Pestana International Holdings S.A.

Consolidated Annual Report

31 December 2021

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Consolidated management report for 2021

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Message to stakeholders

The year 2021 was again dominated by the worldwide pandemic, especially in the regions where Pestana Hotel Group is present. Nevertheless, this period confirmed that tourism is an essential service for the health and well-being of the population. Despite the continued imposition of restrictive measures to combat the pandemic, as soon as the market opened most people chose to go on holiday, albeit favouring nearby destinations.

This resulted in a gradual recovery, especially at resort destinations starting from June and reaching significant numbers from mid-August onwards, allowing for a summer with already very interesting levels of tourist activity.

City destinations, which are the most dependent on long-haul markets and entertainment or corporate events, experienced a slower recovery that started only in late summer 2021. It was unfortunately quickly interrupted by the outbreak of the Omicron wave in December which led to tighter restrictions.

After major reorganisation work in 2020, Pestana Hotel Group benefited from this situation. It reacted quickly to economic upturns by reopening most of its hotels, including most of the new hotels that were in the pipeline in 2019. We must thank our staff for their undeniable and crucial support and availability for the good results achieved, which are excellent considering the current situation. Many of them agreed to travel and provide added-value services in the hotels that opened first or where there was higher demand.

Having realised the resilience of the real estate sector to the effects of the pandemic crisis, the Group took full advantage of this business window by putting new projects on sale. The quality of the projects, their location and the delivery capability of the Pestana brand were key factors in the strong customer demand. Projects like Pestana Comporta, Brejos da Carregueira or Madeira Palace Residences sold out in just a few months.

Following its strategy of financial consistency and soundness, the Group worked in 2021 on refinancing its debt service. It successfully completed, both in terms of maturity and (fixed) rate, two operations for a total of EUR 79 million, restoring its liquidity level and making it ready to react to future opportunities and challenges.

The recovery of touristic activity in the second part of the year and the success of the real estate sector have afforded Pestana Hotel Group not only a significant growth in its EBITDA, which rose from EUR 34 million to 96 million, but above all to achieve a net profit of EUR 23 million, which is a remarkable milestone for a Group primarily in the hotel sector in the current circumstances while facing the pandemic challenge in 2021.

Our strong commitment to cutting-edge technology, human resources' training, significant scale gains from the creation of excellence centres, ongoing innovation, but without losing focus on efficiency and fixed cost reduction, were the decisive factors for achieving these results, and they will continue in 2022 to give consistency to this recovery by bringing the Group closer to the historic results achieved in 2019, leveraging new investments in the tourism sector with innovation, sustainability and the creation of skilled jobs.

In 2022, the air transport factor will regain importance with the recovery of the medium and long-haul markets, with particular emphasis on the North American and Brazilian markets. A positive progress from TAP, taking into account Portuguese tourist destinations, and the growth of low-cost companies, where the start of Ryanair's operations in Madeira should be highlighted, will certainly make important contributions to this recovery.

The resumption of activity will once again lend visibility to the labour shortage in the tourism sector, but will also impact the industrial, construction and agricultural sectors. Pestana Hotel Group maintains its structural focus on attracting talent by improving working and pay conditions, creating career opportunities, training and retraining its human resources, which are fundamental to the provision of a distinctive and high-quality service.

The inflationary pressures on the markets in recent months, now accentuated by the war in Ukraine, have led to an increase in product prices and, in particular, energy prices. Although they may have a significant economic impact, this increase in costs makes it advisable to protect the price factor in the accommodation marketing process in the medium term and to continue to focus on developing channels with the lowest marketing cost, namely direct and digital channels.

Pestana Hotel Group will remain very active in ESG matters, with the sustainability of its operations being a key pillar of action. Social initiatives that have been particularly evident during the pandemic, which sought to help the local communities most in need, to support the medical community in providing essential care, or to provide housing in Group units, will continue in 2022. Initiatives on environmental sustainability, carbon footprint reduction and governance will take on a new dynamic in the years to come.

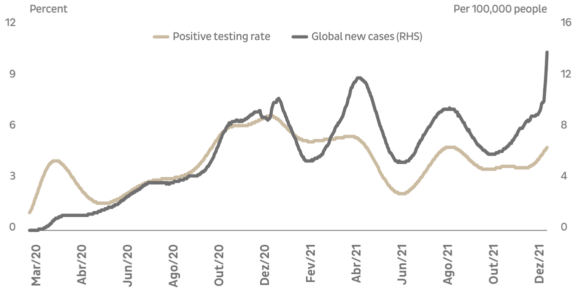
The Omicron variant began the endemic phase of the coronavirus, with a low level of hospital admissions compared to the enormous number of cases. This gives the market confidence in a sustained recovery in tourism, evident in recent interactions with operators and airlines seriously engaged in resuming operations from spring 2022 onwards.

Pestana Hotel Group is set to be an active and trusted market player in 2022, with experienced and motivated staff and an improved inventory, while continuing to provide its customers with unique and memorable experiences.

2
Overview of the world economy

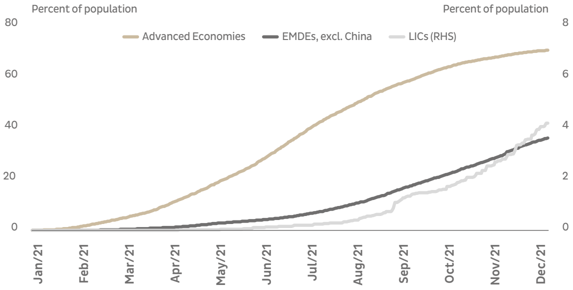
The years 2020 and 2021 were definitely marked by the COVID-19 pandemic. After several years of moderate growth, the pandemic has severely constrained the development of the world economy. The overloading of health systems, restrictions on population mobility, limitations on proximity and gatherings of people and the adoption of unprecedented public health measures have led to difficulties in production and supply chains, causing market supply failures and reduced income, particularly affecting the poorest countries. These events pushed the global economy's GDP into a deep recession.

Global new COVID-19 cases and positive testing rate



Sources: Our World in Data (database); World Bank.
Note: Figure shows global median COVID-19 positive rate and global new daily cases per 100,000 people.
Last observation is December 30, 2021.

Vaccine rollout

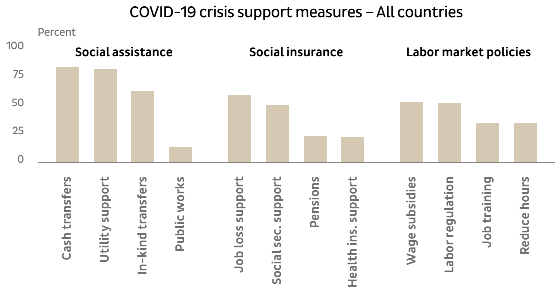


Source: Our World in Data (database).
Note: Share of population who received all doses prescribed by the vaccination protocol.
Last observation is December 31, 2021.

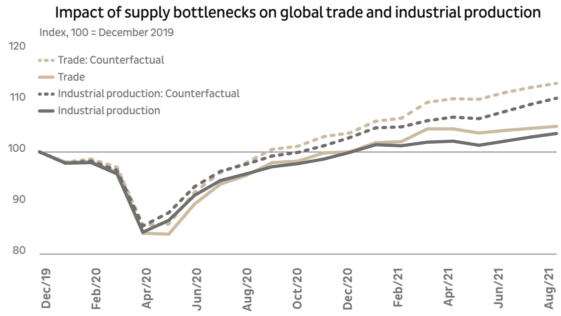
In early 2021, with the emergence of coronavirus vaccines, began a long, volatile and unbalanced recovery path where uncertainty rules. The more developed countries that invested in the development of vaccines were the first to feel the benefits as early as the end of the first half of 2021, reducing mortality associated with the growing number of cases by vaccinating high-risk groups first (the elderly and people with comorbidities). However, it soon became clear that the process of vaccination was going to be long and unequal among countries, to the detriment of poorer countries, which have lower quality public health services and were also unable to implement a process of general vaccination of the population in a similar way to richer countries.

At the same time that the vaccination process was unfolding, new variants of the virus appeared, requiring booster vaccinations, which added complexity and uncertainty to the process. The Omicron variant produced a new wave of new cases later in the year. Its high infection rate accelerated the spread of the virus, which meant the adoption of new restrictive measures, however, its reduced severity (admissions to intensive care and mortality) marked the entry into the endemic phase, allowing for the expectation of a sustained reduction of the measures in the near future.

Unlike many previous crises, governments responded from the very beginning of the pandemic with comprehensive and relatively coordinated economic policies that were decisive in containing significant short-term economic and social impacts.



Sources: Gentilini et al. (2021); World Bank.
Note: The data reflect the period March 20, 2020 - May 14, 2021. Sample includes 214 economies.

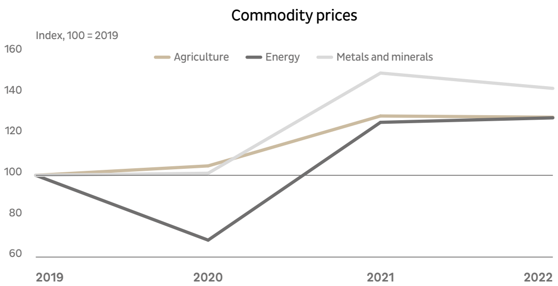


Sources: Haver Analytics; World Bank.

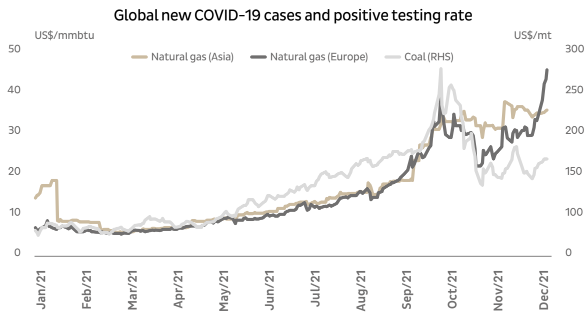
These measures broadly comprised support for maintaining employment in the sectors affected by the restrictive measures, support for maintaining household income, financing on favorable terms for firms in difficulties caused by the pandemic, including moratoriums on existing debt, supported by central banks' financial market asset purchase programmes.

The broad response to the crisis, while necessary and effective in mitigating its worst impacts, led to an overall increase in public debt, which has given rise to renewed concerns about some countries' debt sustainability and widened the gap between emerging and advanced economies, a trend that needs to be reversed in the years ahead.

Shortcomings in the distribution and supply of certain products associated with the resumption of economic activity post pandemic control caused market imbalances, leading to higher prices for these products. Energy tops this list with significant increases in the price of oil, gas and consequently electricity, boosting a chain reaction in the various productive sectors where this factor is decisive. Also, raw materials in general suffered significant falls in production, giving rise to price increases throughout the production chain. These increases are therefore expected to raise general inflation rates. Their impact will depend on whether they turn out to be due to transitory or structural factors.

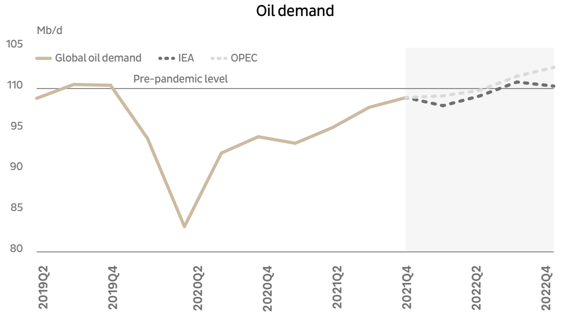


Source: World Bank.

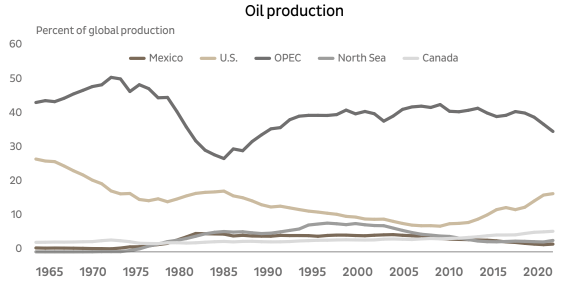


Sources: Bloomberg; World Bank.
Note: Last observation is December 16, 2021.

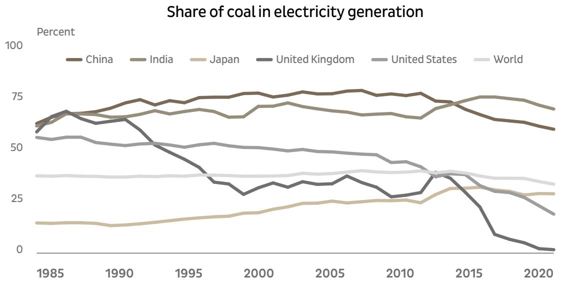
Although some of the main countries, such as Japan, the eurozone countries or the United States of America, have already taken substantial steps towards decarbonising their economies, dependence on oil and coal is still a key factor in most of the world's economies, and there is a long way to go to reach the desired "zero-carbon" point. China first, but followed by India and other countries in southern Asia have a longer road to travel, and must yet reverse the current upward trend.



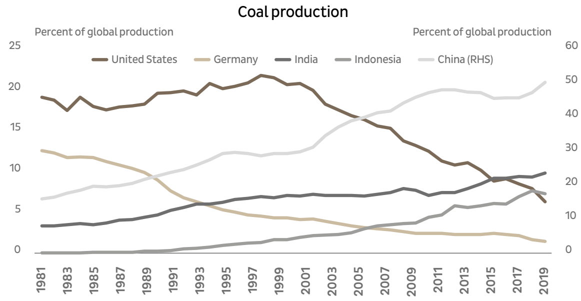
Sources: IEA (2021a); OPEC (2021); World Bank.
Note: Horizontal black line indicates pre-pandemic level. Dashed lines are forecasts, taken from the IEA's December Oil Market Report (IEA 2021a) and OPEC's December Monthly Oil Market Report (OPEC 2021).



Sources: BP Statistical Review; World Bank.

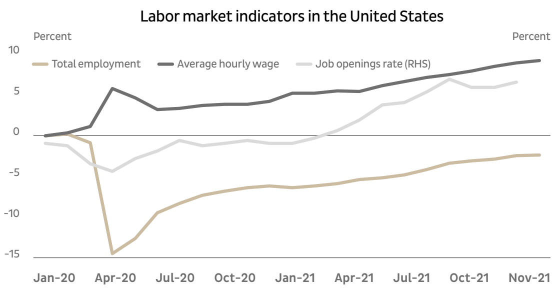


Sources: Our World in Data (database); World Bank.
Note: Share of electricity that comes from coal.

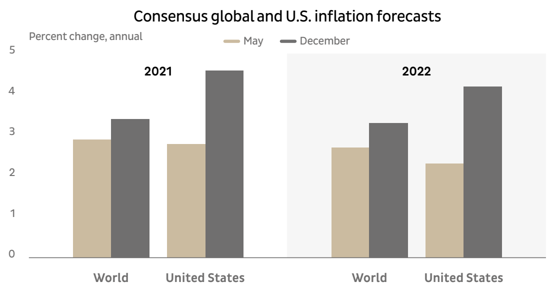


Sources: BP Statistical Review; World Bank.
Note: Share of coal production in global production.

With the need to quickly reactivate the production cycle, while much of the labour force was either prevented from working or encouraged not to work, and emigration greatly reduced due to pandemic containment measures, inflationary pressure also hit the labour market driving a general rise in wages in various functions.



Sources: Haver Analytics; U.S. Bureau of Labor Statistics; World Bank.
Note: Blue and red lines show the percentage deviation from the number of employees on nonfarm payrolls and average hourly wage, in January 2020. Last observation is November 2021 for the number of employees on nonfarm payrolls and average hourly wage, and October 2021 for the job openings rate.



Sources: Consensus Economics; World Bank.
Note: Figure shows Consensus Economics consumer price inflation. World includes 59 countries and is aggregated using 2020 GDP at market exchange rates. Shaded area indicates Consensus Economics forecasts.

As we can see from the table below, global GDP decreased -3.4% in 2020 and is estimated to have recovered +5.5% in 2021 due to reduced uncertainty about the effects of the coronavirus and the resulting relaxation of pandemic measures. However, the growth forecast for the years 2022 and beyond is again moderate, due to the budget constraints faced by several countries.

China was the first country affected by the pandemic. It imposed severe control measures early on, and was the only important economy to achieve no reduction in its GDP in 2020 compared to the previous year (increase of only 2.2%), and recovered in 2021 with expected growth of +8%. However, growth prospects for the following years are more moderate, in the order of 5% as a result of a tighter regulatory environment and a deleveraging movement in the Chinese real estate sector.

The United States of America recorded a drop of -3.4% in 2020, and recovered in 2021 with estimated growth of +5.6%. The forecast growth in the following years is moderated, on the one hand, by the impacts in 2022 of the Omicron variant and, on the other, by the inflationary tendencies that led the central bank to accelerate the withdrawal of the monetary support policy from the financial system and the consequent increase in interest rates.

The European Union suffered a more significant impact in 2020 with its GDP falling by around -6.4%, and its recovery was more gradual with an estimated increase for 2021 of only +5.2% and for 2022 of only +4.2%. The resurgence of COVID-19 with the Omicron variant at the end of 2021 and the difficulties experienced relating to the resumption of economic activity, significantly affected by the high dependency on the operability of supply chains, and the rapid rise in energy costs are the main causes of this more moderate growth.

REAL GDP

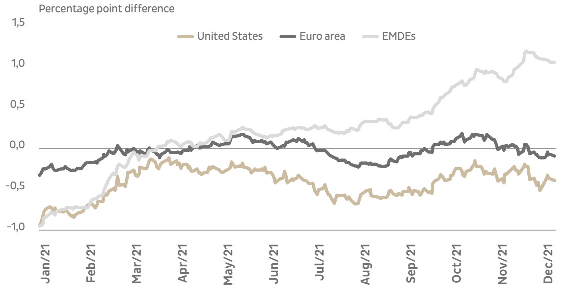
(PERCENTAGE CHANGE FROM PREVIOUS YEAR)	2017	2018	2019	2020	2021e	2022f	2022f
WORLD	3,2	3,0	2,6	-3,4	5,5	4,1	3,2
ADVANCED ECONOMIES	2,4	2,2	1,7	-4,6	5,0	3,8	2,3
USA	2,4	3,0	2,3	-3,4	5,6	3,7	2,6
EURO AREA	2,5	1,9	1,6	-6,4	5,2	4,2	2,1
JAPAN	1,9	0,6	-0,2	-4,5	1,7	2,9	1,2
EMERGING MARKET & DEVELOPING ECONOMIES	4,5	4,3	3,8	-1,7	6,3	4,6	4,4
CHINA	6,8	6,6	6,0	2,2	8,0	5,1	5,3
RUSSIA	1,6	2,5	2,0	-3,0	4,3	2,4	1,8
BRAZIL	1,3	1,8	1,2	-3,9	4,9	1,4	2,7

Source: World Bank Global Economic Prospects Jan/2022

The rise in prices for relevant production factors is creating inflationary pressures in the economy. A number of governments, starting with the United States of America, have begun to cut back on financial market support programmes and have caused interest rates to rise in the interbank market. The European Central Bank, however, still resists these measures, basing its decision on the transitory nature of price increases caused by pandemic limitations on the normal functioning of markets.

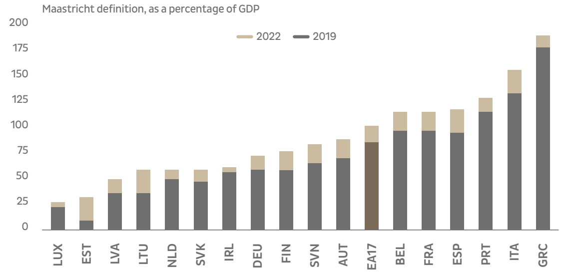
Accordingly, both US and eurozone long-term interest rates are still characterised by stability. However, the perception of risk to emerging or developing countries has increased, leading to an increase in the respective rates.

