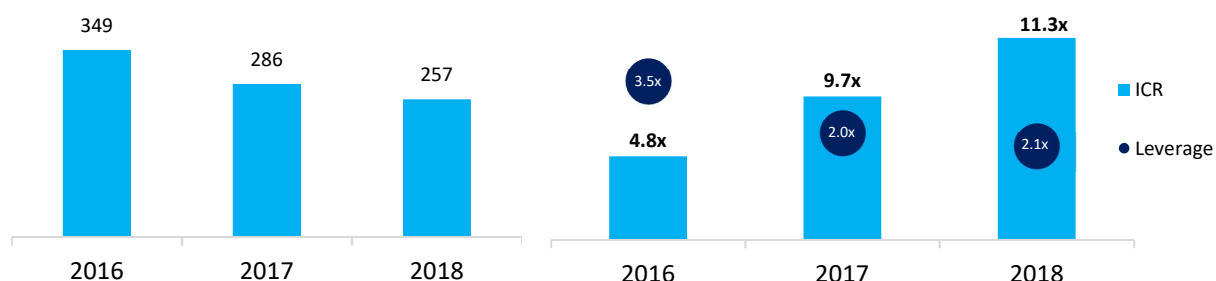
The Issuer's goal is to maintain an optimal and diversified capital structure, through the prudent use of debt.

The negotiation of financing is periodically analyzed by weighting mainly the cost of financing and the needs for investment, while adopting a comfortable liquidity position for the Group.

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 in order to be sufficient to meet the debt service and compensate the capital invested by the Shareholder.

Total Net Debt (in EUR Mn)

Total Net Debt/EBITDA⁵ and EBITDA⁵/ Interest Expense ratio



Source: Management Information

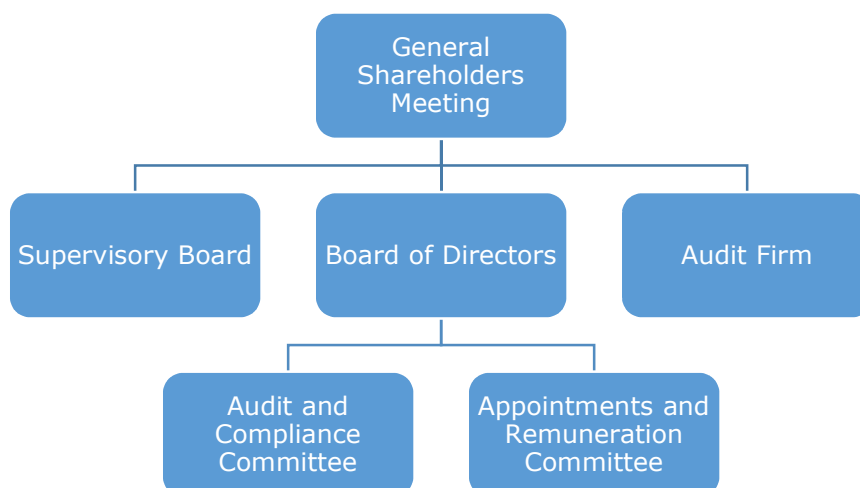
⁵ Adjusted EBITDA figure, do not include the effect of Gains and losses on investments in subsidiaries, joint ventures, associates and equity instruments at fair value through P&I.

Due to the improvement in the operating results of the units managed by Grupo Pestana SGPS and the reduction of its net debt, a very low Net Debt / EBITDA ratio of 2.09x was presented, which reflects the 'investment' risk profile in which the Grupo Pestana SGPS operates. However, it should be noted that excluding the effect of the significant Capex under construction that Grupo Pestana SGPS has, this ratio would be 1.57x (2017: 1.66x, if corrected from the effect of capital gains obtained on the sale of subsidiaries would be 2.04x).