10-year government bond yields, difference from pre-pandemic average



Sources: Bloomberg; Haver Analytics; World Bank.
Note: EMDEs = emerging market and developing economies. Figure shows the difference in nominal yields on 10-year government bonds from December 2019 averages (5.7 percent for EMDEs, 1.9 percent for the United States, and -0.3 for the euro area). EMDEs calculated as the average yield for 18 EMDEs, excluding Turkey. Last observation is December 13, 2021.

Debt to GDP will rise to new highs



Note: Data for 2022 are forecasts.
Source: OECD (2021), OECD Economic Outlook: Statistics and Projections (database).

At the start of 2022, tensions between Ukraine and Russia increased, adding further uncertainty to the economic and social climate in Europe. If the confrontation between these two countries spreads to neighbours, the impact could be dramatic on a global scale. If the conflict is kept between these two countries, its effects will be smaller, although they may still have some significance, notably in the energy and cereals markets.

3
Tourism

Early 2021 was marked by hope for the recovery of Tourism due to the development of vaccines capable of reducing the severity of COVID-19 cases. After the peak of the second pandemic wave in January 2021, for the less attentive, the conditions for the recovery of the sector seemed to have been met.

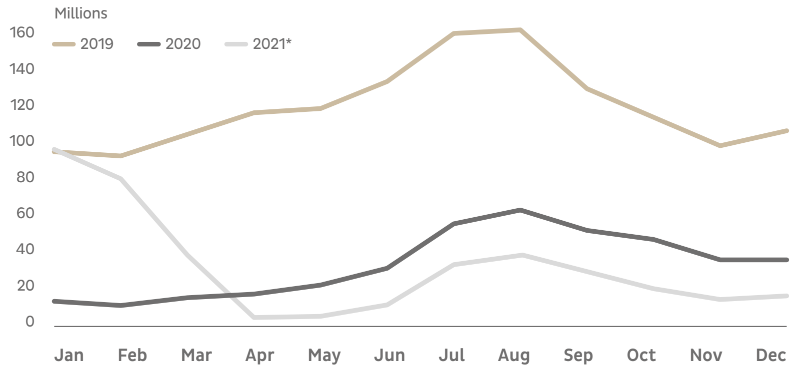
Conditions have actually improved compared to the previous year but are still far from those in 2019. Health systems in most developed countries have experienced significant relief and have been able to recover from the efforts made in the two 2020 pandemic waves, but in emerging countries the difficulties have continued to be felt due to weaker social and health structures.

The global vaccination process is long and carried out at different rates in each country/region, resulting in imbalances and lags, which leads to the emergence of new coronavirus variants and consequently new vaccination cycles.

With each new wave, the respective governments introduced new restrictive measures against COVID-19 related to infection, hospital admission and mortality numbers. Border controls were maintained throughout the year in most countries, as was the requirement to conduct pre and post-arrival testing and quarantine periods upon arrival in some countries. During the pandemic peak periods, health measures included imposed working from home on the majority of workers who were able to do so, prevented movement out of their home area, and forced contacts regarded as dangerous to quarantine for 10 days. This latter case affected hundreds of thousands of people.

In the face of this reality, long journeys almost ceased to exist. However, after more than a year of restrictions, most people thought it crucial to take a holiday. They made short trips to their chosen resorts, in a period of pandemic calm that coincided with summer in the northern hemisphere.

International tourist arrivals by month 2019-2021



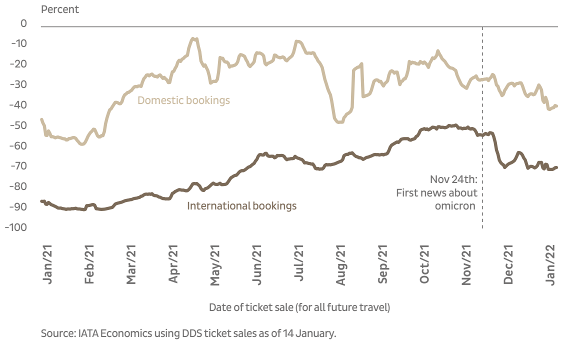
Source: UNWTO (Data as of January 2022).

Thus, resort hotels saw very significant growth in activity during the summer months of 2021. They were essentially occupied with families who needed a change in their environment, soak up some sun and have fun together, preferably in rural or beach environments. In view of the continuing restrictions on catering, these customers in many cases opted to eat within the hotels/resorts in which they were staying, thus reducing the unpredictability of the gastronomic experience. In turn, hotels, with limitations in terms of occupancy, were able to provide their customers with a high-quality service in order to ensure social distancing.

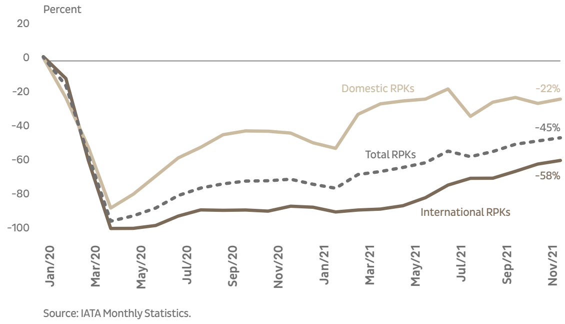
The tourist industry, despite all the difficulties, thus showed its resilience and the companies in the sector their competence in adapting to different and more demanding standards.

The big cities took longer to recover their activity. Without major cultural, professional or sporting events, with most employees working from home and the market for meetings and conferences hostage to companies' containment strategies, city centres took a long time to get going, open up their shops, restaurants, cafés, museums, etc. Only at the end of summer did they begin to receive some tourists who mostly travelled by car from nearby cities.

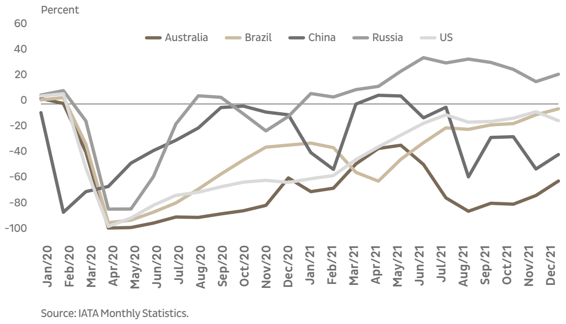
Passenger bookings, 7-day moving average in %ch vs. 2019



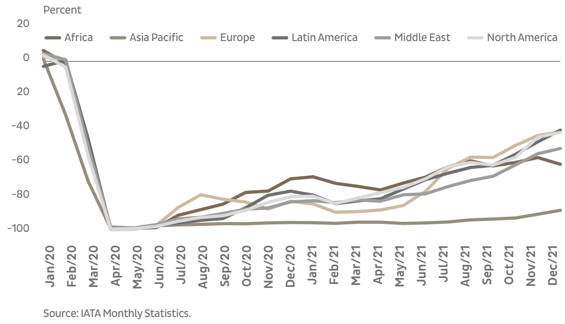
RPKs, % ch. vs. the same month in 2019



Domestic RPKs, % change vs. the same month in 2019



International RPKs, % change versus the same month in 2019



In addition to hotel operators, tour operators along with airline companies were the economic agents that suffered significantly from the pandemic's restrictive measures. The easing of restrictions and a weekend in the sun boosted bookings at a frenetic pace, so that as the number of contagious cases rose, and new restrictive measures were taken, they had to record cancellations at an even faster rate.

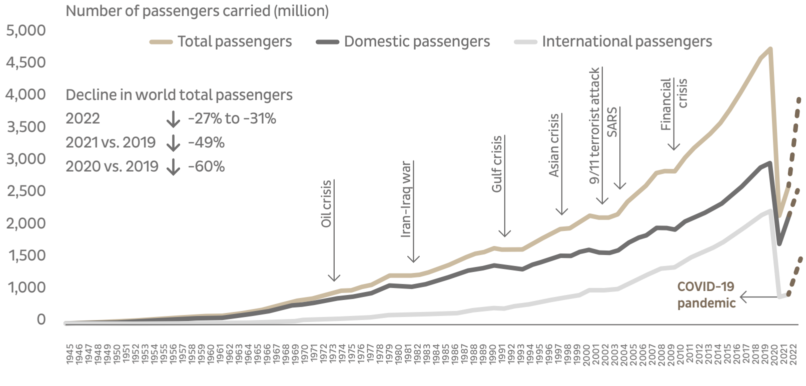
Demand volatility was causing increasing difficulties for economic operators in the tourism sector. Fixed and infrastructure costs are important in a capital-intensive activity, leading these actors to innovate by reorganising their business model. It was imperative to reduce costs and lighten structures, but without losing the capacity to react to market fluctuations.

Larger hotel operators, with more skilled staff incorporating cutting-edge technology into their processes, were better prepared to cope with the demands of this crisis than smaller and isolated operators.

Governments in general were called upon to help the sector with different support measures. Funding moratoriums, lay-offs and furlough measures, reduction of social security contributions for companies, financing with reduced financial costs and support for fixed costs not covered were some of the most relevant examples of incentives adopted in most developed countries to support job retention at companies in difficulty in the face of the substantial drop in turnover. In emerging countries, measures of this nature have been much less prominent. However, there were significant differences in the support made available to companies in the sector in more developed countries as well. Companies based in countries such as Germany, the Netherlands or the United Kingdom had significantly more support than that made available, for example, in Portugal or Spain.

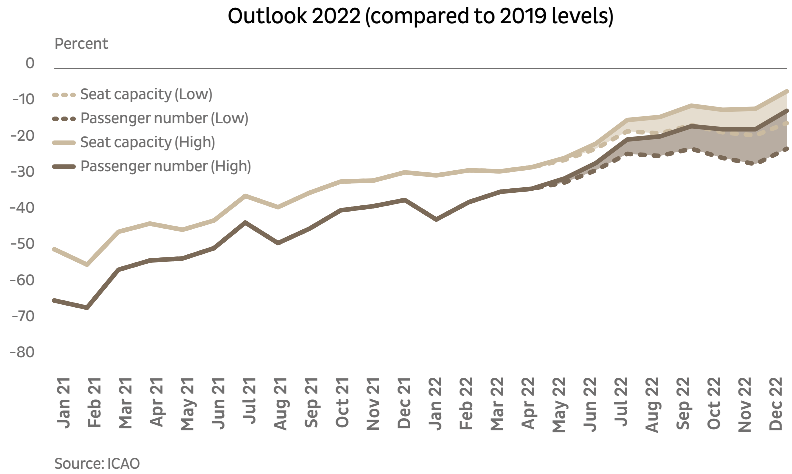
Acknowledging that tourism has become a basic and essential service to all people and knowing that the characteristics and intrinsic value of the sector and consequently of the main tourist destinations and operators have not been lost with the pandemic, the financial sector, which entered this crisis in better health than 10 years ago during the global financial crisis, has managed to provide tourism operators with better support conditions to face this crisis.

World passenger traffic evolution 1945 -2022



Source: ICAO

Once the worst phase of the pandemic had been overcome, the Omicron variant with a high contagion rate, but much lower severity, began the endemic phase of the virus. Although some care is still being taken, it is already possible for tour operators to plan operations some time in advance by hiring aircrafts and hotels for that purpose. This summer is expected to be stronger than 2021. Southern European destinations will benefit from their safer image in the main markets compared to their competitors in the Middle East, North Africa and the Caribbean.



This poses new challenges at this stage of growth in tourism. It is necessary to recruit labour that during the pandemic went to other less affected activities. Customers are becoming ever more demanding. The incorporation of cutting-edge technology into tourist management was accelerated by the pandemic. It is therefore necessary to recruit better-qualified workers and to place even more emphasis on training all workers in the industry by taking advantage of new forms of work and organisation.

The speed with which the economy has been digitised has vastly increased as a result of the pandemic. Tourism remains at the forefront of this process, whether in the process of marketing and booking more and more online, or in increasingly informal check-in and check-out processes, or during stays where the customer is only a click away from a huge range of services, including payment for them.

Customer retention and maximisation of added-value over the course of their lives are increasingly important in organisations' investment decisions, and require massive investments in CRM, Loyalty, Customer Satisfaction, Revenue Management and Analytics and escalate the complexity of managing a hotel complex.

Moreover, the new generations of customers are more aware of ecology and the principles of planet sustainability, generating new challenges in Tourism. In May 2021, the G20 tourism ministers' summit issued a set of recommendations for the transition to Green Travel and Tourism, which will lead most tour operators to implement projects in the sustainability area.

Cutting energy consumption, reducing the use of single-use plastics, preserving biodiversity, climate transition, population mobility, governance of organisations, social inclusion and the impact on local communities are all areas of particular importance in the adoption of these measures by the tourism sector and will transform tourist services of the future. In other words, the ESG agenda is here to stay and is already a strategic factor in the management of tourist companies.

4
Key figures

	2021	2020	Δ	Δ%	2019
Number of rooms	12.212	11.489	723	6,3%	11.382
Revenue	295,4	181,7	113,8	62,6%	418,8
Gross Operating Profit (GOP)	89,6	24,2	65,4	270,2%	160,2
EBITDA	96,2	33,7	62,5	185,6%	161,8
Adjusted EBITDA*	89,0	28,7	60,3	210,2%	150,6
Profit / (loss) for the period	22,9	(32,3)	55,1	-170,9%	79,4
Net total financial debt	373,9	354,1	19,8	5,6%	309,6
Net debt **	555,4	534,1	21,3	4,0%	504,4
Net debt/EBITDA	5,77	15,86	(10,08)	-63,6%	3,12
Net debt/Adjusted EBITDA	6,24	18,59	(12,35)	-66,4%	3,35
Total Assets	1.333,0	1.264,8	68,2	5,4%	1.428,8
Total Equity	445,6	417,1	28,5	6,8%	482,7
Average Room Rate (ARR)	105,4	85,7	19,7	23,0%	103,1
Pestana Hotels & Resorts	97,5	79,1	18,4	23,2%	92,2
Pestana Collection	163,5	135,0	28,5	21,1%	178,2
Pestana CR7 Lifestyle	101,2	90,0	11,2	12,5%	116,8
Pousadas de Portugal	120,2	106,1	14,1	13,3%	125,8
% Occupation* **	47,8%	40,8%	7,0%	17,2%	68,2%
Pestana Hotels & Resorts	55,9%	42,5%	13,4%	31,5%	69,6%
Pestana Collection	37,4%	25,4%	12,0%	47,5%	67,4%
Pestana CR7 Lifestyle	60,2%	54,6%	5,6%	10,2%	76,2%
Pousadas de Portugal	52,2%	39,8%	12,4%	31,2%	59,3%
Guest Satisfaction Index (GSI)	87,3%	88,1%	-0,8%	-0,9%	87,7%
Pestana Hotels & Resorts	85,5%	85,5%	0,0%	0,0%	86,2%
Pestana Collection	89,6%	90,9%	-1,3%	-1,5%	91,0%
Pestana CR7 Lifestyle	91,1%	89,9%	1,2%	1,3%	89,3%
Pousadas de Portugal	88,6%	90,2%	-1,6%	-1,7%	89,3%

* Excluding Gains/Losses on financial investments
** Including IFRS 16
*** Adjusted available inventory during confinement periods

The detail of hotels and rooms available for sale in 2021 and 2020 was as follows:

i) Hospitality, Pestana Vacation Club and Residence

Open inventory	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021
Hotels	32%	25%	29%	30%	58%	73%	80%	82%	90%	92%	88%	88%	64%
Rooms	32%	26%	35%	34%	54%	66%	72%	76%	82%	85%	78%	79%	60%

Open inventory	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020
Hotels	90%	93%	93%	13%	13%	23%	42%	52%	62%	62%	56%	44%	53%
Rooms	72%	75%	76%	9%	9%	16%	39%	40%	50%	54%	45%	37%	44%

ii) Hospitality

Open inventory	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021
Hotels	27%	20%	24%	25%	57%	73%	80%	82%	89%	91%	86%	86%	62%
Rooms	25%	20%	28%	28%	47%	58%	63%	67%	70%	74%	66%	67%	51%

Open inventory	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020
Hotels	89%	91%	92%	6%	6%	16%	37%	49%	59%	60%	55%	41%	50%
Rooms	61%	64%	64%	4%	4%	11%	32%	33%	42%	47%	38%	30%	36%

For the units that were open the occupancy rates were:

i) Hospitality, Pestana Vacation Club and Residence

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	22%	20%	20%	23%	38%	44%	53%	70%	64%	63%	54%	40%	49%
2020	55%	57%	40%	31%	18%	26%	30%	58%	46%	34%	21%	27%	43%

ii) Hospitality

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	20%	16%	17%	23%	49%	52%	57%	81%	74%	66%	52%	34%	48%
2020	54%	57%	39%	17%	7%	21%	26%	55%	45%	33%	19%	25%	41%

If all units were open, excluding the usual effect of seasonality, the occupancy rates that would be obtained would be as follows:

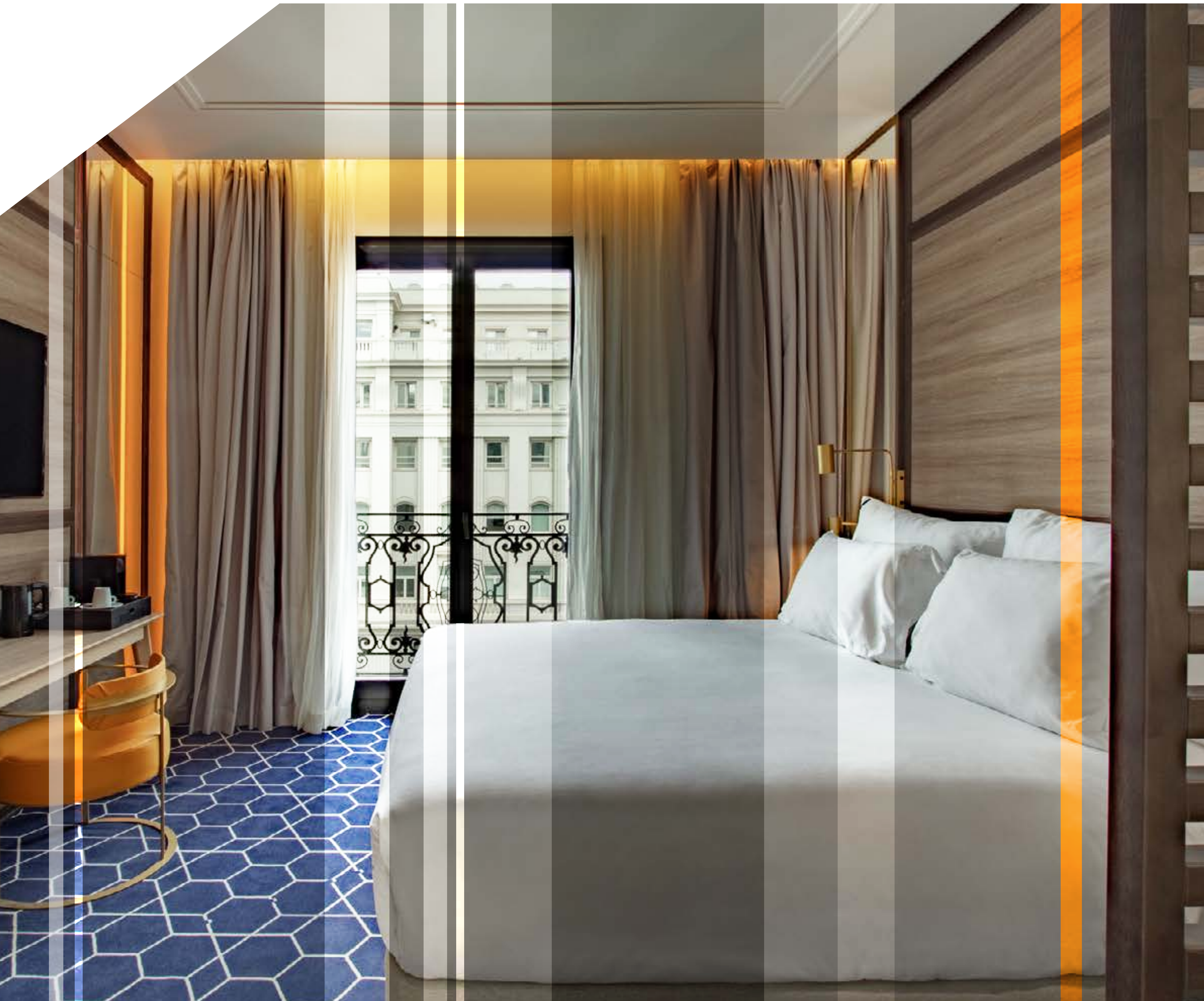
i) Hospitality, Pestana Vacation Club and Residence

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	11%	8%	8%	9%	18%	31%	45%	61%	60%	60%	56%	42%	35%
2020	53%	63%	32%	1%	1%	3%	12%	27%	26%	22%	13%	15%	22%

ii) Hospitality

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	9%	6%	6%	8%	17%	28%	40%	55%	53%	52%	47%	35%	31%
2020	53%	54%	26%	1%	0%	2%	8%	22%	22%	18%	11%	12%	18%

5
Pestana Hotel Group



5.1. Description

Pestana International Holdings S.A.'s (in this document referred to as "Pestana Hotel Group" or "Group") origin dates back to 1972 with the establishment of M.&J. Pestana, S.A. to invest in what is today known as Pestana Carlton Madeira hotel in Madeira. Pestana Carlton Madeira hotel was the first of the current 107 units of touristic lodging now being operated by the Group in 16 countries under 4 different Pestana hotel sub-brands.

The Group started with resort operations in Madeira in the 1970's and then in Algarve in the late 1980's. The internationalization was initiated in the 1990's through investments in Portuguese speaking countries, first in Africa and then in Brazil. In 2003, Pestana Hotel Group won the tender to manage the concession of the "Pousadas de Portugal" network, a Portuguese boutique hotel chain at that time with 37 Pousadas. In the last 10 years the development strategy has focused on enlarging the Group's footprint throughout major European and North American cities such as London, Berlin, Miami, Amsterdam, Barcelona, Madrid and New York as well as Manchester and Paris in the near future.

5.2. Corporate structure

Pestana Hotel Group includes 63 companies in 16 countries spread out across five major regions, each one represented by a corresponding subholding company, including the Group's shared services entity, namely:

- Grupo Pestana, S.G.P.S., S.A. – Portugal (Hospitality, Vacation Club, Real Estate, Residence, Golf, Entertainment and Brewery);
- Djebel, S.A. – Brazil as South American Portuguese speaking country (Hospitality);
- ESGAP, S.A. – Group's shared services companies;
- Hotéis do Atlântico, S.A. – Europe and North America (Hospitality);
- Pestana Inversiones, Lda. – South American Spanish speaking countries (Hospitality);
- Salvintur, S.A. – Africa (Hospitality, Real Estate, Residence and Entertainment).

Pestana International Holdings S.A. is the holding company and its share capital is 100% owned by Mr. Dionísio Pestana, its President and only son of the Group's founder.

Although the President still actively supervises the Group's operations, with special emphasis on the investment process, the Group's day-to-day management has been delegated to an executive committee board. This board meets on a monthly basis with the presence of all the directors responsible for each area to discuss the status of operations and execute major strategic plans. Smaller meetings occur on a weekly basis with fewer members of the board to discuss more operational matters.

5.3. Strategy

Pestana Hotel Group's development strategy is based on five vectors:

- Continue to expand the Group's geographic footprint, preferably through the expansion in major European and North American cities, but also exploring good opportunities in other markets. Investment decisions will continue to be done cautiously (low investment amounts per hotel room), based on the Group's capacity to generate cash flow and to maintain a reduced level of leveraging.
- Continue to invest in innovation either through the implementation of new technology, partnerships with startups, adapting brands to new markets or exploring different business models or hotel concepts.
- Continued operational focus on gaining/maintaining efficiency, constantly reviewing business processes, enhancing new technology and engaging new people. The creation of the Group's shared services center enabled the hiring of specialized and talented people and created centers of excellence with enough scale for significant technology investments to be able to provide top quality services to all group business units around the globe.
- Continue to hire, train and maintain the best people always motivated to do their best and to exceed customer expectations. Partnerships with hotel management schools helps with the hiring of new skilled people and the Group continues to invest in ongoing its employees' training.
- Continue to provide top quality services to our guests generating demand for our products and services and providing excellent value for money thus earning the trust that our guests will have "The time of their lives" with Pestana Hotel Group.

All Group companies share the same IT network, the same front office per business line and the same back office financial system (SAP), which enables the setting up of standard procedures on a worldwide basis, as well as providing the Group's management real time information at a centralized point on any figures, operations, sales, investments or cashflows from any Group operation in the world. Therefore, management can react to any event instantaneously.

Pestana Hotel Group's shared services also provide high quality specialized services to all Group companies under standardized processes that permit much faster reactions to certain events and allows for more efficiency in all administrative processes. Some examples are explained below:

- Central reservations – All hotels use the same PMS (Opera) and the same CRS (Opera) systems. This allows for a single central reservations and call centre department to record reservations for all Group hotels. It also allows automatic integration of reservations with all tour operators in the market as well as with the Pestana website.
- Sales – Although each sales team has its own sales objectives, by using the same systems they can cross sell, share resources and centrally monitor sales information and better manage the sales per channel. Using the same technology infrastructure also allows for innovative sales projects and partnerships with start-ups, easy to roll out for all portfolio of hotels. The pandemic contributed to a faster digitalization process in travel distribution. Thus, the Group focused its investment for this period mostly in the direct and OTA channels to capture significant volume of sales through them.

- Procurement – All of the Group's hotels benefit from the scale given by the Group in negotiations with vendors, therefore reducing unit costs or improving conditions, increasing quality of products and providing appropriate logistics.
- Finance – All major finance processes are centralized. This enables the monitoring of major finance risks more accurately and to spread them throughout the Group. Each hotel benefits from much better financing conditions due to the Group's global negotiations, risk dilution and in some cases support from holding companies. Implementation of cash pooling procedures continues to improve the Group's cash management. Entering into a credit insurance policy for the majority of the Group's accounts receivable has also contributed to reduce risk.
- HR and Operations – working as a Group enables hotels to share resources among themselves. In an activity with high seasonality (summer vs winter or weekends vs weekdays) this is an important factor for success.

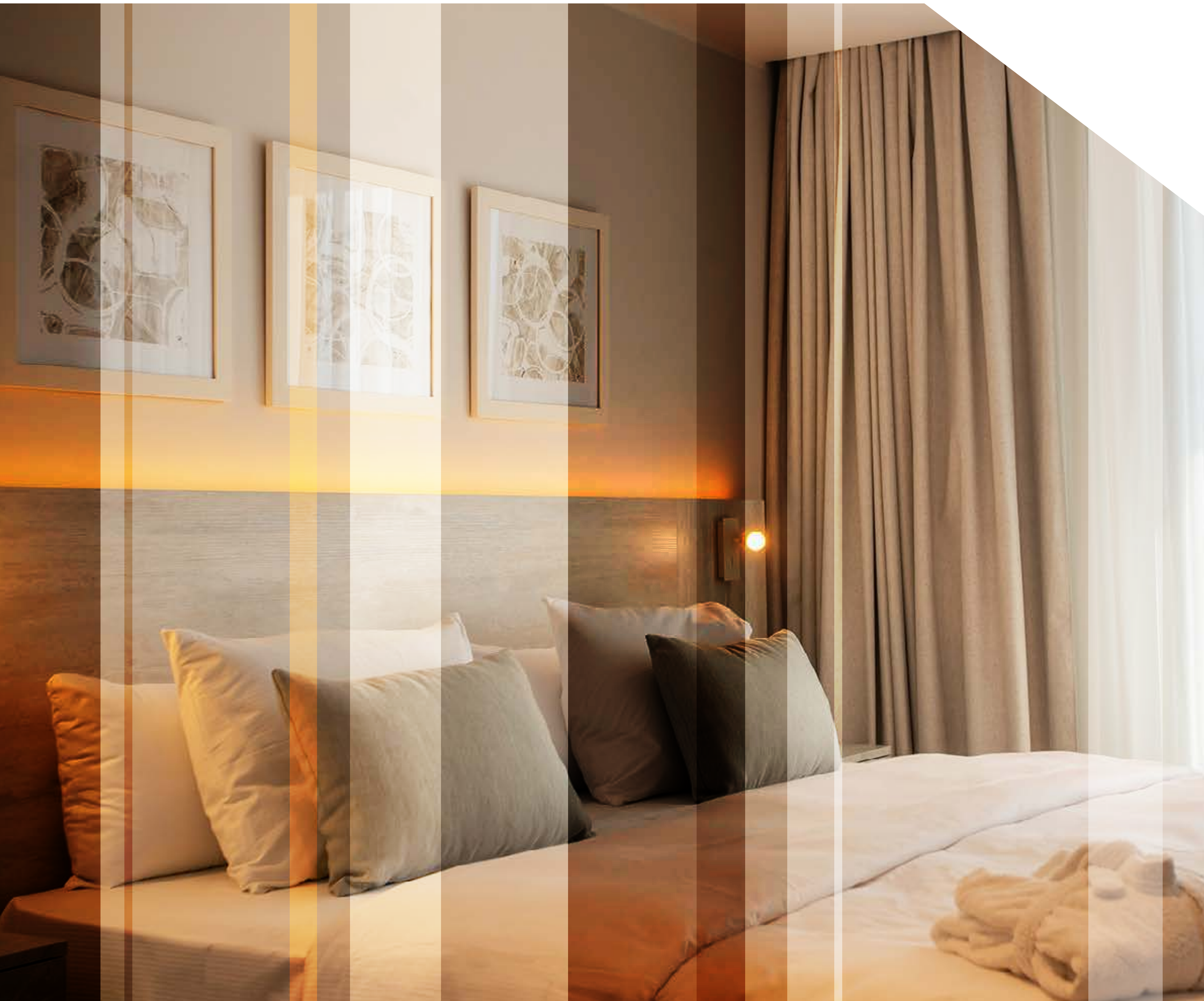
Pestana Hotel Group has an asset-based model which limits its pace of portfolio growth and exposes it to higher demand risk relative to asset-light business models. However, this model results in a high-quality asset portfolio and provides for additional financial flexibility.

Pestana Hotel Group has very consistent operations and had many profitable years prior to the pandemic outbreak which allowed the Group to generate sufficient cash to significantly reduce its leveraging. Financial debt was eliminated in countries with significant inflation such as African and South American countries. All debt reimbursement plans have been aligned with the ability of each company to generate cash. No dividends were requested by the shareholder, which means that the available cashflow could be either reinvested in the business or used to reduce leverage.

During the last two years, the Group significantly developed its real estate business, benefitting from this sector's dynamic driven by low interest market rates and significant liquidity due to expansionist central banks policies. The results obtained in the real estate business contributed to disperse risk and reduce the Group's dependence on the Hospitality business.

In 2021 Pestana Hotel Group continued its commitment to Sustainability, either in its environmental aspect or in improving the well-being and quality of life of local communities where the Group operates, promoting their development and greater social equity. As a result, energy efficiency and decarbonization projects were maintained and developed and sustainable investment projects were made, funded with the so called "green bonds". On the other hand, support was maintained for projects of a social nature, such as the support and volunteering at Criamar and Associação João 13.

6
Investment

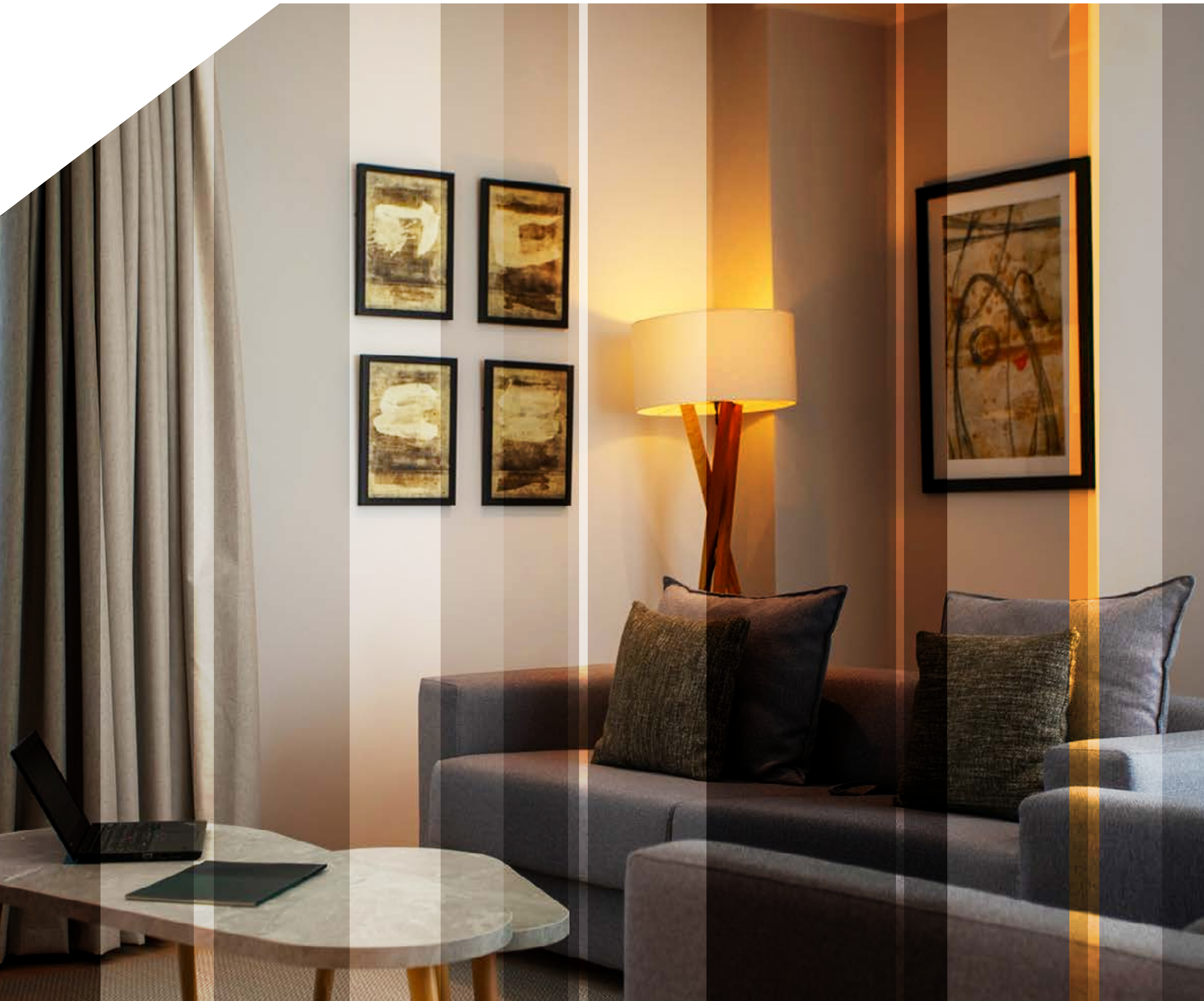


The main projects carried out in 2021 were the following:

- The former Madeira Palácio hotel, acquired for a total of 48.1 million Euros, located in one of the most modern housing areas in Funchal. This transaction included three components. A real estate component (Madeira Palácio Residences) ready to be sold, in a luxury condominium and first sea line, acquired for 28.8 million Euros which was quickly sold to a real estate developer for 40 million Euros. A second component concerning the former hotel that will be converted into 181 T1 to T4 apartments for sale acquired for 17.1 million Euros and with a total planned investment of 53 million Euros, including its acquisition cost. A third component that involves the construction of a new hotel with around 160 rooms next to Pestana Bay, acquired for 2.2 million Euros and with a total planned investment of 14 million Euros, including its cost of acquisition;
- Conclusion and opening of Pestana CR7 Times Square in the United States of America, in New York Manhattan, 39th street West, closer to Times Square, a 4-star 176-key hotel. The Group's total investment was 27 million US dollars;
- Conclusion and opening of Pestana CR7 Madrid in the city centre of the Spanish capital, in 29 Gran Via, a 168-key hotel resulting from a lease agreement for a 25-year period. This investment was made solely by the landlord;
- Conclusion and opening of Pousada do Porto – Rua das Flores with 84 rooms and suites, a Bar, indoor pool, sauna, fitness center, meeting room and an interior courtyard with a vertical garden, in a privileged location in the city of Oporto that stands out for its historical interest with buildings with more than five centuries of existence. The total investment of this project amounted to 15.3 million Euros, of which 0.6 million Euros in 2021;
- Acquisition of a building next to Pestana Vintage Porto hotel, on Rua dos Bacalhoeiros, for 1.4 million Euros with the objective of creating 20 additional rooms. The additional investment expected is 1.3 million Euros;
- Completion of Pestana Douro resulting from the rehabilitation of a building acquired in 2018, in Municipality of Oporto, for the construction of a new 165-room hotel that benefits from a privileged view over the Douro River. The conclusion of this project took place in April and its opening took place in March 2022. The total investment was approximately 16 million Euros, of which 0.2 million Euros in 2021;
- Opening of the new four-star unit, Pestana Lisboa Vintage, with 121 rooms, on Rua Braamcamp in Lisbon. This hotel was completed in 2020 and opened on 5 November, with a total investment of around 5.8 million Euros;
- Continuation of the Rua Augusta project regarding the refurbishment of a building for a new four-star unit with 89 rooms in Lisbon. It is a lease contract concluded in 2018 with a duration of 28 years. The project is already licensed, having a total planned investment of 7.8 million Euros. Investment has already been made in amount of 1.6 million Euros, of which 1.3 million Euros occurred in 2021;
- Continuation of the 4-star Pousada project with 42 rooms, on Rua São Tomé, in Alfama, Lisbon, for which a lease agreement had been signed in 2019 for a period of 27 years. The project is already licensed and has a total planned investment of 2.9 million Euros. An investment of 0.8 million Euros has already been made, of which 0.4 million Euros occurred in 2021;

- Conclusion and opening of Pestana Fisherman Village, a new four-star hotel located in the emblematic historic center of Câmara de Lobos. The hotel has 42 rooms located in two buildings, fully refurbished, maintaining the original architectural features of the old Municipal building of Torre Bela. This project represented a total investment of 2.3 million of Euros, of which 1.1 million Euros in 2021. For this asset, a lease contract was signed with the owner of the property for a 50-year period, which foresees an annual fixed rent payment;
- Opening of the new Pousada Vila Real de Santo António, for which an urban lease contract was signed in 2017 for a 20-year period, for the refurbishment of a set of urban buildings located in the historic center of this city. This Pousada has 57 rooms, a restaurant, an outdoor swimming pool, a bar and an events hall, having been completed in 2020, with a total investment of around 3.8 million Euros;
- Conclusion and opening of Pestana Tanger, located in Morocco, in Tanger's city centre, that is composed of 120 apartments leased for 9 years with a management contract similar to Pestana Casablanca;
- In 2021 the lease agreement for Pestana Casablanca, Morocco, was renewed until April 2031;
- Pestana CR7 Marrakech, located in Morocco in the famous luxury M-Avenue, surrounded by world class hotels and shops, a 174-key hotel under a lease agreement. It is expected to open in the first half of 2022 and it has a total estimated investment of 0,6 million Euros;
- A 4-star 106-key hotel in New Jersey (USA) following a management agreement signed in 2016. Construction was delayed due to the Coronavirus;
- Pestana CR7 Paris (France), a 210-key hotel in Paris' city centre (13th district) integrated in a commercial and office enterprise. The Group's total investment is estimated to be 30 million Euros;
- Pestana CR7 Manchester (United Kingdom), in the city centre of Manchester, near Piccadilly Gardens, a 158-key hotel lease agreement. Conversion works are in the preparation phase. The Group's total investment is estimated to be 6,9 million British pounds;
- Pestana Montevideo (Uruguay), an hotel with 100 keys, spa, indoor pool and ample meetings and event areas. It will also have two restaurants, one of which on the top floor with an excellent view over the city of Montevideo and will be especially focused on the business and event segment;
- In 2021, the right-of-use contracts for Pestana Colombos and Pestana Ilha Dourada were renewed until October 2023 and May 2024, respectively.