MANAGEMENT

Organisational structure of the Issuer

The organizational structure of the Issuer is detailed as follows:



Members of the Board of Directors

In accordance with the article 17 of the Issuer's articles of association, the Board of Directors can comprise a minimum of two and a maximum of fifteen members, elected by the shareholders at a general meeting by a majority of the casted votes. As at the date of this Information Memorandum, the Board of Directors is composed of five members. The term of office of the members is three years.

The members of the board of directors of the Issuer for the period of 2018-2020 are:

Dionísio Fernandes Pestana	Chairman
José Alexandre Lebre Theotónio	Member
José de Melo Breyner Roquete	Member
Hermanus Roelof Willem Troskie	Member
Pedro Miguel Fino da Silva	Member

All the members of the board of directors elected took up office on 14 May 2018, except for Mr. Pedro Miguel Fino da Silva who was elected on 27 June 2019.

The business address of the members of the Board of Directors is Largo António Nobre, no. 1, 9000-022 Funchal Madeira Island, Portugal.

The main activities held in the Group by the directors of the Issuer as at the date of this Information Memorandum are as follows:

Dionísio Fernandes Pestana	Chairman of the Issuer, responsible for supervising the Group's operations, with special emphasis on the investment process.
José Alexandre Lebre Theotónio	<p>Chief Executive Officer of the Issuer, responsible for reporting to the Chairman and is responsible for all the Group operations on a worldwide basis and for coordinating Executive Committee meetings.</p> <p>Works in the PHG for almost 20 years. He was Chief Financial Officer and promoted to Chief Executive Officer 10 years ago.</p>
José de Melo Breyner Roquete	<p>Chief Development Officer of the Issuer, responsible for reporting to the Chairman and responsible for the research and development of new businesses, new projects, expanding operations in new countries.</p> <p>Works in PHG for approximately 20 years having started the Groups internationalization to Africa and Brazil as Director for these overseas operations and then moving to Director of Pousadas de Portugal when the PIH Group won the tender to manage them.</p>
Hermanus Roelof Willem Troskie	<p>Vice Chairman and Independent member of the Issuer.</p> <p>Also works as the managing director of a multi-jurisdictional family office business providing international legal and investment services. Qualified as a Solicitor of the Supreme Court of England and Wales.</p>
Pedro Miguel Fino da Silva	<p>Chief Financial Officer of the Issuer, member of the Executive Committee board responsible for the Finance and Administrative function in the Group, including Treasury, Accounts Receivables, Accounts Payable, Accounting, Audit and Tax, Planning and Control of all operations on a worldwide basis.</p> <p>Works in PHG for 16 years, having started as financial director for Madeira operations and promoted to board member for shared services Entities in 2010.</p> <p>He has a previous experience of 9 years in a big 4 audit firm.</p>

General Meeting Board

Pursuant to article 15 of the Issuer's articles of association, the General Meeting Board is composed of up of two members: a Chairman and the Secretary of the Issuer. The Chairman of the General Meeting Board is elected by the shareholders at a general meeting by a majority of the casted votes. The term of office of the Chairman of the General Meeting Board is three years, renewable one or more times.

The members of the General Meeting Board of the Issuer appointed for the period of 2018-2020 are:

Francisco Manuel de Oliveira e Costa	Chairman
António Paulo Jardim Mendonça Prada	Secretary

Supervisory Board

Pursuant to article 20 of the Issuer's articles of association, the Supervisory Board is composed of three members and an alternative member, all elected by the shareholders at a general meeting by a majority of the casted votes. The term of office of the members is three years, renewable one or more times.

On 4 March 2019, the following supervisory board members of the Issuer were elected for the period of 2018-2020:

José Manuel Castelão Costa	Chairman
Rita de Sousa Franco Pais Beiroco Gonçalves	Member
João Albino Cordeiro Augusto	Member
José Miguel Machado Emauz Ribeiro	Alternative

Statutory Auditor Firm

The current statutory auditor is KPMG & Associados - Sociedade de Revisores Oficiais de Contas S.A. represented by João Paulo da Silva Pratas and the alternative is Vítor Manuel da Cunha Ribeirinho, appointed, on 10 September 2018, for the period of 2018-2020.

Share capital and major shareholders

At the date of this Information Memorandum, the Issuer's share capital is EUR 83,530,000, represented by 83,530,000 ordinary shares of a nominal value of EUR 1 each. The share capital is fully subscribed and paid up. There are no treasury shares. To the extent of the Issuer's knowledge, at the date of this Information Memorandum the Issuer's shareholders are the following:

Shareholder	Shares	Share capital	Voting rights
Pestana International Holdings S.A.	82,694,700	99%	99%
Dionísio Fernandes Pestana	835,300	1%	100%

Legal and arbitration proceedings

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

The subsidiary Empresa de Cervejas da Madeira, Lda. (ECM) received an inspection carried out by Customs in Lisbon related to Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, an officious liquidation in the amount of EUR 2,029,130 with the addition of EUR 321,270 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 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 SGPS recognized a provision in the total amount of EUR 2,755,052.

This proceeding is under review appeal and there have been no further developments which allow for any change in the amount of the provision which is prudently presented as a current liability.

Recent developments

Main projects

The main projects performed and/or initiated in 2018 were as follows:

- Completion of the expansion of Pestana Quinta do Arco Nature & Rose Resort in Madeira, which increased the existing 18 keys to 57 keys with another 4 keys currently undergoing refurbishment. This unit located in the north of the island of Madeira intends to complement and diversify Grupo Pestana's offer in this destination, being the only unit managed outside of Funchal with a less urban area and is more Nature-oriented product which has been facing growing demand;
- The remodeling of the port building of Câmara de Lobos, on the island of Madeira, was completed in June 2019. This building, which in the past has housed Winston Churchill, was transformed into a four-star themed hotel with 59 rooms, also contributing to the diversification of our offer in Madeira.
- The construction of the five-star Pestana Blue Alvor, an all-inclusive 551 key hotel in Alvor, Algarve, in a plot of land with 12.8 hectare between Pestana Alto Golf and Pestana Alvor Praia hotels and Pestana Delfim, with direct route to the "três irmãos" beach in Alvor. This hotel is the first in Portugal to be built from scratch to the sophisticated all-inclusive 5-star market and focused on sustainability and nature. This hotel opened in May 2019.
- Work is under way in the Rua das Flores building which concerns a 4-star tourist development in the historic center of Oporto with 87 rooms, which will result from the refurbishment of a building in a high state of disrepair, and is expected to open by the end of 2019.
- An urban building, where the old flower soap factory in Gondomar was located and where a rehabilitation project is being developed for the construction of the new "Pestana Douro Hotel" was purchased and will result in a 165 key unit located with a privileged view over Douro, whose opening is expected for the end of 2019.
- A 15-year urban sub-lease agreement was signed for the development of the refurbishment and construction of a new 4-star 90 key unit at Rua Braamcamp, in Lisbon, with opening scheduled for 2019.
- A lease agreement was signed for a term of 26.5 years, renewable for three equal and successive periods of five years, for the construction of a 4-star unit with 89 rooms at Rua Augusta in downtown Lisbon, with an expected opening for the year 2020.
- In Pousadas de Portugal, after signing contracts in 2017 with the Municipal Council of Vila Real de Santo António and Misericórdia de Óbidos. Work has begun on the future Pousada of Vila Real de Santo António and work was completed in Óbidos. The latter allowed to open a new Pousada with 36 rooms in this locality.
- In 2018, a set of rehabilitation works of different units (for example at Pestana Delfim in the Algarve, at the Pestana Promenade in Madeira or at Pestana Cascais) were

completed in 2018, and the former condition of the facilities was restored and updated in order to maintain assets in excellent conditions to optimize their exploitation.