7
Activity of Pestana Hotel Group



7.1. Profit and loss highlights

	TOTAL 2021	Grupo Pestana SGPS	Djebel	Hotéis do Atlântico	Pestana Inversiones	Salvintur	Other	TOTAL 2020	TOTAL 2019
Rooms (total keys)	12.212	8.578	1.111	1.229	134	822	338	11.489	11.530
of which Rooms under management contract (keys)	628	625	–	–	–	3	–	882	1.143
Hotel units (total)	107	78	4	9	1	12	3	102	99
of which Units under management contract	8	7	–	–	–	1	–	8	5
(Amounts in millions of Euros)									
Revenue	295,4	258,4	5,0	20,8	–	7,4	3,8	181,7	418,8
GOP (a)	89,6	77,6	-0,5	11,4	-0,5	1,6	–	24,2	160,2
EBITDA (b)	96,2	88,0	-0,2	7,7	-0,5	0,9	0,3	33,7	161,8
Depreciation, amortization and investment subsidies	-50,9	-40,1	-1,4	-6,0	–	-2,1	-1,3	-55,8	-53,5
EBIT	45,3	47,9	-1,6	1,7	-0,5	-1,2	-1,0	-22,1	108,3
Interest net (includes fees)	-22,9	-15,8	-0,4	-4,2	–	-0,2	-2,3	-20,5	-22,6
Income taxes (c)	0,5	-1,9	-0,8	-0,4	0,7	-0,0	3,0	10,4	-5,5
Net income including non controlling interests share	22,9	30,2	-2,8	-2,9	0,2	-1,4	-0,3	-32,2	79,4
GOP margin (%)	30%	30%	-9%	55%	N/A	21%	–	13%	38%
EBITDA margin (%)	33%	34%	-5%	37%	N/A	11%	8%	19%	39%
EBIT margin (%)	15%	19%	-33%	8%	N/A	-16%	-26%	-12%	26%
ROE (%)	4,1%	8,1%	-5,8%	-2,6%	2,8%	-3,7%	0,9%	-6,1%	13,2%
EPS	17,34	N/A	N/A	N/A	N/A	N/A	N/A	-24,45	60,19
EBITDA / Net interests (..x)	4,2	5,6	-0,6	1,8	13,4	5,0	0,1	1,6	7,2
Average cost of gross debt (%)	4,1%	3,8%	N/A	4,7%	6,1%	2,7%	5,3%	3,6%	3,8%

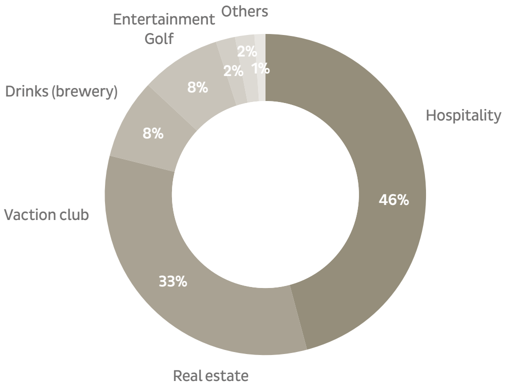
Notes:
(a) "Gross operating profit" – management accounts (uniform system of accounts for the lodging industry (USALI)) only includes fully consolidated companies
(b) Operating profit excluding Charges of depreciation and amortization, Impairment losses of tangible assets, Gambling tax paid by Casino and other minor accounts
(c) Includes Gambling tax paid by Casino

2021 marked the beginning of the economic recovery due to the acceleration in the vaccination process and the reopening of borders even though the first quarter was still affected by restrictive measures and pandemic containment measures worldwide. Therefore, Pestana Hotel Group began its reopening process gradually in the second quarter. During the third and most of the fourth quarter of 2021 the tourism sector was booming even reaching in some locations better results than before the pandemic. However, in December with the appearance of the new Omicron variant the tourism sector faced a retraction but not as severe as the one that happened in the beginning of the year.

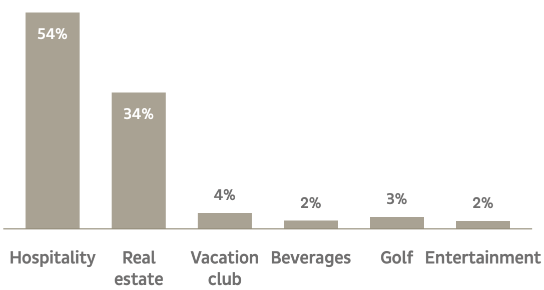
Pestana Hotel Group's revenue reached 295,4 million Euros, an increase of about 63% compared with the previous year and approximately 71% of revenue in 2019, the Group's best year ever. Considering that the Group disposed of its former subsidiary SDM – Sociedade de Desenvolvimento da Madeira, S.A. in December 2020, if this subsidiary's revenue were to be excluded from last year's revenue than the increase in 2021 would be of 70%. The Group's recovery resulted not only from the overall economic uptrend but also due to the Group's diversification strategy as well as the several measures it took throughout the last two years to make the most out of the economic recovery as soon as it happened. Breaking down the Group's revenue and their behaviour in 2021 it can be seen that Hospitality revenue doubled when compared with last year and real estate revenue increased 79%. The remaining business also presented increases when compared with last year, namely Vacation Club with 15%, Beverage (industry) with 19%, Golf with 9% and Entertainment with 6%.

Throughout the period in which there were movement restrictions imposed on people by various governments and, consequently, when most of the Group's unit were temporarily closed, Pestana Hotel Group adhered to employment maintenance support measures created in most countries in Europe and to fixed cost support measures which were made available only in Germany and the Netherlands. The Group also continued to apply cost control and reduction strategies which had already been applied the year before such as the renegotiation with suppliers, including leases. With the progressive recovery the Group implemented measures that allowed an efficient management of its resources such as demand analysis to define when to reopen units and employee relocation, with their previous approval. The high weight of variable costs in the Group's structure in tandem with these measures allowed Pestana Hotel Group to obtain an EBITDA of 60% of 2019's.

Revenue 2021



GOP 2021



In December 2021, Pestana Hotel Group sold its participation in Pestana CR7 – Lisboa, S.A. for the amount of 6,7 million Euros as well as the respective Accessory capital contributions, traded at their nominal value, in the amount of 1,6 million Euros, corresponding to a total of 8,3 million Euros and a capital gain of 6,7 million Euros. However, the Group will continue to explore this hotel under the Pestana CR7 brand.

A. Hospitality

In 2021, the economic recovery began thanks to the acceleration of vaccination programmes and the reopening of borders worldwide, although the first four months were still affected by restrictive and containment measures due to the pandemic. Thus, Pestana Hotel Group began the process of reopening gradually, based fundamentally on domestic tourism in each country where the Group's hotel units are present, allowing the Group to have most of its units in operation at the end of June.

As of July, restrictions on people's movements were effectively reduced, which combined with Pestana Hotel Group's ability to reopen units in few days, allowed for the opening of 80% of its units as soon as demand installed. This way, the Group managed to reach occupancy rates above 50% in July and 80% in August, the most relevant period of the year for most of the Group's hotel units, while keeping up with the previous year's strategy of safeguarding the average price. In the beginning of September, the vaccination process advanced rapidly on a worldwide scale. Thus, there was a gradual increase in customer confidence in city tourism, leading to the reopening of almost all of the Group's units during the last quarter, including the inauguration of most units completed during the pandemic period. At the end of November, the first cases of the new Omicron variant were detected, which led to the entry into force of new preventive measures that limited hotel activity during the month of December. However, this limitation was mitigated by the fact that there are several of the Group's units that usually do not operate during winter and for those that do the impact was not as significant as that felt in the beginning of the year.

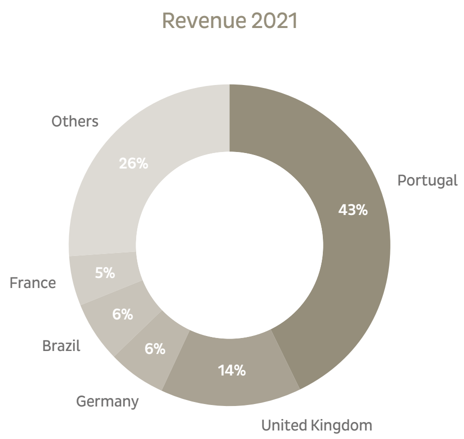
The hospitality business in Portugal achieved revenue of approximately 105 million Euros and in terms of regions it is spread between Algarve (34%), Madeira (26%), Lisbon (11%), Porto Santo (10%) and Oporto (5%) with the remaining 14% being spread-out between Azores, Alentejo and North and Central Portugal. Of these 105 million Euros, 36 million were translated into Gross operating profit (GOP) representing to a GOP margin of approximately 34%, slightly above the Group's GOP margin. In terms of regions, Algarve represented 39% of GOP, Madeira 25%, Porto Santo 12%, Lisbon 10%, Oporto 5% and the remaining regions 9%. In 2021, the strength of domestic leisure tourism and the beginning of the recovery of international tourism demand, whenever the pandemic was under control, allowed activity levels to recover in resorts in the summer season and in some to reach levels similar to those recorded in the same period pre-pandemic. This context allowed for the opening of 4 new units including one in Lisbon and one in Oporto. Although in terms of overall conditions Portugal benefitted as a whole these results were not equal in terms of timing for every region. Algarve's recovery resulted not only from a significant increase in internal tourism but also from being capable of capturing new feeder markets and, whenever Portugal was included in the safe travel lists in the United Kingdom, to attract tourists from this market. Madeira and Porto Santo were heavily penalized in 2020 from lack of flights and for being associated with the negative image of continental Portugal, however, in the second half of 2021 this was no longer the case with several airline companies increasing available flights to these islands which significantly impacted activity in these regions. Lisbon and Oporto, being cities with greater population density, had a more difficult time due to an initial lack of confidence from tourists which was slowly built up with the increase in the vaccination rate with revenue only increasing from August onwards. The Pousadas, which are spread throughout the country, were the first to reopen as early as the first quarter of 2021 because of their proclivity for domestic tourism.

In Europe revenue increased 59% mainly due to Pestana Plaza Mayor which had an increase of 168%. This increase was widespread with every unit presenting revenue growth rates above 36% except for Berlin which had revenue in line with the previous year. However, the impact was even more relevant in terms of GOP which reached 20% of the GOP registered in Portugal. This resulted not only from an increase in revenue but also due to fixed cost support measures created by the Dutch and German governments which were not made available in any other country the Group is in.

America was the continent most affected by the COVID-19 pandemic worldwide, both in terms of number of cases and deaths, mainly in the United States of America and Brazil. However, revenue and GOP increased 282% and 548%, respectively, in the United States due to Pestana Park Avenue's first full year of activity. This hotel had opened in February 2020 but was prevented from receiving customers throughout most of 2020. The absence of any pandemic restrictions in Miami in 2021 allowed for the return of face-to-face events, namely the largest art exhibition in the world, Art Basel. On the other hand, activity in Brazil was affected especially in the first half of 2021 with the cancellation of one of the biggest events in the world, Carnival, and the constant political and judicial instability which led to an increase in inflation and unemployment rates. In the second half of 2021 activity improved significantly with the increase in vaccination and reaching 70% of the population vaccinated by the end of the year. As a result, restrictive measures began gradually being lifted and tourist confidence increased resulting to an increase in the number of flights to the country which also organizes the Copa da America, the biggest sporting event in South America.

The Group's hotel units in Africa are mainly located in developing countries, which continued to have a difficult year with the pandemic. Vaccination efforts are mostly dependent on other countries' donations, as African countries have scarcer resources to effectively control the pandemic. Despite the lasting effects of the pandemic on the continent, revenue increased 13% when compared with 2020 and continued to present a positive GOP which was particularly good considering its economic conditions.

The Group's main feeder markets remained almost the same: United Kingdom, Germany and France, with the United States of America recovering from the drop verified in 2020.



B. Real Estate

In 2021, the Real Estate business represents 33% of the Group's revenue and 34% of its GOP and much like in previous years it continued to show a growing tendency and to present great results, led by three new rapid return investments.

Madeira Palácio Residences, located in one of Funchal's (Madeira) most modern residential areas, which was sold for 40 million Euros with a margin of 10,7 million Euros. The 56-apartment Coliseu Residences project, located in São Miguel in the Azores, all sold in 2021 for a total amount of 13,9 million Euros with a margin of 4,8 million Euros. Finally, the new Pine Village project which refers to a plot of land acquired in Brejos da Carregueira, one of the most attractive and sought-after areas of the Portuguese coast, for clients to build luxury villas from previously defined model houses. In this project the Group will only sell the plots of land and not build villas unless the clients reach out to the Group for this very reason. Of the 59 plots of land for sale, in 2021, 22 were sold for a total amount of 8,4 million Euros with a margin of 4,2 million Euros.

In 2021, the Group's main Real Estate project from the last years, Pestana Tróia Eco-Resort, reached its conclusion with the delivery of the last units from Lot 1 in the amount of 7,7 million Euros. Lot 3 is also practically concluded with the delivery of 4 villas for the amount of 5,4 million Euros with only 7 lots remaining.

The Group also has other projects which will reinforce the available inventory, namely, Madeira Acqua Residences, Silves Golf Resort, Pestana Comporta Village, Pestana Valley Nature Village, Fábrica, Apartments & Lofts and the newly acquired Quinta das Maravilhas. By continuing to bet on the development of new real estate projects the Group will also reinforce the growth of its Residence business through the signing of touristic exploration contracts.

C. Pestana Vacation Club

Vacation Club represents 8% of Pestana Hotel Group's revenue and continues to be supported by close to 30.000 families that have followed the Group for the past nearly 30 years. The Group continues to develop Pestana Vacation Club (PVC) which allows guests to travel all along its hotels around the world. This does not only give the buyer a legal temporary right to the property but is also a cash flow stream like Timeshare which are all part of the Group's loyalty program.

This business area also had a progressive and gradual recovery given the existing limitations and constraints. The reactivation of Vacation Club's main touristic feeder markets, the United Kingdom and Germany, allowed, within possible, the use of weeks previously sold and the signing of new contracts having already had an increase in revenue of 15%.

D. Drinks (brewery)

The Drinks (brewery) business represented 8% of the Group's revenue in 2021, in line with its usual weight in revenue pre-pandemic. This business continued to be significantly affected by the pandemic in the first quarter of the year due to all of the limitations throughout that period. The mandatory curfew imposed in Portugal in the first quarter of 2021 as well as the substantial reduction in the entry of tourists which affected this activity's performance. With the restrictions which impaired bar and restaurant consumption being progressively lifted revenue increased to pre-pandemic levels with October as a standout month with the best performance in the last few years.

E. Golf

This activity represents 2% of Pestana Hotel Group's revenue having maintained a steady level when compared with the previous year. Much like the hospitality sector this business was also affected by the same restrictions but also by the same recovery. Consequently, although revenue increased 9%, GOP increased 46% when compared with the previous year.

F. Entertainment

Entertainment activity also represents 2% of the Group's revenue, as a complement to the main hotel business, and is supported by two Casinos, one in Madeira and one in São Tomé & Principe. This activity, seeing as it is a complement to the hotel business, was also affected by the same problems and recovery, registering an increase in revenue of 6% and in GOP of 50%.

7.2. Balance sheet highlights

(Amounts in millions of Euros)

Net Assets	2021	% TOTAL	Grupo Pestana SGPS	Djebel	Hotéis do Atlântico	Pestana Inversiones	Salvintur	Other	2020	2019
Investment (Fixed assets) (a)	960,2	86%	674,9	52,5	177,7	5,2	46,1	3,8	975,2	1.034,7
Deferred tax liabilities	-14,3	-1%	-5,2	-4,0	-1,3	0,0	-3,8	0,0	-15,1	-27,6
Total adjusted fixed assets	**945,9**	**85%**	**669,7**	**48,5**	**176,4**	**5,2**	**42,3**	**3,8**	**960,1**	**1.007,1**
Investment (Financial assets) (b)	38,3	3%	15,0	0,0	19,4	0,0	1,0	3,0	28,8	31,9
Other non-current assets (c)	30,8	3%	13,8	2,1	5,0	0,1	0,8	9,0	32,1	25,2
Current assets – Current liabilities (d)	99,4	9%	97,5	1,7	0,9	0,0	1,4	-2,0	50,1	48,2
Total adjusted assets	**1.114,4**	**100%**	**796,0**	**52,3**	**201,8**	**5,3**	**45,5**	**13,8**	**1.071,1**	**1.112,4**
Funding origins										
Equity	445,6	40%	276,2	44,6	112,3	5,8	38,7	-32,0	417,1	482,7
Collected deferred revenues (e)	143,9	13%	136,7	4,0	1,3	0,0	0,4	1,5	152,3	164,0
Deferred sales costs (e)	-38,0	-3%	-38,0	0,0	0,0	0,0	0,0	0,0	-41,0	-45,2
Total non remunerated funding (adjusted equity)	**551,5**	**49%**	**374,8**	**48,6**	**113,7**	**5,8**	**39,1**	**-30,4**	**528,4**	**601,6**
Long term financial debt (f)	541,0	49%	426,0	0,0	73,3	0,0	8,2	33,5	545,2	527,0
Other non-current liabilities (g)	7,5	1%	3,3	4,0	0,2	0,0	0,0	0,1	8,5	6,5
Total non-current funding	**1.100,0**	**99%**	**804,1**	**52,5**	**187,2**	**5,8**	**47,2**	**3,2**	**1.082,1**	**1.135,0**
Short term financial debt (f)	103,3	9%	66,1	0,3	23,7	0,0	1,0	12,3	56,0	115,3
Cash and cash equivalents	-88,9	-8%	-74,1	-0,6	-9,2	-0,6	-2,7	-1,7	-67,0	-137,9
Net current debt	**14,4**	**1%**	**-8,1**	**-0,2**	**14,4**	**-0,6**	**-1,8**	**10,6**	**-11,0**	**-22,6**
Total funding origins	**1.114,4**	**100%**	**796,0**	**52,3**	**201,7**	**5,3**	**45,5**	**13,8**	**1.071,1**	**1.112,4**
Net debt (h)	555,4		417,9	-0,2	87,8	-0,6	6,4	44,1	534,1	504,4
Net debt excluding IFRS 16	373,9		271,0	-0,2	87,8	-0,6	6,4	10,0	354,1	309,6
EBITDA	96,2		88,0	-0,2	7,7	-0,5	0,9	0,3	33,7	161,8
Working capital	99,4		97,4	1,7	0,9	0,0	1,4	-2,0	50,1	48,2
Net capex (i)	26,2		16,5	-0,3	0,6	0,1	8,2	1,1	27,3	89,0
Capex under construction	31,6		25,7	1,5	0,3	4,0	0,1	0,0	57,4	89,2
Net debt / EBITDA	5,77		4,75	N/A	11,45	N/A	N/A	139,27	15,86	3,12
Net debt / EBITDA excluding IFRS 16	3,9		3,1	0,9	11,5	1,2	7,5	31,4	10,5	1,9
(Net debt – Capex under construction) / EBITDA	5,45		4,46	N/A	11,41	N/A	N/A	139,26	14,15	2,57
Net debt / Equity	1,01		1,11	N/A	0,77	N/A	N/A	-1,45	1,01	0,84
Net debt / Total assets (%)	50%		52%	N/A	44%	N/A	N/A	320%	50%	45%
Liquidity ratio (%) (Cash and cash equivalents) / (f+g)	14%		15%	13%	9%	N/A	30%	4%	11%	21%

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

Pestana Hotel Group has total adjusted assets of 1.114,6 million Euros which result from its strategy to own a great part of the assets (hotels, golf courses and plots of land) where its business units operate.