- In November 2018, Grupo Pestana acquired the D. João II hotel, which was already being operated through a lease, for a total amount of EUR 39,000,000.

Capital changes

As at 4 September 2018, the General Shareholders' Meeting decided to perform a capital increase in the amount of EUR 2,000,000, to be made by the two shareholders, in cash in proportion to their respective shareholdings. Accordingly, cash inflows were made in the amount of EUR 1,980,000 and EUR 20,000 giving rise to the issue of 2,000,000 new shares with a nominal value of EUR 1 each.

Distribution of Dividends

Dividends paid to shareholders during 2018 amounted to EUR 38,477,632, corresponding to EUR 0.46 per share (compared to EUR 81,489,357, resulting in EUR 1 per share, in 2017).

Dividends paid by Grupo Pestana SGPS subsidiaries to non-controlling interests during 2018 amounted to EUR 2,742,519 (compared to EUR 14,513,254 in 2017).

USE OF PROCEEDS

The net proceeds of the issue of the Bonds will be of €59,588,400. The Issuer will use the net proceeds from the issue of the Bonds for the refinancing of existing eligible green projects under the Issuer's Green Bond Framework.

TAXATION

Prospective purchasers of Bonds are advised to consult their tax advisers as to the tax consequences under the tax laws of the country of which they are resident of a purchase of Bonds, including, but not limited to, the consequences of receipts of interest and sale or redemption of Bonds.

The following descriptions are general summaries of certain taxation matters based on applicable law and practice currently in effect in the Relevant Jurisdiction. Nothing in this section constitutes tax, legal or financial advice, and the summaries contained herein are of a general nature and do not cover all aspects of taxation in the Relevant Jurisdiction that may be relevant to any particular holder of Bonds. Prospective investors in the Bonds should consult their professional advisers on the tax implications for them of an investment in the Bonds.

Portuguese Taxation

General

The economic advantages deriving from interest, amortisation or reimbursement premiums and other types of remuneration arising from the Bonds issued by private entities are qualified as investment income for Portuguese tax purposes and is considered to be Portuguese sourced income and generally subject to taxation in Portugal.

General Tax Regime Applicable to Debt and Equity Securities

Resident

Interest and other types of investment obtained on Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Bonds are taxed at a special tax rate of 28 per cent. levied on the positive difference between such gains and gains on other securities and losses on securities unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive rates of up to 48 per cent. In the latter circumstance, an additional tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income derived from Bonds and capital gains obtained with the transfer of Bonds by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to corporate income tax at a 21 per cent. rate or at a 17 per cent. rate on the first €15,000 in the case of small and medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up

to 1.5 per cent. of its taxable income. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and 9 per cent. on taxable profits in excess of €35,000,000. As general rule, withholding tax at a rate of 25 per cent. applies on interest and other investment income, which is deemed a payment on account of the final tax due. Financial institutions subject to tax in Portugal, pensions funds, retirement and/or education savings funds, venture capital funds or undertakings for collective investment incorporated and operating under the laws in Portugal and some other exempt entities are not subject to Portuguese withholding tax.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence, the tax rates applicable to such beneficial owner(s) will apply.

Non-resident

Without prejudice to the Debt Securities Taxation Act further described below, the general tax regime on debt securities applicable to non-resident entities is the following:

Interest and other types of investment income obtained by non-resident individuals without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 28 per cent. which is the final tax on that income. Interest and other types of investment income obtained by non-resident legal persons without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at a rate of 25 per cent. which is the final tax on that income.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

A withholding tax rate of 35 per cent. applies in the case of investment income payments to individuals or companies resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (*Portaria*) no. 150/2004 of 13 February, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*").

Under the tax treaties entered into by Portugal which are in full force and effect on the date of this Information Memorandum, the withholding tax rate may be reduced to 15, 12, 10 or 5 per cent., depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes may be available for viewing and downloading at www.portaldasfinancas.gov.pt.