Much like in 2020, Pestana Hotel Group continued to focus on measures that assured its liquidity, maintaining high amounts of cash and cash equivalents as well as unused credit lines and working capital while having a stable indebtedness level. Not only did the Group conclude ongoing investments but remained attentive to any opportunities that arose which aligned with its diversification strategy and with high short-term profitability, namely in real estate. This pandemic crisis happened at a stage when the Group had a strong financial position and no need to resort to the sale of assets, which are mainly booked at amounts significantly below market value and free of liens.

In line with the liquidity policy previously defined, the Group sought to restructure its debt by refinancing the amounts to disburse through the emission, in October, of a new bond loan in the amount of 29 million Euros with a maturity of more than 5 years and a fixed interest rate and through the negotiation of a new long-term 50 million Euro bank loan also at a fixed interest rate signed in January 2022. The Group also obtained some financing through economy support credit lines and capital moratoriums on bank loans until September 30th, 2021 while still paying for interest.

In 2021, Net debt increased 20 million Euros (approximately 4%), however, excluding expansion CAPEX of 7,8 million Euros and the investment made in real estate projects excluding advances from customers in the amount of approximately 25 million Euros, then net debt would have decreased approximately 13 million Euros or 2%. The Group also has a working capital of 99,4 million Euros and unused credit lines of 92,9 million Euros. It is also noteworthy that the Group's debt is mainly medium or long term and that its debt service is aligned with its cash flow generating ability.

Total non-remunerated funding covers 50% of the adjusted assets which has been steady for the last few years and is another sign of the quality of the Group's management and also shows that it maintains a good financial autonomy ratio.

8
Objectives and policies of Pestana Hotel Group regarding risk

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

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

Pestana Hotel Group is exposed to the following general risk areas:

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

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

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

Corporate structure risks include shareholder succession and corporate governance structure.

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

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

Other risks include environmental risks.

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

9
Relevant issues that occurred after the year end

On January 31, 2022, Pestana Hotel Group contracted a loan of 50 million Euros, to be repaid in 60 quarterly instalments, starting the first period of payment of interest and capital in May 2022. The loan has a 15-year maturity date with fixed interest rate and the funds received are intended to meet current liabilities, as well as to support the investment projects that the Group has in progress.

Recent geopolitical events in Ukraine culminating in the military invasion by Russia on 24 February 2022 and the current war situation are affecting global markets, in particular supply and logistics chains, energy prices and the perspectives for inflation and interest rates. Although the impacts of this situation have not been presently relevant, Pestana Hotel Group is monitoring the evolution of the conflict and the consequences arising from it.

On 30 April 2022 the Group celebrated a promissory contract for the sale of the building where Pestana Bahia is located for the amount of 87.500.000 Brazilian Reais (corresponding to 16.555.000 Euros). An advance payment of 8.750.000 Brazilian Reais will be made on 6 May 2022.

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10
The near future

The entry into the endemic phase has led tour operators to plan operations in a structured way for summer 2022. The majority of airline companies, supported by their respective governments, now hope to be able to return their aircrafts to the sky by reactivating medium and long-haul routes. Hotel operators are developing the necessary recruitment processes to be able to open hotels to their regular customers.

The absence of major bankruptcies after two years of pandemic leads to believe that infrastructure and organisations have shown significant resilience to overcome this crisis by lightening cost structures and thereby making it easier to quickly achieve positive results in the recovery phase.

The signs of recovery in the sector are increasingly evident, with customers' demand for bookings gaining momentum each day. Companies and other organisations are also beginning to plan their events for the near future.

Pestana Hotel Group therefore expects 2022 to be a better year for tourism than 2021, especially in the second half, although still below its best years (2017 to 2019).

On the other hand, there are also uncertainty factors in the economy, such as inflationary pressures, with particular emphasis on energy, labour and raw materials, which have been worsened by the Ukraine-Russia conflict and which, if to continue, will certainly have an effect on rising market interest rates in the coming years.

The outbreak of war between Russia and Ukraine is also in itself a factor of uncertainty for economic activity, to which the tourism sector is naturally also subject.

Moreover, the support programmes implemented by most governments in conjunction with their GDPs' reduction have put more pressure on these countries' debt levels, forcing subsequent measures for financial equilibrium which may have a negative effect on the economy.

Pestana Hotel Group celebrates 50 years this year and accumulates the experience of those who have faced various economic crises with the same vigour with which they have prepared for the recovery phases, and it is certain that numerous opportunities will arise once the crisis eases. The Group will continue to make sure that it is prepared, in financial, human and technical terms, to seize these opportunities and overcome the challenges that will certainly arise by continuing to provide a quality service and tremendous added value and to offer experiences to its customers that make Pestana a trusted hotel brand in the various markets where it operates.

11
Recognitions

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

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

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

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

Luxembourg, 3 May 2022

The Board of Directors

Dionísio Fernandes Pestana

Director

Chiara Louise Deceglie

Director

Hermanus Roelof Willem Troskie

Director

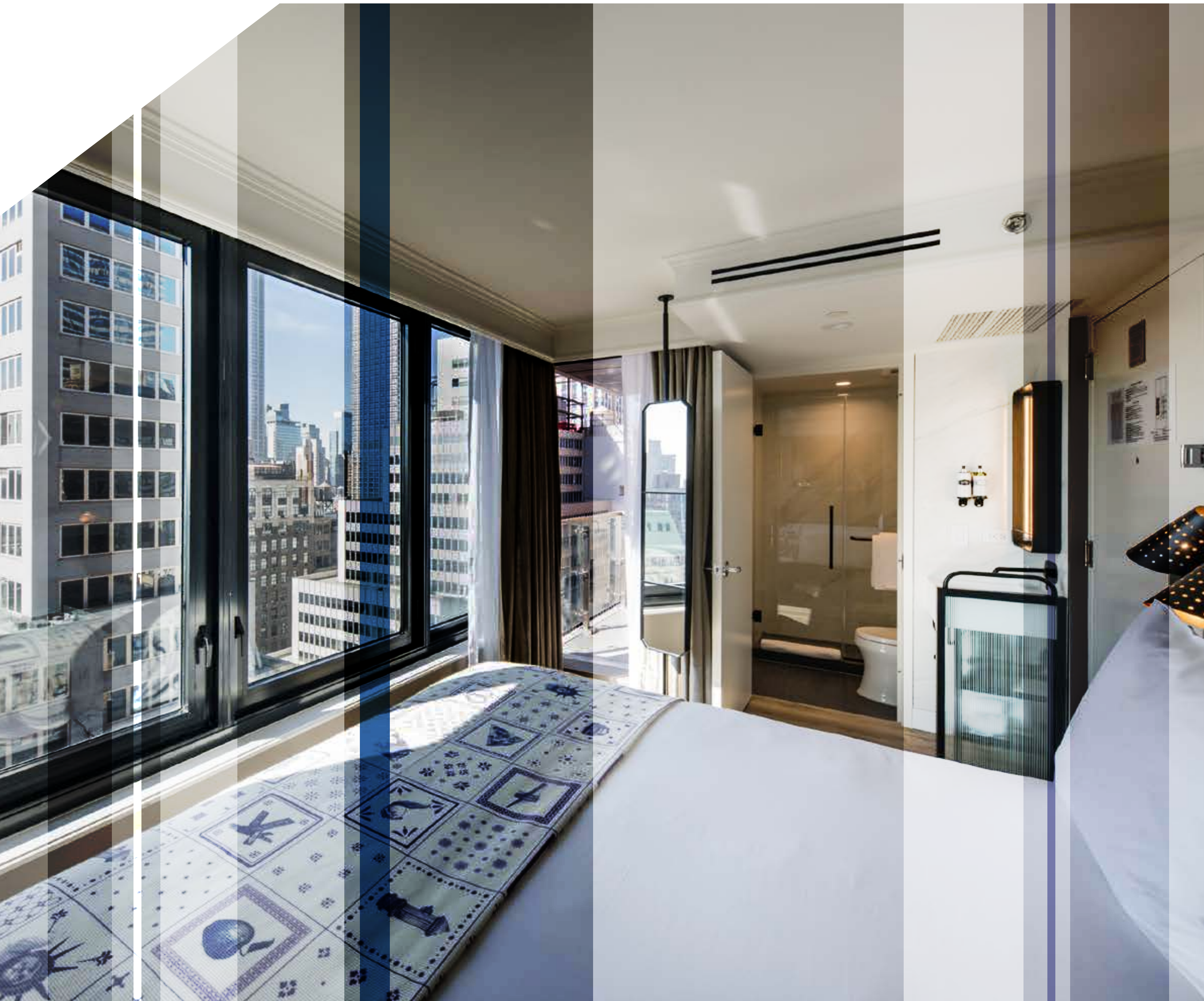
José Alexandre Lebre Theotónio

Director

Rodrigo de Freitas Branco

Director

Consolidated financial statements



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in Euros)

	NOTES	2021	2020
ASSETS			
Non-current			
Tangible fixed assets	6	990.105.608	1.007.365.105
Intangible assets	7	2.004.120	1.922.819
Investment properties	8	6.146.757	6.903.393
Investment in joint ventures	9	23.699.639	15.552.877
Investment in associates	10	14.578.964	13.275.530
Financial assets at fair value through profit or loss	11	8.173.251	5.946.142
Deferred tax assets	12	14.355.682	12.521.414
Trade and other receivables	14	17.118.066	20.390.096
		1.076.182.087	**1.083.877.376**
Current			
Inventories	15	74.808.130	54.863.014
Trade and other receivables	14	89.743.633	55.561.415
Income tax receivable	16	3.455.334	3.506.701
Cash and cash equivalents	17	88.901.771	67.019.191
		256.908.868	**180.950.321**
Total assets		**1.333.090.955**	**1.264.827.697**
EQUITY			
Capital	18	238.000.000	238.000.000
Other reserves	19	(8.190.987)	(14.709.684)
Retained earnings	20	184.927.662	216.490.913
Profit for the period attributable to shareholders		22.441.204	(32.907.677)
Non-controlling interests	21	8.446.110	10.235.121
Total equity		**445.623.989**	**417.108.673**
LIABILITIES			
Non-current			
Provisions	22	7.132.433	7.323.495
Borrowings	23	373.570.297	374.429.695
Lease liabilities	24	167.476.992	168.256.539
Derivatives	25	358.128	1.176.734
Deferred tax liabilities	12	14.277.047	15.075.084
Deferred revenue	26	123.003.889	132.904.073
Advances from customers	14	5.498.410	631.500
Trade and other payables	27	59.367	53.937
		691.376.563	**699.851.057**
Current			
Provisions	22	1.545.545	3.918.856
Borrowings	23	89.240.714	46.667.109
Lease liabilities	24	14.058.003	11.792.572
Deferred revenue	26	20.885.461	19.425.054
Advances from customers	14	12.362.405	21.713.588
Trade and other payables	27	57.592.521	43.749.330
Income tax liabilities	16	405.754	601.458
		196.090.403	**147.867.967**
Total liabilities		**887.466.966**	**847.719.024**
Total equity and liabilities		**1.333.090.955**	**1.264.827.697**

The following notes form an integral part of the Consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED INCOME STATEMENT

(Amounts expressed in Euros)	NOTES	Period 2021	Period 2020
Revenue	28	295.421.144	181.659.629
Cost of goods sold	15	(79.029.834)	(41.263.204)
External services and supplies	29	(75.617.854)	(62.831.426)
Personnel expenses	30	(60.476.545)	(54.879.291)
Charges of depreciation and amortization	6;7;8	(52.922.560)	(52.519.285)
Reversals and impairment losses of tangible assets	6;8	1.624.654	(3.263.106)
Impairment of receivables	14	(133.017)	(921.619)
Impairment of inventories	15	(121.224)	(133.264)
Provisions	22	695.901	(396.670)
Other income	31	16.370.210	17.185.983
Other expenses	32	(8.715.772)	(11.121.852)
Gains on disposal of investments, equity method and financial assets at fair value through profit or loss	33	7.160.923	4.979.842
Operating profit		**44.256.026**	**(23.504.263)**
Financial expenses	34	(23.793.236)	(22.416.372)
Financial income	34	1.035.196	1.931.267
Profit before tax		**21.497.986**	**(43.989.368)**
Income tax	35	1.376.020	11.756.414
Profit for the period		**22.874.006**	**(32.232.954)**
Profit for the period attributable to:			
Shareholders of the group		22.441.204	(32.907.677)
Non-controlling interests		432.802	674.723
		22.874.006	**(32.232.954)**
EBITDA (Non-IFRS Measure, Note 2)	42	96.190.552	33.740.022

The following notes form an integral part of the Consolidated income statement for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in Euros)	NOTES	Period 2021	2020
Profit for the period		**22.874.006**	**(32.232.954)**
Items that may be recycled through profit and loss:			
Foreign currency translation differences	19;20;21	5.158.489	(24.192.504)
Change in fair value of hedging derivatives, net of income tax	25	632.821	66.552
Other comprehensive income for the period – net of income tax		**5.791.310**	**(24.125.952)**
Total comprehensive income for the period		**28.665.316**	**(56.358.906)**
Comprehensive income attributable to:			
Shareholders of the group		28.120.910	(56.974.963)
Non-controlling interests		544.406	616.057
		28.665.316	**(56.358.906)**

The following notes form an integral part of the Consolidated statement of comprehensive income for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to shareholders						
(Amounts expressed in Euros)	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	PROFIT/LOSS FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
AT 1 JANUARY 2021		166.625.238	71.374.762	(14.709.684)	216.490.913	(32.907.677)	10.235.121	417.108.673
Changes in the period								
Profit for the period application	19;20			504.776	(33.412.453)	32.907.677	–	–
Other changes recognized in equity	20;21			–	2.333.418	–	(2.333.418)	–
				504.776	**(31.079.035)**	**32.907.677**	**(2.333.418)**	**–**
Foreign currency translation differences	19;20;21			5.381.100	(334.216)	–	111.605	5.158.489
Change in fair value reserve – hedging derivatives (net of income tax)	19			632.821	–	–	–	632.821
Profit for the period				–	–	22.441.204	432.802	22.874.006
Comprehensive income				**6.013.921**	**(334.216)**	**22.441.204**	**544.407**	**28.665.316**
				6.518.697	**(31.413.251)**	**55.348.881**	**(1.789.011)**	**28.665.316**
Transactions with shareholders in the period								
Distributions	20	–	–	–	(150.000)	–	–	(150.000)
		–	**–**	**–**	**(150.000)**	**–**	**–**	**(150.000)**
AT 31 DECEMBER 2021		**166.625.238**	**71.374.762**	**(8.190.987)**	**184.927.662**	**22.441.204**	**8.466.110**	**445.623.989**

The following notes form an integral part of the Consolidated statement of changes in equity for the year ended 31 December 2021.

(Amounts expressed in Euros)	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	PROFIT/LOSS FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
		Attributable to shareholders						
AT 1 JANUARY 2020		166.625.238	71.374.762	5.451.864	146.269.375	74.632.835	18.388.220	482.742.294
Changes in the period								
Profit for the period application	19;20			4.832.380	69.800.455	(74.632.835)	–	–
Transfers	19;20;21			(501.653)	(76.658)	–	578.311	–
Other changes recognized in equity	20			–	72.751	–	–	72.751
Changes in the perimeter	21;39			–	–	–	(2.479.296)	(2.479.296)
				4.330.727	**69.796.548**	**(74.632.835)**	**(1.900.985)**	**(2.406.545)**
Foreign currency translation differences	19;20;21			(24.558.161)	424.990	–	(59.332)	(24.192.503)
Change in fair value reserve – hedging derivatives (net of income tax)	19;21			65.886	–	–	666	66.552
Loss / Profit for the period				–	–	(32.907.677)	674.723	(32.232.954)
Comprehensive income				**(24.492.275)**	**424.990**	**(32.907.677)**	**616.057**	**(56.358.905)**
				(20.161.548)	**70.221.538**	**(107.540.512)**	**(1.284.928)**	**(58.765.450)**
Transactions with shareholders in the period								
Distributions	21	–	–	–	–	–	(2.431.067)	(2.431.067)
Reimbursement of equity instruments	21	–	–	–	–	–	(3.400.728)	(3.400.728)
Other changes recognized in equity	21	–	–	–	–	–	(1.036.376)	(1.036.376)
		–	**–**	**–**	**–**	**–**	**(6.868.171)**	**(6.868.171)**
AT 31 DECEMBER 2020		**166.625.238**	**71.374.762**	**(14.709.684)**	**216.490.913**	**(32.907.677)**	**10.235.121**	**417.108.673**

The following notes form an integral part of the Consolidated cash flow statement for the year ended 31 December 2021.

CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euros)	NOTES	Period ended 31 December 2021	2020
Cash flow from operating activities			
Receipts from customers		252.057.405	178.158.801
Payments to suppliers		(142.891.420)	(109.715.690)
Payments to personnel		(59.320.703)	(61.868.282)
Cash generated from operations		**49.845.282**	**6.574.829**
Income tax paid / received		(1.677.254)	11.500.089
Other receipts		1.101.715	2.023.521
Net cash flow from operating activities		**49.269.743**	**20.098.439**
Cash flow from investing activities			
Receipts related to:			
Investments in joint ventures	9	8.000.000	–
Tangible assets		3.160.812	1.420.380
Investment properties		612.233	–
Investments in associates	10	441.000	643.000
Investments in financial assets at fair value through profit or loss	11	349.968	–
Interest income and similar		234.052	531.987
Dividends		21.923	36.560
Payments related to:			
Tangible assets		(12.883.171)	(29.187.368)
Investments in joint ventures	9	(9.858.178)	(250.001)
Investments in associates	10	(1.700.000)	–
Investments in financial assets at fair value through profit or loss	11	(1.138.090)	–
Intangible assets		(614.045)	(173.321)
Changes in the consolidation perimeter	39	–	(5.436.435)
Net cash from investing activities		**(13.373.496)**	**(32.415.198)**
Cash flow from financing activities			
Receipts related to:			
Borrowings	23	76.911.085	53.412.006
Payments related to:			
Borrowings	23	(65.444.690)	(74.527.274)
Lease liabilities		(19.355.431)	(16.809.384)
Loan interest expenses and similar charges		(14.295.099)	(15.227.313)
Dividends	20	(150.000)	–
Dividends to Non-controlling interests	21	–	(2.431.067)
Reimbursement of equity instruments to Non-controlling interests	21	–	(3.400.728)
Net cash from financing activities		**(22.334.135)**	**(58.983.760)**
Changes in cash and cash equivalents		**13.562.112**	**(71.300.519)**
Effects of exchange differences		228.913	1.060.482
Cash and cash equivalents at beginning of the year	17	65.298.517	135.538.554
Cash and cash equivalents at end of the year	17	**79.089.542**	**65.298.517**

The following notes form an integral part of the Consolidated cash flow statement for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Pestana International Holdings S.A. (in this document referred to as "Pestana Hotel Group" or "Group") was incorporated in Luxembourg on 4 July 1980 and since 2005 is classified as a "Société de Participations Financières".

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

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

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

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

In the last years the Group has concentrated on enlarging the chain's footprint throughout major European and North American cities such as Berlin, Amsterdam, Barcelona, Madrid and New York. New hotels are also projected in Manchester and Paris.

Nowadays, Pestana Hotel Group is a Portuguese group in the Hospitality business, with an operation focused on hotels, but complemented by other activities such as timeshare, real estate, residence, golf, touristic entertainment and distribution. It also includes an investment in industry.

Through the promotion of four brands (Pestana Hotels & Resorts, Pestana Collection, Pousadas de Portugal and Pestana CR7 Lifestyle), it currently operates 107 units of touristic lodging totalling 12.212 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of European hotel networks ranking and in the top 75 worldwide.

In the leisure area, Pestana Hotel Group currently holds, besides its 62 hotels (16 in Madeira, 8 in Algarve, 6 in Lisbon/Cascais/Sintra, 4 in Oporto, 1 in Azores, 2 in Madrid, 1 in Barcelona, 1 in London, 1 in Berlin, 1 in Amsterdam, 3 in United States of America, 3 in Mozambique, 3 in São Tomé and Príncipe, 2 in Morocco, 1 in South Africa, 1 in Cape Verde, 4 in Brazil, 1 in Argentina and 1 in Venezuela) and the management of the 37 "Pousadas de Portugal", 9 units of Vacation Club, 8 real estate/touristic ventures, 6 golf courses, 2 casino gambling concessions (in Madeira and São Tomé and Príncipe), 1 travel agency, 1 entertainment company and 1 company in the beverage industry. These numbers include three hotels resulting from the partnership between Pestana Hotel Group and Cristiano Ronaldo, namely Pestana CR7 Lisboa, Pestana CR7 Funchal, Pestana CR7 Madrid and Pestana CR7 Times Square.

UNITS	LOCATION	UNITS	LOCATION
Alto Golf – Pestana Golf & Resort (a)	Algarve	Pestana Palms	Madeira
Gramacho – Pestana Golf & Resort	Algarve	Pestana Palms Vacation Club	Madeira
Pestana Alvor Atlântico Residences (b)	Algarve	Pestana Porto Santo	Madeira
Pestana Alvor Beach Club	Algarve	Pestana Promenade	Madeira
Pestana Alvor Park (c)	Algarve	Pestana Promenade Vacation Club	Madeira
Pestana Alvor Praia	Algarve	Pestana Quinta do Arco (a)	Madeira
Pestana Alvor South Beach	Algarve	Pestana Royal (a)	Madeira
Pestana Blue Alvor	Algarve	Pestana Village	Madeira
Pestana Carvoeiro Gramacho (b)	Algarve	Pestana Village Vacation Club	Madeira
Pestana Carvoeiro Vale da Pinta (b)	Algarve	Pestana Douro	Oporto
Pestana Delfim (a)	Algarve	Pestana Palácio do Freixo (a)	Oporto
Pestana Dom João II Beach Club	Algarve	Pestana Porto A Brasileira (b)	Oporto
Pestana Dom João II	Algarve	Pestana Vintage Porto	Oporto
Pestana Dom João Villas	Algarve	Pousada do Porto – Rua das Flores (d)	Oporto
Pestana Gramacho Residences (b)	Algarve	Beloura Golf – Pestana Golf & Resort (a)	Sintra
Pestana Palm Gardens (c)	Algarve	Pestana Sintra Golf (a)	Sintra
Pestana Porches Praia (b)	Algarve	Pestana Tróia Eco-resort (b)	Tróia
Pestana Viking (a)	Algarve	Pousadas de Portugal (Network) (a)	Portugal
Pestana Viking Vacation Club	Algarve	Pestana Buenos Aires	Argentina
Pestana Vila Sol (a)	Algarve	Pestana Bahia	Brazil
Silves – Pestana Golf & Resort	Algarve	Pestana Curitiba	Brazil
Vale da Pinta – Pestana Golf & Resort	Algarve	Pestana Rio Atlântica	Brazil
Vila Sol – Pestana Golf & Resort (a)	Algarve	Pestana São Paulo	Brazil
Pestana Bahia Praia	Azores	Pestana Trópico	Cape Verde
Pestana Cascais (a)	Cascais	Pestana Berlin Tiergarten	Germany
Pestana Cidadela Cascais (a)	Cascais	Pestana Casablanca (a)	Morocco
Pestana CR7 Lisboa	Lisbon	Pestana Tanger City Center (a) (d)	Morocco
Pousada de Lisboa (a)	Lisbon	Pestana Bazaruto (b)	Mozambique
Pestana Lisboa Vintage (a) (d)	Lisbon	Residence Bazaruto Lodge (b)	Mozambique
Pestana Palace	Lisbon	Pestana Inhaca Lodge	Mozambique
Casino da Madeira (a)	Madeira	Pestana Rovuma (b)	Mozambique
Madeira Magic (a)	Madeira	Pestana Amsterdam Riverside (a)	Netherlands
Pestana Atlantic Gardens (a)	Madeira	Casino São Tomé (b)	São Tomé
Pestana Carlton Madeira (a)	Madeira	Pestana Equador	São Tomé
Pestana Casino Park	Madeira	Pestana Miramar São Tomé (a)	São Tomé
Pestana Casino Studios	Madeira	Pestana São Tomé	São Tomé
Pestana Churchill Bay (a)	Madeira	Vila Maria Residence	São Tomé
Pestana Colombos (a)	Madeira	Pestana Kruger Lodge	South Africa
Pestana CR7 Funchal (a)	Madeira	Pestana Arena Barcelona	Spain
Pestana Fisherman Village (a) (d)	Madeira	Pestana CR7 Gran Via Madrid (d)	Spain
Pestana Grand	Madeira	Pestana Plaza Mayor (a)	Spain
Pestana Grand Vacation Club	Madeira	Pestana Chelsea Bridge	U.K.
Pestana Ilha Dourada (a)	Madeira	Pestana CR7 Times Square (a) (d)	U.S.A.
Pestana Madeira Beach Club	Madeira	Pestana Miami	U.S.A.
Pestana Miramar	Madeira	Pestana Park Avenue (a)	U.S.A.
Pestana Miramar Vacation Club	Madeira	Pestana Caracas (c)	Venezuela
Pestana Ocean Bay	Madeira		

(a) Leased contract /concession
(b) Management contract
(c) Franchised
(d) Opened in 2021

The economic recovery began in 2021 due to the acceleration of the vaccination process and the reopening of borders, although the first quarter was still affected by pandemic restrictive and containment measures, namely by lockdowns in some countries. Thus, Pestana Hotel Group began the process of reopening gradually, based fundamentally on domestic tourism in each country where its units are present, which allowed it to have most of its units in operation at the end of June.

As of July, movement restrictions for people were effectively reduced, which combined with the Group's ability to reopen units in few days, allowed for the opening of around 80% of its units as soon as demand installed. The Group managed in the most relevant period of the year, to reach occupancy rates above 50% in July and 80% in August, maintaining the strategy followed in the previous year of safeguarding the average price. At the beginning of September, the vaccination process in the World started to rapidly advance. Thus, there was a gradual increase in people's confidence in city tourism, leading to the reopening of almost all of the Group's units during the last quarter, including the inauguration of most units completed during the pandemic period. At the end of November, the first cases of the new Ómicron variant were detected, which led to the entry into force of new preventive measures that limited activity during the month of December. However, this limitation was mitigated by the fact that there are several units of the Group that usually no longer operate during the winter, so the lockdowns declared in some locations did not have the same impact as the ones earlier in the year.

As in 2020, Pestana Hotel Group continued to focus on measures that ensured the preservation of its liquidity, continuing to have high amounts of cash and cash equivalents, as well as unused credit lines and working capital, while maintaining its level of indebtedness stable. In addition to having concluded the investments that were in progress, it remained attentive to opportunities that could arise within the scope of its diversification strategy and with high short-term profitability, namely in real estate. This pandemic crisis arose at a time when the Group had a strong financial capacity, thus not having to resort to the sale of assets, which are mostly recognized at substantially lower than market values and mostly free of mortgages.

Within the scope of the aforementioned liquidity policy, the Group sought to restructure its debt through the issuance of a new bond loan, having obtained financing under the lines of support to the economy and debt moratoriums on capital reimbursements up to 30 September 2021, maintaining interest payments for most borrowings.

The Group also used job maintenance support measures created by governments from various countries and continued with the cost control and reduction measures followed in the previous year, namely the renegotiation of contracts with suppliers, including leases. With the gradual recovery, it implemented measures that allowed for an efficient management of resources, such as the analysis of demand to decide the right time for the reopening of units and the relocation of employees, with their previous approval. The high weight of variable costs in the Group's structure, complemented with these measures, allowed to obtain, in 2021, an EBITDA in the order of 60% of that obtained in 2019.

Expectations for the future are very positive as the effectiveness of vaccines has restored confidence to tourists, who already showed willingness to travel in 2021, especially for leisure, whenever conditions allowed. Thus, in view of the evolution observed and the analyses, projections and expectations of economic agents, the Group is convinced that activity will gradually return to levels of the recent past, within a period of 2 to 3 years.

These Consolidated financial statements were authorised for issue by the Board of Directors on 3 of May 2022 and are subject to the approval of shareholders. The Board of directors believes that the Consolidated financial statements give a true and fair view of the performance of Pestana Hotel Group, as well as its consolidated financial position and its consolidated cash flows.

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

2. Accounting standards used in the preparation of the Consolidated financial statements

The Consolidated financial statements are prepared by Pestana Hotel Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and effective as at 1 January 2021. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Board. IFRS were adopted by the Group for the first time in the year ended 31 December 2010.

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

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

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

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

Amendments to standards

a) The impact of the adoption of the amendments to standards that became effective as of 1 January 2021 is as follows:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) 'Interest rate benchmark (IBOR) reform – phase 2'. These amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one, providing exemptions like: i) changes to designations and hedging documentation; ii) amounts accumulated in the cash flow hedge reserve; iii) assessment of retrospective effectiveness on a hedge relationship under IAS 39; iv) amendments to hedge relationships for groups of items; v) presumption that an alternative benchmark rate designated as a non-contractually specified risk component is separately identifiable and qualifies as a hedged risk; and vi) update the effective interest rate, with no gain or loss recognized, for financial instruments measured at amortized cost with changes in the contractual cash flows as a result of IBOR reform, including leases that are indexed to an IBOR. These amendments had no significant impact on the Group's Consolidated financial statements.
- IFRS 16 (amendment), 'Leases – COVID-19 related rent concessions beyond 30 June 2021'. This amendment extends the date of application of the IFRS 16 – 'Leases – COVID-19 related rent concessions' amendment from 30 June 2021 to 30 June 2022. The conditions required to apply the practical expedient mostly remained unchanged. This amendment is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings of the annual reporting period in which the lessee applies this amendment for the first time. The impact of adopting this amendment is explained in Notes 24 and 31.

b) Amendments to standards that are mandatory for accounting periods beginning on or after 1 January 2022, which the EU has already endorsed:

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

- IFRS 3 (amendment), 'Reference to the Conceptual framework'. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.
- Annual Improvements 2018 – 2020. This cycle of improvements impacts the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41. The Group will apply these amendments when they become effective with no expected relevant impacts on the Group's Consolidated financial statements

c) Amendments to standards that are mandatory for accounting periods beginning on or after 1 January 2022, but which the EU has not yet endorsed:

- IAS 1 (amendment), 'Presentation of financial statements – classification of liabilities'. This amendment intends to clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists but should not consider whether or not the entity will exercise that right), or by events occurring after the reporting date, such as the non-compliance with a given "covenant". This amendment also introduces a new definition of "settlement" of a liability. This amendment is applied retrospectively. The Group will apply this amendment when it becomes effective with no expected relevant impacts on the Group's Consolidated financial statements.
- IAS 1 (amendment), 'Disclosure of accounting policies'. Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.
- IAS 8 (amendment), 'Disclosure of accounting estimates'. Introduction of the concept of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s). The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

- IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'. IAS 12 will require entities to recognize deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These apply to the recognition of: i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are no longer subject to the initial recognition exemption for deferred taxes. The cumulative effect of initially applying the amendment is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the earliest comparative period presented. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

3. Main accounting policies

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

3.1. Consolidation

3.1.1. Subsidiaries

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

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

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

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

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

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

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

Entities that qualify as Subsidiaries are listed in Note 38.

3.1.2. Joint ventures

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

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

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

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

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

3.1.3. Associates

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

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

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

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

When the Group's share of losses of an associate exceeds its interest in the associate, additional losses are provided for only to the extent that the Group has incurred obligations or made payments on behalf of the associate that are estimated as non-recoverable.

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

3.1.4. Financial assets at fair value through profit or loss

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

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

3.2. Foreing currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

iii) Foreign Operating Units

The results and financial position of the foreign operating units of Pestana Hotel Group which have a functional currency other than are translated into the presentation currency as follows:

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

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

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

The results and financial position in Argentina, considered an hyperinflationary economy since July 2018, are also translated as stated before since the operations in this subsidiary are immaterial.

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

iv) Exchange rates used

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

Currency	31-12-2021	31-12-2020
ARS – Argentine Peso	117,5000	101,7500
BRL – Brazilian Real	6,3166	6,3719
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8401	0,8981
MAD – Moroccan Dirham	10,5180	10,8820
MZN – Metical	72,5900	91,6450
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,1326	1,2268
UYU – Uruguayan Peso	50,4952	51,9596
ZAR – Rand	18,0677	18,0167

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

Currency	2021	2020
ARS – Argentine Peso	113,0338	80,1594
BRL – Brazilian Real	6,3780	5,8880
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8595	0,8896
MAD – Moroccan Dirham	10,6214	10,8244
MZN – Metical	77,5689	79,1099
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,1826	1,1414
UYU – Uruguayan Peso	51,4991	47,9596
ZAR – South African Rand	17,4717	18,7719

3.3. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. This cost includes: (a) the “deemed cost” determined at the date of transition to the IFRS, namely in 2010, which in the case of land and buildings allocated to the hotel business, timeshare and golf, were almost all measured at their revalued amount, whereas, for all other assets, these were measured at the net amount carried over from the previous GAAP, including legal revaluations, and (b) the acquisition cost of assets acquired or constructed after that date.

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

The acquisition cost comprises the purchase price of the asset, costs directly attributable to the acquisition and costs incurred in preparing the asset to be in the intended conditions of use. The financial costs incurred with loans obtained for construction of tangible assets are recognized as part of the construction cost of the asset.

For buildings allocated in part or in whole to the timeshare business, initial direct costs incurred in negotiating and accepting these contracts, such as commissions paid to promoters, were added to the carrying amount of the leased asset in accordance with IFRS 16 – Leases.

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

The cost of repairs and maintenance of recurring nature are recognized in the income statement as incurred.

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

	YEARS
Buildings and other constructions:	
Hotels and Vacation club Property	40 years
Golf Property	20 years
Right of use	Between 4 and 99 years
Basic equipment	Between 10 and 20 years
Transport equipment	Between 4 and 8 years
Tools	Between 4 and 10 years
Administrative equipment	Between 3 and 10 years
Other tangible assets	Between 10 and 20 years

Initial direct costs incurred in negotiating and arranging timeshare contracts, added to buildings leased, are recognized as an expense over the lease term on the same basis as the lease income, as required by in IFRS 16, and this period varies between 3 to 30 years.

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

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

3.4. Intangible assets

Intangible assets are recognized only when: i) they are identifiable, ii) it is probable that economic benefits will arise from them in the future, and iii) the cost can be reliably measured.

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

When purchased as part of a business combination, separate from goodwill, intangible assets are valued at fair value, as determined the scope of the application of purchase method as foreseen by IFRS 3 – Business Combinations.

Internally generated assets, including internal development costs are recorded as an expense when incurred if it is not possible to distinguish the research phase from the development phase, or if it is not possible to reliably determine costs incurred in the development phase or it is unlikely that there will be future economic benefits for the Pestana Hotel Group.

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

Intangible assets of Pestana Hotel Group refer mainly to software and websites.

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

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

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

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

Amortization is calculated on a straight-line basis, using estimated useful lives, being the most significant related to websites which are amortized in 4 years.

3.5. Investment properties

Investment properties are real estate assets (land, buildings or parts of buildings) held for the purpose of capital appreciation, obtaining rental income, or both, and, therefore, not used in Pestana Hotel Group's ordinary activity. On the date of transition to IFRS, Investment properties were valued at their revalued cost or the value carried from the previous standards. Subsequently, the Group continues to apply the cost model, which is applied to all assets classified as investment properties.

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

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

3.6. Impairment of non-financial assets

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

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

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

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

When an impairment loss or its reversal, is recognized the depreciation/amortization of the related assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.7. Fair value of assets and liabilities

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

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

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

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

3.8. Financial assets

i. Classification

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

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

Financial assets can be classified as:

(i) Financial assets at amortized cost: includes financial assets which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts;

(ii) Financial assets through other comprehensive income: this category may include financial assets which qualify as debt instruments (contractual obligation to deliver cash flows) or as equity instruments (residual interest in an entity):

   (a) In what concerns debt instruments this category includes financial assets which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts or occasionally its sale;

   (b) In what concerns equity instruments this category includes the percentage of interest held in an entity over which no control, joint control or significant influence is exercised and for which it has been irrevocably decided at the time of initial recognition to be designated as fair value through other comprehensive income;

(iii) Financial assets at fair value through profit or loss: includes assets which do not fulfil the criteria for classification as financial assets at amortized cost or fair value through other comprehensive income whether they are debt or equity instruments.

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

ii. Measurement

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

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

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

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

iii. Impairment

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

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

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

Pestana Hotel Group's debtors from hospitality (tour operators and travel agencies) beverage industry, vacation club and golf are assessed for impairment when there are contractual payments overdue for more than 1 year, available information that indicates that a default may occur before that period.

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

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

As at 31 December 2021 and 2020 all related parties are able to pay, having the probability of default been considered as close to 0% and therefore no impairment has been recognized.

iv. Write-off

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

v. Derecognition

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

3.9. Inventories

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

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

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

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

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

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

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

3.10. Income tax

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

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

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

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

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

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

3.11. Cash and cash equivalents

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

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

3.12. Capital

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

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

3.13. Provisions

Provisions are only recognized when Pestana Hotel Group has a present legal or constructive obligation resulting from past events exists, it is probable that an outflow of internal resources will be necessary to settle this obligation and its amount can be reasonably estimated. Whenever one of the criteria is not met or the existence of the obligation is conditional on the occurrence (or non-occurrence) of a certain future event, Pestana Hotel Group discloses this fact as a contingent liability, unless the assessment of the outflow of resources for the payment thereof is considered remote.

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

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

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

3.14. Financial liabilities

Financial liabilities are classified into two categories:

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

(ii) Financial liabilities at amortized cost.