Capital gains obtained on the transfer of Bonds by non-resident individuals without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation unless the individual is resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (*Portaria*) no. 150/2004 of 13 February, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*"). Capital gains obtained by individuals that are not entitled to said exemption will be subject to taxation at a 28 per cent. flat rate. Under the tax treaties entered

into by Portugal, such gains are usually not subject to Portuguese personal income tax, but the applicable rules should be confirmed on a case-by-case basis. Accrued interest does not qualify as capital gains for tax purposes.

Capital gains obtained on the transfer of Bonds by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the non-resident entity is more than 25 per cent. directly or indirectly held by Portuguese resident entities or the beneficial owner is resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (Portaria) no. 150/2004 of 13 February, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*"). If the exemption does not apply, the gains will be subject to corporate income tax at a rate of 25 per cent. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese corporate income tax, but the applicable rules should be confirmed on a case-by-case basis.

Debt Securities Taxation Act

Resident

Interest and other types of investment income obtained on Bonds by a Portuguese resident individual is subject to individual income tax. If the payment of interest or other investment income is made available to Portuguese resident individuals, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000; and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. The relevant tax shall be withheld by the relevant direct registering entity.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Capital gains obtained by Portuguese resident individuals on the transfer of Bonds are taxed at a special tax rate of 28 per cent. levied on the positive difference between such gains and gains on other securities and losses on securities unless the individual elects for aggregation to his taxable income, subject to tax at the current progressive rates of up to 48 per cent. In the latter circumstance an additional income tax will be due on the part of the taxable income exceeding €80,000 as follows: (i) 2.5 per cent. on the part of the taxable income exceeding €80,000 up to €250,000 and (ii) 5 per cent. on the remaining part (if any) of the taxable income exceeding €250,000. Accrued interest qualifies as interest, rather than as capital gains, for tax purposes.

Interest and other investment income derived from the Bonds and capital gains obtained with the transfer of Bonds by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable income and are subject to Corporate Income Tax at a 21 per cent. tax rate or at a 17 per cent. tax rate on the first €15,000 in the case of small and medium-sized enterprises, to which may be added a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent. of its taxable income. A state surcharge ("*derrama estadual*") also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, 5

per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000 and 9 per cent. on taxable profits in excess of €35,000,000.

As general rule, withholding tax at a rate of 25 per cent. applies on investment income, which is deemed a payment on account of the final tax due. The relevant tax shall be withheld by the relevant direct registering entity. Financial institutions subject to tax in Portugal, pension funds, retirement and/or education savings funds, venture capital funds and collective investment undertakings incorporated under the laws in Portugal and some exempt entities are not subject to Portuguese withholding tax.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Non-resident

Pursuant to the Special Tax Regime for Debt Securities, approved by the Debt Securities Taxation Act, investment income paid on, as well as capital gains derived from a repayment, sale or other disposition of the Bonds, to non-Portuguese resident beneficial owners will be exempt from Portuguese income tax provided the debt securities are integrated in (i) a centralised system for securities managed by an entity resident for tax purposes in Portugal (such as the CVM managed by Interbolsa), or (ii) an international clearing system operated by a managing entity established in a member state of the EU other than Portugal or in a European Economic Area Member State provided, in this case, that such State is bound to cooperate with Portugal under an administrative cooperation arrangement in tax matters similar to the exchange of information schemes in relation to tax matters existing within the EU Member States or (iii) integrated in other centralised systems not covered above provided that, in this last case, the Portuguese Government authorises the application of the Debt Securities Taxation Act, and the beneficiaries are:

- (i) central banks or governmental agencies; or
- (ii) international bodies recognised by the Portuguese State; or
- (iii) entities resident in countries or jurisdictions with whom Portugal has a double tax treaty in force or a tax information exchange agreement; or
- (iv) other entities without headquarters, effective management or a permanent establishment in the Portuguese territory to which the relevant income is attributable and which are not in a country, territory or region subject to a clearly more favourable tax regime included in the "low tax jurisdictions" list approved by Ministerial Order (Portaria) no. 150/2004 of 13 February, as amended from time to time (*"Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis"*).

For purposes of application at source of this tax exemption regime, the Debt Securities Taxation Act requires completion of certain procedures and the provision of certain information. Under these procedures (which are aimed at verifying the non-resident status of the Bondholder), the beneficial owner is required to hold the Bonds through an account with one of the following entities:

- (i) a direct registered entity, which is the entity with which the debt securities accounts that are integrated in the centralised system are opened;
- (ii) an indirect registered entity, which, although not assuming the role of the "direct registered entities", is a client of the latter; or

- (iii) an international clearing system, which is an entity that proceeds, in the international market, to clear, settle or transfer securities which are integrated in centralised systems or in their own registration systems.

The special regime approved by the Debt Securities Taxation Act sets out the detailed rules and procedures to be followed on the proof of non-residence by the beneficial owners of the Instruments to which it applies.

Under these rules, the direct register entity is required to obtain and retain proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non-residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest and, in the case of domestically cleared Bonds, prior to the transfer of Bonds, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand as at the date of this Information Memorandum.

(a) *Domestically Cleared Bonds*

The beneficial owner of Bonds must provide proof of non-residence in Portuguese territory substantially in the terms set forth below:

- (i) If a holder of Bonds is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese State, a declaration of tax residence issued by the holder of Bonds, duly signed and authenticated or proof pursuant to the terms of paragraph (iv) below;
- (ii) If the beneficial owner of Bonds is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Bonds and its domicile; or (C) proof of non residence, pursuant to the terms of paragraph (iv) below;
- (iii) If the beneficial owner of Bonds is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation; or (B) proof of non residence pursuant to the terms of paragraph (iv) below;
- (iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities or, (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable. There are rules on the authenticity and validity of the documents, in particular that the holder of Bonds must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the

withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued.

In cases referred to in paragraphs (i), (ii) and (iii) above, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption. The holder of Bonds must inform the register entity immediately of any change that may preclude the tax exemption from applying.

(b) *Internationally Cleared Bonds*

If the Bonds are registered in an account with an international clearing system, prior to the relevant date for payment of any interest, the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

- (i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;
- (ii) entities resident or domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the list approved by Ministerial Order no. 150/2004, of 13 February, as amended from time to time ("*Lista dos países, territórios e regiões com regimes de tributação privilegiada, claramente mais favoráveis*"), which are not exempt from tax and are subject to withholding tax;
- (iii) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;
- (iv) other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity, in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Debt Securities Taxation Act if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Debt Securities Taxation Act. The refund claim is to be submitted to the direct register entity of the Bonds within 6 months from the date the withholding took place.

The refund of withholding tax after the above 6 months period is to be claimed to the Portuguese tax authorities, within 2 years from the end of the year in which tax was withheld. The refund is to be made within 3 months, after which interest is due.

The said refund requests shall be filed through an official form available at <http://www.portaldasfinancas.gov.pt>.

SUBSCRIPTION AND SALE

1. General

The Bonds will be fully subscribed at 100 per cent. of their principal amount by way of a private placement with professional investors (*investidores profissionais*), on or about one day after the Issue Date.

The Issuer has not taken and will not take any action in any jurisdiction that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Information Memorandum or of any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

2. United States of America

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

The Bonds will only be offered and sold outside the United States to non-U.S. persons in accordance with Rule 903 of Regulation S. The Issuer, its affiliates and any person acting on its or their behalf has not engaged and will not engage in any directed selling efforts with respect to the Bonds, and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the Issue) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

3. Prohibition of Sales to EEA Retail Investors

The Bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in Prospectus Regulation.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

4. Portugal

The Bonds will not be offered, sold or distributed, nor will any subsequent resale of Bonds be carried out in Portugal, except in circumstances which do not constitute a public offer of securities in Portugal within the meaning of the Portuguese Securities Code (*Código dos Valores Mobiliários*), any regulations issued by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) ("**CMVM**") and the Prospectus Regulation. Neither the Bonds nor this Information Memorandum will be registered with the CMVM and

therefore this Information Memorandum is not intended for any public offer of the Bonds in Portugal.

5. Spain

The offering of Bonds has not been registered with the Comisión Nacional del Mercado de Valores (the "**CNMV**"). Accordingly, the Bonds may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the consolidated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005, of 4 November (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) both as amended from time to time.

GENERAL INFORMATION

1. Approval, listing and admission to trading

The Luxembourg Stock Exchange has approved this Information Memorandum and application has been made to the Luxembourg Stock Exchange for Bonds to be admitted to the Official List and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Euro MTF Market is not a regulated market for the purposes of MiFID II.

2. Authorisation

The Issuer has obtained all necessary corporate consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by the resolutions of the Board of Directors of the Issuer passed on 21 August 2019 and 17 September 2019.

3. Clearing systems

The Bonds have been accepted for registration and clearance through CVM managed by Interbolsa with a Common Code of 205511997. The International Securities Identification Number (ISIN) of the Bonds is PTGRPAOM0012. The Classification of Financial Instruments (CFI) code for the Bonds is DBFUFR. The Legal Entity Identifier (LEI) of the Issuer is 213800Y3V72PI6W8KG10.

The address of Interbolsa is Avenida da Boavista 3433, 4100-138 Porto, Portugal.

The Bonds will also be eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg holding Bonds through a custodian that is an Affiliate Member of Interbolsa. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. Material/Significant Change

Except as otherwise described in this Information Memorandum, there has been no material adverse change in the financial or trading position of the Issuer since 31 December 2018.

5. Governmental, Legal and Arbitration Proceedings

Save as described in "*Description of the Issuer*" above and to the extent that these contingences are properly provisioned, there are no pending or threatened governmental, legal or arbitration proceedings against or affecting the Issuer or, to the knowledge of the Issuer, the Group, which, if determined adversely to the Issuer or the Group, may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position of the Issuer or the Group and, to the best knowledge of the Issuer, no such actions, suits or proceedings are threatened or contemplated.

6. Material Contracts

There are no material contracts, which could result in any member of the Group being under an obligation that may materially impede the Issuer's ability to meet its obligations to the Bondholders.

7. Financial Information

The appointed auditor of the Issuer who audited the 2018 Issuer's accounts is KPMG & Associados - Sociedade de Revisores Oficiais de Contas S.A. represented by João Paulo da Silva Pratas, and the alternative is Vítor Manuel da Cunha Ribeirinho. KPMG & Associados - Sociedade de Revisores Oficiais de Contas S.A. is registered with the CMVM with registration number 20161489 and in the list of Official Statutory Auditors under number 189.

The auditor during the financial years of 2017 who audited the Issuer's accounts in such period was PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.. The audited consolidated financial statements of the Group as of and for each of the years ended 31 December 2018 and 31 December 2017 have been audited with no qualifications. PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda is registered with the CMVM with registration number 20161485 and in the list of Official Statutory Auditors under number 183.

The Issuer does not publish interim financial statements.

8. Documents on Display

Physical copies and, where appropriate, English translations of the following documents may be inspected free of charge on the Issuer's website for the life of this Information Memorandum (see the section headed "*Documents Incorporated by Reference*" above), namely:

- (a) the audited consolidated financial statements of the Group as of and for each of the years ended 31 December 2018 and 31 December 2017, together with the auditor's reports thereon;
- (b) the most up-to-date articles of association ("*Estatutos*") of the Issuer;
- (c) a copy of the Paying Agency Agreement; and
- (d) a copy of this Information Memorandum.

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