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

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

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

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

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

3.15. Borrowings

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

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

3.16. Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.17. Derivatives

Derivative financial instruments are initially recorded at fair value on the transaction date being subsequently measured at fair value. The method for recognizing gains and losses in fair value depends on the designation of the derivatives as trading or hedging.

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

When dealing with trading derivatives, gains and losses in fair value are recognized in the income statement for the period under finance income or finance expenses. When designated as hedging derivatives, the recognition of gains and losses in fair value depends on the nature of the hedged item, which may correspond to a fair value hedge or a cash flow hedge.

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

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

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

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

3.18. Government grants and incentives

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

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

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

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

3.19. Income and Expenses

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

3.20. Revenue

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

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

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

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

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

(i) Hospitality

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

Pestana Hotel Group has in force a loyalty program, denominated as PGC – Pestana Guest Club, according to which regular customers may obtain discounts and offers in future services. Considering that transactions that qualify for point's award is a separate performance obligation, at the date the services are rendered there is a segregation of the amount invoiced to the client between the revenue of product or services and the value of points awarded, considering the separate sale price of each performance obligation and the customer's point redemption history. Thus, the revenue of the product sold or service rendered is recognized immediately in the income statement, and the value allocated to the points is deferred until the date the customer uses the points in the purchase of a product/service, as agreed in the loyalty program, or until the date the points expire, considering the historic average of expired points and the consumption pattern of the existing points (breakage) as foreseen in IFRS 15.

(ii) Vacation club

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

Timeshare contracts include two revenue streams, namely, the right to use a unit of the timeshare resort accounted in accordance with IFRS 16 (see Note 3.16) and revenue from maintenance fees contractually defined as an amount to be charged to timeshare customers. The maintenance fee is recognized as revenue on the agreed date during the contract period since Pestana Hotel Group has the right to receive this amount regardless of the use of the accommodation unit by the customer at that time. These maintenance fees include the management services performed by the Group as well as a component associated with the costs incurred by the Group relating to maintenance, insurance, cleaning, repairs and replacement of equipment at the timeshare units and resorts.

In cases of sale of Options contracts or in the Brazilian "Pestana Holiday Club", in which the customer acquires the right to use the accommodation without having to determine at that time which specific hotel to use, this right is represented in points. The revenue from these points is recognized according to their use and expiration date, considering the average of historically expired points and taking into account the rate of consumption of existing points (breakage) as provided for in IFRS 15.

(iii) Touristic real estate business

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

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

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

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

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

(iv) Construction contracts

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

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

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

(v) Touristic entertainment

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

(vi) Management contracts

Management services represent fees received for managing hotels owned by third parties and managed by Pestana Hotel Group are recognized through the contract's period because it is considered that control over the service and the associated benefits are transferred to the customer as the Group provides the service. Revenue normally corresponds ordinarily to a percentage of the hotel revenue plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) to the revenues and/or to the gross operating profits of the hotel (G.O.P.) therefore revenue is only recognized when the probability of reversal is considered to be low.

3.21. Subsequent events

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

4. Financial risk management policies

4.1. Financial risk factors

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

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

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

i. Market risk

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

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

In the case of the investments in countries outside of the EU, the cash flows are mainly generated by operations in the currency of the country of each subsidiary, having the respective funding also been mainly obtained in that currency. Thus, a natural hedge to exchange rate risk over cash flows is obtained. Pestana Hotel Group's Consolidated financial statements, being presented in Euros, are subject to exchange rate impact caused by the periodic revaluation of its debt which will tend to fade away in the long term.

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

Regarding the monetary assets/liabilities that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2021 and 2020, would lead to an increase/(decrease) in the Pestana Hotel Group results as follows:

	Consolidated income statement			
	31-12-2021		31-12-2020	
	+10%	-10%	+10%	-10%
GBP	1.757.202	(2.147.691)	1.519.939	(1.857.703)
	1.757.202	**(2.147.691)**	**1.519.939**	**(1.857.703)**

This analysis assumes that all other variables, namely interest rates, remain unchanged.

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

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

These factors are determinant in defining Pestana Hotel Group's financial risk management policy. This policy aims, above all else, to ensure the significant reductions of these risks in a prudent way, searching to focus on efficient 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.

Short-term treasury excesses, when existent, are firstly applied in the reduction of short-term debt, then on the more expensive medium and/or long-term debt and also on the equity financing component of the new projects. In order to reduce treasury risk the remaining excess is applied on very short term deposits with financial institutions with whom Pestana Hotel Group already works and with whom it has most of its medium and/or long term debt.

The Group's risk management is based on a highly variable cost structure that allows flexibility in the face of adverse scenarios, such as the decrease in sales, a factor that was crucial in obtaining positive operating results even in the context of a pandemic. In 2021, after high rates of vaccination against COVID-19 and the consequent decrease in the number of serious cases, it was possible to restore confidence to tourists, increasing operational results. Considering the evolution of the economic recovery, the Group saw its expectations reinforced that international tourism will return to 2019 levels in the next 2 to 3 years. During the pandemic period, the Group took the measures it considered the most appropriate to have a quick adaptation to the new context, ensuring the safety of customers, employees and business continuity.

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

A sensitivity analysis was performed, based on Pestana Hotel Group total debt deducted of the cash and cash equivalents as at 31 December 2021 and 2020.

Considering Pestana Hotel Group's consolidated net debt as at 31 December 2021, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 1.300.000 Euros (31 December 2020: approximately 900.000 Euros).

ii. Credit risk

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

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

In order to increase credit risk hedging, Pestana Hotel Group has a credit insurance from a leading insurance company in the Portuguese market which includes a significant part of the credit on corporate customers and tour operators from the main feeder markets for the Group's units. However, the pandemic context accelerated an already existing trend of change in the way tourists arrive at the Group's units, with a decrease in transactions through corporate customers and tour operators with credit granted in return for a significant increase in the use of direct channels or digital platforms, which have no collection risk and which already represented most bookings in 2021.

The follow up of credit risk is made centrally by the finance department of Pestana Hotel Group, 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.

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

	Bank deposits		Bank loans	
	2021	2020	2021	2020
Rating				
Aa2	811.794	–	18.860.000	–
Aa3	311.771	842.894	–	20.240.000
A1	60.236	5.804	–	–
A2	30.737.708	19.038.755	136.253.608	125.716.593
A3	26.852.650	3.563.629	70.559.678	6.666.667
Baa1	832.705	16.172.440	6.428.572	36.431.513
Baa2	19.143.492	55.979	70.912.174	28.931.361
Baa3	–	16.809.926	–	52.399.422
Ba1	–	332.963	–	–
Ba2	–	51.159	–	–
Ba3	326.364	–	7.920.635	–
B1	3.899.985	1.004.560	6.212.690	8.365.079
B2	68.931	4.297.340	–	–
No classification	4.362.996	4.007.981	34.746.529	39.912.831
	87.408.632	**66.183.430**	**351.893.886**	**318.663.466**

iii. Liquidity risk

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

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

As a result of the impact of the COVID-19 pandemic, Pestana Hotel Group focused on measures that ensured the preservation of its liquidity, while continuing to have high amounts of cash and cash equivalents, as well as unused lines of credit and working capital. Despite having concluded the investments under construction and being attentive to opportunities that could arise within the scope of its high short-term profitability diversification strategy, its level of indebtedness remained stable. This pandemic crisis arose at a time when Pestana Hotel Group had a strong financial capacity, with no need for additional financing or the sale of assets, which are mostly recognized at values substantially below market value and mostly free of liens, which allows it to ensure the continuity of its operations in the medium term. In addition, government supports were also used in the scope of job maintenance and supporting liquidity, such as capital moratoriums on borrowings.

Regular analysis are carried out over estimated cash flows both in the short term and in the medium and long term, so as to adjust the type and amount of appropriate financing. Whenever necessary, Pestana International Holdings S.A. supports its subsidiaries by ensuring that they continue to have a solid financial capacity.

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

31 DECEMBER 2021	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
Borrowings:	118.451.037	301.228.440	284.859.789
- bank loans	64.413.810	126.332.486	123.925.368
- bond loans	13.479.675	60.000.000	29.000.000
- commercial paper	444.444	36.777.778	-
- bank overdrafts	9.812.229	-	-
- lease liabilities	14.058.003	48.098.730	119.378.262
- undiscounted interests payable until maturity	16.242.876	30.019.446	12.556.160
Trade and other payables – non group	57.345.133	59.367	-
Derivatives financial instruments	25.822	332.306	-

31 DECEMBER 2020	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
Borrowings:	67.833.190	320.860.035	263.292.520
- bank loans	13.533.632	153.730.841	126.232.326
- bond loans	27.500.000	75.000.000	-
- commercial paper	2.944.444	21.777.776	444.447
- bank overdrafts	1.720.674	-	-
- lease liabilities	11.792.572	43.666.086	124.590.453
- undiscounted interests payable until maturity	10.341.868	26.685.332	12.025.294
Trade and other payables – non group	43.662.130	53.937	-
Derivatives financial instruments	366.670	810.064	-

4.2. Capital risk management

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

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

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

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

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	31-12-2021	31-12-2020
Total borrowings	462.811.011	421.096.804
Total lease liabilities	181.534.995	180.049.111
Less: cash and cash equivalents	88.901.771	67.019.191
Net debt	**555.444.235**	**534.126.724**
Equity	445.623.989	417.108.673
Total capital	**1.001.068.224**	**951.235.397**
Gearing	**55%**	**56%**

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

	31-12-2021	31-12-2020
Total borrowings	462.811.011	421.096.804
Total lease liabilities	181.534.995	180.049.111
Less: cash and cash equivalents	88.901.771	67.019.191
Net debt	**555.444.235**	**534.126.724**
Equity adjusted	574.675.975	554.046.469
Total capital	**1.130.120.210**	**1.088.173.193**
Gearing	**49%**	**49%**

4.3. Accounting for derivative financial instruments

As at 31 December 2021 and 2020, and whenever appropriate, Pestana Hotel Group has hedged its economic exposure to cash flows from existing borrowing through the negotiation of interest rate swaps.

5. Main accounting estimates and judgments

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

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

5.1. Entities included in the consolidation perimeter

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

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

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

5.2. Tangible fixed assets

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

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

5.3. Leases

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

5.4. Impairment of non-financial assets

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

The identification of impairment indicators, the estimate of future cash flows and the computation of the fair value of assets imply a high degree of judgment by the Board of Directors regarding the identification and evaluation of different impairment triggers, expected cash flows, applicable discount rates and useful lives. Pestana Hotel Group's results obtained in this sector, for the last 50 years, are, however, a good indicator to assess the estimates that have been used.

5.5. Provisions

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

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

5.6. Income taxes

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

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

6. Tangible fixed assets

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

	LAND	BUILDINGS AND OTHER CONSTRUCIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCION	TOTAL
1 JANUARY 2021								
Acquisition cost	194.111.959	1.245.622.813	291.173.636	9.461.199	28.376.323	13.494.159	57.438.773	1.839.678.862
Accumulated depreciation	(788.388)	(562.125.496)	(216.513.700)	(8.008.312)	(27.231.083)	(9.752.175)	–	(824.419.154)
Accumulated impairment	(425.463)	(7.378.931)	(88.615)	–	(1.085)	(509)	–	(7.894.603)
Net book value	**192.898.108**	**676.118.386**	**74.571.321**	**1.452.887**	**1.144.155**	**3.741.475**	**57.438.773**	**1.007.365.105**
Changes in 2021								
Additions	–	16.091.360	2.791.190	783.310	411.838	1.168.642	6.451.750	27.698.090
Disposals – acquisition cost	(567.470)	(1.825.182)	(799.034)	(237.550)	(183.858)	(319.920)	–	(3.933.014)
Disposals – accumulated depreciation	–	981.063	672.972	268.178	172.009	304.396	–	2.398.618
Write-offs – acquisition cost	–	(632.673)	(212.198)	(139.670)	(9.605)	(606)	–	(994.753)
Write-offs – accumulated depreciation	–	574.716	169.337	109.043	8.658	372	–	862.126
Write-offs – accumulated impairment	–	8.750	42.862	–	946	234	–	52.793
Transfers	2.520.120	27.229.848	2.518.648	–	132.116	–	(32.400.732)	–
Transfer from Inventories (Note 15)	110.681	515.014	–	–	–	–	–	625.695
Transfer to Inventories – acquisition cost (Note 15)	–	(602.237)	–	–	–	–	–	(602.237)
Transfer to Inventories – acc. depreciation (Note 15)	–	26.460	–	–	–	–	–	26.460
Depreciation	(1.366.580)	(38.536.334)	(10.122.526)	(942.536)	(541.666)	(791.431)	–	(52.301.073)
Foreign currency translation – acquisition cost	1.939.255	6.924.492	1.084.029	50.788	218.127	51.108	155.388	10.423.187
Foreign currency translation – acc. depreciation	(72.475)	(1.877.835)	(733.659)	(79.961)	(206.820)	(36.703)	–	(3.007.453)
Foreign currency translation – acc. impairment	(111.685)	–	(17.995)	–	(7.102)	–	–	(136.782)
Impairment – reversal	–	1.628.846	–	–	–	–	–	1.628.846
	2.451.846	**10.506.288**	**(4.606.375)**	**(188.398)**	**(5.356)**	**376.092**	**(25.793.594)**	**(17.259.497)**
31 DECEMBER 2021								
Acquisition cost	198.114.545	1.293.323.435	296.556.270	9.918.077	28.944.941	14.393.383	31.645.179	1.872.895.830
Accumulated depreciation	(2.227.443)	(600.957.426)	(226.527.576)	(8.653.588)	(27.798.902)	(10.275.541)	–	(876.440.476)
Accumulated impairment	(537.148)	(5.741.335)	(63.748)	–	(7.240)	(275)	–	(6.349.746)
Net book value	**195.349.954**	**686.624.674**	**69.964.946**	**1.264.489**	**1.138.799**	**4.117.567**	**31.645.179**	**990.105.608**

During the year ended as at 31 December 2020 the movements occurred in Tangible fixed assets are as follows:

	LAND	BUILDINGS AND OTHER CONSTRUCIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCION	TOTAL
1 JANUARY 2020								
Acquisition cost	203.237.235	1.269.021.966	287.288.598	9.511.866	30.088.703	12.739.228	90.299.944	1.902.187.540
Accumulated depreciation	(582.106)	(568.082.712)	(208.519.868)	(7.509.438)	(28.734.746)	(9.474.990)	–	(822.903.860)
Accumulated impairment	(557.540)	(6.962.691)	(45.754)	–	(139)	(275)	(1.121.481)	(8.687.880)
Net book value	**202.097.589**	**693.976.563**	**78.722.976**	**2.002.428**	**1.353.818**	**3.263.963**	**89.178.463**	**1.070.595.800**
Changes in 2020								
Additions	–	10.415.310	4.098.849	429.178	381.260	1.188.693	12.604.932	29.118.222
Disposals – acquisition cost	(58.373)	(1.459.478)	(685.751)	(104.726)	(959)	–	(54.958)	(2.364.245)
Disposals – accumulated depreciation	–	1.141.815	652.640	89.900	719	–	–	1.885.074
Write-offs – acquisition cost	–	(909.691)	–	(123.879)	(3.519)	–	(387.156)	(1.424.245)
Write-offs – accumulated depreciation	–	393.661	–	43.081	3.519	–	–	440.26
Write-offs – accumulated impairment	–	25.429	–	–	–	–	342.121	367.550
Transfers from and to Inventories	–	–	–	–	–	–	(1.482.928)	(1.482.928)
Transfers	–	34.588.725	2.862.116	–	124.300	111.827	(37.686.968)	–
Depreciation	(223.502)	(38.881.700)	(10.495.525)	(879.283)	(656.489)	(716.447)	–	(51.852.946)
Perimeter exits – acquisition cost	–	(29.581.222)	(483.390)	(216.485)	(461.157)	(4.647)	(363.660)	(31.110.561)
Perimeter exits – accumulated depreciation	–	28.472.454	475.292	214.350	460.932	2.489	–	29.625.517
Foreign currency translation – acquisition cost	(9.066.903)	(36.452.797)	(1.906.786)	(34.755)	(1.752.305)	(540.942)	(1.944.040)	(51.698.528)
Foreign currency translation – acc. depreciation	17.220	14.830.986	1.373.761	33.078	1.694.982	436.773	–	18.386.800
Foreign currency translation – acc. impairment	132.077	7.796	–	–	–	–	2.567	142.440
Impairment – charge	–	(449.465)	(42.861)	–	(946)	(234)	(2.769.600)	(3.263.106)
	(9.199.481)	**(17.858.177)**	**(4.151.655)**	**(549.541)**	**(209.663)**	**477.512**	**(31.739.690)**	**(63.230.695)**
31 DECEMBER 2020								
Acquisition cost	194.111.959	1.245.622.813	291.173.636	9.461.199	28.376.323	13.494.159	57.438.773	1.839.678.862
Accumulated depreciation	(788.388)	(562.125.496)	(216.513.700)	(8.008.312)	(27.231.083)	(9.752.175)	–	(824.419.154)
Accumulated impairment	(425.463)	(7.378.931)	(88.615)	–	(1.085)	(509)	–	(7.894.603)
Net book value	**192.898.108**	**676.118.386**	**74.571.321**	**1.452.887**	**1.144.155**	**3.741.475**	**57.438.773**	**1.007.365.105**

During the year ended as at 31 December 2021 and 2020 the movements occurred in Right of use assets, by asset type, are as follows:

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
1 JANUARY 2021					
Acquisition cost	15.295.568	228.321.549	833.592	3.360.273	247.810.982
Accumulated depreciation	(788.387)	(90.259.024)	(703.589)	(2.505.497)	(94.256.497)
Accumulated impairment	–	(5.054.741)	–	–	(5.054.741)
Net book value	**14.507.181**	**133.007.784**	**130.003**	**854.776**	**148.499.744**
Changes in 2021					
Additions	–	11.518.938	97.445	744.861	12.361.244
Write-offs – acquisition cost	–	(587.216)	–	(139.670)	(726.886)
Write-offs – accumulated depreciation	–	538.009	–	109.043	647.052
Foreign currency translation – acquisition cost	829.940	97.037	–	–	926.977
Foreign currency translation – acc. depreciation	(72.477)	(7.748)	–	–	(80.225)
Depreciation	(1.366.579)	(12.701.200)	(85.077)	(820.035)	(14.972.891)
Impairment – reversal	–	1.628.846	–	–	1.628.846
	(609.116)	**486.666**	**12.368**	**(105.801)**	**(215.883)**
31 DECEMBER 2021					
Acquisition cost	16.125.508	239.350.308	931.037	3.965.464	260.372.317
Accumulated depreciation	(2.227.443)	(102.429.963)	(788.666)	(3.216.489)	(108.662.561)
Accumulated impairment	–	(3.425.895)	–	–	(3.425.895)
Net book value	**13.898.065**	**133.494.450**	**142.371**	**748.975**	**148.283.861**

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
1 JANUARY 2020					
Acquisition cost	16.217.905	232.254.601	805.620	3.084.583	252.362.709
Accumulated depreciation	(582.106)	(80.584.181)	(541.843)	(1.828.884)	(83.537.014)
Accumulated impairment	–	(4.647.251)	–	–	(4.647.251)
Net book value	**15.635.799**	**147.023.169**	**263.777**	**1.255.699**	**164.178.444**
Changes in 2020					
Additions	–	1.289.929	27.972	399.569	1.717.470
Write-offs – acquisition cost	–	(909.089)	–	(123.879)	(1.032.968)
Write-offs – accumulated depreciation	–	393.059	–	43.081	436.140
Write-offs – accumulated impairment	–	25.429	–	–	25.429
Foreign currency translation – acquisition cost	(922.337)	(4.313.892)	–	–	(5.236.229)
Foreign currency translation – acc. depreciation	17.221	3.428.955	–	–	3.446.176
Foreign currency translation – acc. impairment	–	7.796	–	–	7.796
Depreciation	(223.502)	(13.496.857)	(161.746)	(719.694)	(14.601.799)
Impairment – charge	–	(440.715)	–	–	(440.715)
	(1.128.618)	**(14.015.385)**	**(133.774)**	**(400.923)**	**(15.678.700)**
31 DECEMBER 2020					
Acquisition cost	15.295.568	228.321.549	833.592	3.360.273	247.810.982
Accumulated depreciation	(788.387)	(90.259.024)	(703.589)	(2.505.497)	(94.256.497)
Accumulated impairment	–	(5.054.741)	–	–	(5.054.741)
Net book value	**14.507.181**	**133.007.784**	**130.003**	**854.776**	**148.499.744**

Additions excluding Right of use assets and Assets under construction

The main additions in 2021 refer essentially to:

- Completion of Pestana Fisherman Village – Câmara de Lobos Boutique hotel, a new luxury four-star hotel located in the emblematic historic center of Câmara de Lobos. The hotel has 42 rooms and started its activity in August 2021, located in two buildings, fully refurbished, maintaining its original architectural features of the old Municipal building of Beautiful Tower. The total investment was 2.280.000 Euros, of which 1.062.000 Euros in 2021 (2020: 1.108.000 Euros). For this asset, the Group entered into a 50-year lease agreement with the owner of the property that implies the payment of an annual fixed rent;
- Completion of the construction of Pousada do Porto – Rua das Flores, a 4-star tourist development of 4 in the historic center of Oporto with 84 rooms and suites, resulting from the refurbishment of a building acquired in 2018 for 8.000.000 Euros, and which was in a high state of degradation. Including the acquisition cost, a total of 15.300.000 Euros was invested, of which 610.000 Euros occurred in 2021 (2020: 4.990.000 Euros). This unit opened in October 2021;
- The Pestana Douro project refers to the rehabilitation of a building acquired in 2018 in Oporto which will be a new 165-key hotel with a priviledged view over the Douro river located in the old floral soap factory in Oporto next to Pestana Palácio do Freixo. This project was completed in April of 2021 and opened in March 2022. The Group's total investment was approximately 15.990.000 Euros, of which 214.000 Euros occurred in 2021 (2020: 4.290.000 Euros).

- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.3) amounted to approximately 1.330.000 Euros in 2021 (2020: 1.120.000 Euros);
- The remaining additions refer to renovations and improvements as well as acquisition of equipment necessary for the normal operation of the Group's units.

The main additions in 2020 refer essentially to:

- Refurbishments and renovations in existing hotel units, namely, Pestana D. João II, Pousada de Estói, Palácio do Freixo, Pousada de Viana do Castelo, Pestana Ocean Bay, Pestana Bazaruto Lodge, Pestana Amsterdam Riverside, Pestana Arena Barcelona, Pestana Buenos Aires for a total amount of approximately 4.875.000 Euros;
- Completion of the new hotel Pestana Lisboa Vintage for which the Group had celebrated a 17-year period lease contract in 2018 for the renovation and refurbishment of its new 121-key 4-star unit on Rua Braamcamp in Lisbon. The hotel's construction and refurbishment necessary to recover and adapt the building for hospitality purposes, as well as all furniture and equipment are Pestana Hotel Group's responsability. The Group's total investment was approximately 5.800.000 Euros, of which 2.550.000 Euros occurred in 2020. This hotel opened in November 2021.
- Completion of the last 139 rooms and a restaurant of Pestana Blue Alvor, a 5-star hotel with 491 rooms, in a plot of land of 12,8 Ha situated between Pestana Alto Golfe and hotels Pestana Alvor Praia and Pestana Delfim with a direct connection to the sand of Three Brothers beach in Alvor, having spent in 2020 2.000.000 Euros of a total investment of 39.900.000 Euros;
- Completion of Pestana Park Avenue, a 96-key hotel located in New York, 39th street, two blocks away from Central Station which opened in February 2020. This project's total investment was 33.000.000 Euros (2020: 1.935.000 Euros);
- Completion of the necessary improvements in the urban buildings located in the historic center of Vila Real de Santo António that make up the new Pousada de Vila de Real Santo António and which were provided in the lease agreement signed in 2017 for a period of 20 years, for the installation and operation of a new unit under the brand "Pousada". This Pousada, which opened in July 2021, has 57 rooms, a restaurant and event rooms and a total investment of 3.760.000 Euros, of which 960.000 Euros occurred in 2020.

Right of use asset additions

Right of use assets refer, mainly, to buildings and other constructions as presented in Note 24.

In 2021 Right of use asset additions refer to:

- Renewal of the lease agreement for Pestana Casablanca, Morocco, until April 2031 with an impact of 5.296.000 Euros.

- New contract celebrated for the lease of a building to operate a new 120-rooms hotel in Tanger, Pestana Tanger City Center, which opened in November 2021.This contract has a 9-year lease term and ends in 2030. The hotel's construction as well as all furniture and equipment are the lessor's responsibility. The Right of use asset and corresponding Lease liability were registered in the amount of approximately 2.700.000 Euros.
- Lease modification resulting from a promissory purchase agreement signed in December 2021 for the lot where ECM – Empresa de Cervejas da Madeira, Lda.'s factory is built for 2.952.320 Euros. The Group paid 20% of the price as a down payment, in the amount of 590.464 Euros. The promissory purchase agreement defines a set of conditions for the execution of the public deed which the Group is not responsible for. If these conditions are not fulfilled until as many months have passed as correspond to the value of the down payment counting from the date of signature of this agreement, the previous agreement of promise of constitution of surface rights is reinstated and the down payment will be written off as a payment for the rents during this period which is approximately 5 years.

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

- In 2021, the right-of-use contracts for Pestana Colombos and Pestana Ilha Dourada were also renewed, with the respective terms being extended to October 2023 and May 2024, respectively, and with a total impact of 1.721.537 Euros.
- Adjustments made to reflect changes to the lease payments resulting from a change in Consumer Price Index as well as the extension of the term of some lease agreements.

In 2020 Right of use asset additions refer to:

- Adjustments made to reflect changes to the lease payments resulting from a change in Consumer Price Index as well as the extension of the term of some lease agreements, in the amount of 1.320.000 Euros;
- New car lease agreements contracted in the amount of approximately 400.000 Euros.

Disposals

In 2021, disposals refer mainly to the sale of Pestana Angra Beach Resort, Brazil, for about 2.350.000 Euros (15.000.000 Reais), with a capital gain of 1.400.000 Euros (9.100.000 Reais) (Note 31). The agreed sale amount will be paid based on a contractual payment plan until 2025 inclusive, and the amount receivable in 2022 is around 470.000 Euros (3.000.000 reais).

Additionally, disposals in 2021 also include the sale of 3 apartments from Pestana Gramacho Residences, in Algarve, in the amount of 449.380 Euros (2020: 7 apartments for 952.600 Euros), obtaining a gain in the amount of 187.200 Euros (2020: 532.600 Euros) (Note 31).

Transfers

In 2021, Transfers from Assets under construction refer mainly to the opening of the new Pestana Fisherman Village hotel in Madeira and two new units in Oporto, Pestana Douro and Pousada do Porto – Rua das Flores.

In 2020, Transfers from Assets under construction refer mainly to the completion of 4-star Pestana Park Avenue in New York opened in February 2020, the new Pousada in Vila Real de Santo António (Algarve) and Pestana Lisboa Vintage in Lisbon.

Transfers from and to Inventories

In 2021, the transfer from Inventories refers to Silves Golf Resort's Clubhouse in the amount of 625.695 Euros and the transfer to Inventories refers to 6 apartments in Brazil which were made available for sale.

In 2020, Pestana Hotel Group decided to change the purpose for The Valley – Nature Resort project to real estate, therefore the amount relating to land and costs incurred to date of 1.926.288 Euros was transferred to Inventories (Note 15). The Porto Santo land which was previously classified as Inventories (Note 15) has been integrated in the Pestana Dunas project, and consequently, the amount of 443.360 Euros was transferred to Tangible fixed assets.

Assets under construction

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

	2021	2020
Pestana Dunas (Madeira)	8.399.072	8.103.539
Quinta da Amoreira (Algarve)	6.345.437	6.345.437
Pestana Montevideo (Uruguay)	3.983.188	3.738.557
North of Gramacho land (Algarve)	2.278.136	2.179.793
Madeira Palácio Beach Club hotel project (Madeira)	2.170.628	–
Hotel in Rua Augusta (Lisbon)	1.567.454	286.088
Pestana Vintage Porto expansion (Oporto)	1.416.941	–
Golf course project (Algarve)	1.199.852	1.199.852
Pousada de Alfama (Lisbon)	755.704	311.992
Pestana Douro (Oporto)	–	15.767.389
Pousada Rua das Flores (Oporto)	–	14.722.152
Pestana Fisherman (Madeira)	–	1.216.675
Others	3.528.767	3.567.299
	31.645.179	**57.438.773**

Pestana Dunas relates to a new hotel in Porto Santo with a total of 396 beds and a total area of 60.000 sqm. Pestana Dunas will be built with innovative and more environmentally sustainable techniques. Pestana Dunas will confine with Pestana Porto Santo on the west and the proximity will allow for concentration and optimization between operations. Its profitability per room is expected to be similar to Pestana Porto Santo.

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

Pestana Montevideo (Uruguay) relates to the development of a new 100-key hotel unit with spa, indoor pool and ample meeting and event areas. It will also have two restaurants, one of which on the top floor with an excellent view over the city of Montevideo.

The land North of Gramacho has a total area of approximately 100 ha. A change in the Urbanization Plan was approved in this region of Algarve which granted Pestana Hotel Group a building area of 39.760 sqm to develop a new real estate project with 303 villas and apartments (Note 15). Projects for an 18-hole golf course and a club house have already been presented to be developed also in this land.

Madeira Palácio Beach Club hotel project refers to the former Madeira Palácio hotel acquired for 48.051.200 Euros, located in one of the most modern residential areas in Funchal. This transaction had three components, a real estate component (Madeira Palácio Residences) ready to be sold, in a luxury condominium on the first line of sea, acquired for 28.751.200 Euros (Notes 15 and 28), a second component relating to the former hotel that will be transformed into 181 T1 to T4 apartments for sale acquired for 17.149.400 Euros (Note 15), and a third component that involves the construction of a new hotel with around 160 rooms next to Pestana Bay, acquired for 2.150.600 Euros and with an estimated investment of 14.000.000 Euros including its acquisition cost.

The hotel in Rua Augusta, in Lisbon, relates to the refurbishment and construction of a new 4-star hotel unit with 89 rooms in Lisbon. The licence was obtained in the beginning of 2022 and the total expected investment amounts to 7.750.000 Euros.

Pestana Vintage Porto expansion refers to the acquisition of a building in 2021, located on Rua dos Bacalhoeiros, right next to the existing hotel. The architectural project was already started and foresees an increase of 20 rooms in this unit.

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

Pousada de Alfama concerns the construction of a new 4-star Pousada on Rua São Tomé, in Alfama, Lisbon, with 42 rooms. This unit has an underlying lease contract signed in 2019 for a 27-year period. The licence was obtained in the beginning of 2022 and the total expected investment amounts to 2.900.000 Euros.

Assets which are reversible to the State

Pestana Hotel Group recognizes in its financial statements assets related with the concession of the Pousadas de Portugal network and with gambling activities, which are reversible to the State at the end of the respective concessions without the right to any consideration. The net value of these assets as at 2021 is 6.775.000 Euros (2020: 8.650.000 Euros), and their useful life corresponds to their economic life or to the concession term, whichever is shorter.

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

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

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

Foreign currency translation

This caption in 2021 is mainly explained by i) the appreciation of the US Dollar against the Euro increasing American fixed assets in the total amount of 4.335.000 Euros (2020: decreasing of 4.855.000 Euros); ii) the appreciation of the Mozambican metical against the Euro increasing Mozambican fixed assets in the total amount of 2.527.000 Euros (2020: decreasing of 3.051.000 Euros) and iii) the appreciation of the Brazilian Real against the Euro, increasing Brazilian fixed assets in the total amount of 454.000 Euros (2020: decreasing of 22.685.000 Euros).

The exchange rate in the remaining countries where Pestana Hotel Group is present did not have a significant variance.

Perimeter exits

Perimeter exits in 2020 refer to the building owned by SDM – Soc. Desenvolvimento da Madeira, S.A., as a consequence of its disposal (Note 39).

Impairment

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

Despite the impact of the pandemic on the Pestana Hotel Group's activity, the achievement of high vaccination rates against COVID-19 in 2021 and the consequent decrease in cases with serious illness, allowed tourists to restore confidence and reinforce the Group's expectations regarding the recovery of the tourism activity. This expectation is further reinforced by the already verified beginning of the economic recovery and by the fact that the Group interacts with mature markets, such as the United Kingdom, Germany, United States, France and Spain, which historically recover quicker from economic crises.

In 2021 and 2020, from a prudent perspective and given the pandemic context, all of the Group's tangible fixed assets were analyzed for impairment triggers, taking into account external and internal indicators, namely variations in discount rates, analysis of recent market transactions, cost per room ratios practiced in regions where the Group holds assets, temporary reduction in activity of some units and, in the specific case of right of use assets, variations in market yields and rents per room.

When any impairment triggers were identified, the Group assessed the recoverability of these assets based on the following hierarchy: market indicators, external assessments and internal assessments. However, external evaluations were only used occasionally given the difficulty of implementation in a pandemic context. Therefore, when appropriate, internal evaluations were carried out in accordance with the discounted cash flow method, which reflects the best expectation at the time of the activity's evolution for the next 5 years, considering a growth rate in perpetuity of about 1,5% and using discount rates between 5,5% and 13,8% reflecting the risk and return expected by stakeholders.

The projections are subject to several external variables due to COVID-19 pandemic, so in 2021 and 2020 the current value of assets was determined by weighting three scenarios according to the expectation of which year the cash flows would return to those registered before the crisis. In 2021, the weighting was as follows: expected scenario (between 2023 and 2024) – 50%; optimistic scenario (2023) – 30%; pessimistic scenario (between 2024 and 2025) – 20%. In 2020, the weighting was as follows: expected scenario (2024) – 50%; optimistic scenario (2023) – 30%; pessimistic scenario (2025) – 20%.

Based on this approach, in 2021 the impairment loss on Pestana Quinta do Arco Natures & Rose Garden hotel's building, in Madeira, in the amount of 1.628.846 Euros was reversed. In 2020, the impairments registered are mainly related to the land where Pestana Dunas will be constructed in the amount of 2.769.600 Euros and the right of use asset of Pestana Colombos Resort hotel in the amount of 440.715 Euros.

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

For all remaining Group assets no impairments were identified.

7. Intangible assets

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

	WEBSITE AND SOFTWARE
1 JANUARY 2021	
Acquisition cost	5.540.159
Accumulated amortization	(3.617.340)
Accumulated impairment	–
Net book value	**1.922.819**
Changes in 2021	
Additions	614.044
Foreign currency translation – acquisition cost	50.257
Foreign currency translation – accumulated amortization	(50.257)
Amortization	(532.743)
	81.301
31 DECEMBER 2021	
Acquisition cost	6.204.460
Accumulated amortization	(4.200.340)
Accumulated impairment	–
Net book value	**2.004.120**

During the year ended as at 31 December 2020 the movements occurred in Intangible assets are as follows:

	WEBSITE AND SOFTWARE
1 JANUARY 2020	
Acquisition cost	5.461.245
Accumulated amortization	(3.172.238)
Accumulated impairment	–
Net book value	**2.289.007**
Changes in 2020	
Additions	216.174
Disposals – acquisition cost	(885)
Disposals – accumulated amortization	393
Write-offs – acquisition cost	(3.468)
Write-offs – accumulated amortization	3.468
Perimeter exits – acquisition cost	(19.897)
Perimeter exits – accumulated amortization	19.897
Foreign currency translation – acquisition cost	(113.010)
Foreign currency translation – accumulated amortization	105.025
Amortization	(573.885)
	(366.188)
31 DECEMBER 2020	
Acquisition cost	5.540.159
Accumulated amortization	(3.617.340)
Accumulated impairment	–
Net book value	**1.922.819**

8. Investment properties

During the year ended as at 2021 and 2020 the movements occurred in Investment properties are as follows:

	2021	2020
1 JANUARY		
Acquisition cost	9.966.593	9.966.593
Accumulated depreciation	(3.008.831)	(2.916.377)
Accumulated impairment	(54.369)	(54.369)
Net book value	**6.903.393**	**6.995.847**
Changes		
Disposals – acquisition cost	(813.490)	–
Disposals – accumulated depreciation	149.790	–
Depreciation	(88.744)	(92.454)
Impairment – charge	(4.192)	–
	(756.636)	**(92.454)**
31 DECEMBER		
Acquisition cost	9.153.103	9.966.593
Accumulated depreciation	(2.947.785)	(3.008.831)
Accumulated impairment	(58.561)	(54.369)
Net book value	**6.146.757**	**6.903.393**

As at 31 December 2021 and 2020 Investment properties are mainly leased or intended to be leased and are detailed as follows:

	2021	2020
Commercial properties leased to third parties, Algarve	3.656.331	2.774.396
Funchal land, Madeira	1.269.455	1.269.455
Angra dos Reis land, Brazil	1.030.075	962.902
S. Gonçalo houses, Madeira	–	678.427
Others	190.904	1.218.213
	6.146.757	**6.903.393**

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

As at 31 December 2021 and 2020, the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

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

	2021	2020
Rents obtained	201.756	191.674
Operating expenses	(42.993)	(58.002)
Depreciation	(88.744)	(92.454)
	70.019	**41.218**

9. Investments in joint ventures

The movements occurred in Investments in joint ventures during 2021 and 2020 are as follows:

	2021	2020
1 JANUARY	15.552.877	19.301.862
Loans granted	5.073.567	–
Share capital increases	4.534.611	–
Foreign currency translation	948.626	(717.226)
Accessory contributions granted	250.000	250.000
Losses from equity accounting (Note 33)	(1.035.042)	(690.820)
Perimeter exits (Note 39)	(1.625.000)	–
Transfers (Note 10)	–	(1.554.564)
Loss of control	–	(1.036.376)
31 DECEMBER	**23.699.639**	**15.552.877**

On December 2015, a Joint Venture Framework Agreement had been signed between Pestana Hotel Group and Cristiano Ronaldo with the aim of promoting, developing and exploring several hotel units. In April 2016 Pestana CR7 – Madeira, S.A. was incorporated and in the following month Pestana CR7 – Lisboa, S.A. was incorporated as well. Also, in 2016 Pestana CR7 Manhattan 39, LLC was incorporated, in 2019, Pestana CR7 Madrid, S.L. and later Pestana CR7 Manchester, Ltd was equally incorporated. All five companies are jointly owned by Pestana Hotel Group promoting the partnership "Pestana CR7" in Madeira, Lisbon, New York, Madrid and Marrakech, and in the following years in Manchester and Paris.

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

On 30 June 2021, a loan was granted in 2021 to Pestana CR7 Manhattan 39 LLC in the amount of 6.000.000 USD (5.073.567 Euros) 50% of which repayable on 30 June 2024 and the remaining on 30 June 2025. This loan shall bear interests equal to Libor US plus spread.

In 2021, there were Share capital increases of 1.745.201 Euros in Pestana CR7 Manchester (1.500.000 GBP) to develop a new hotel in Manchester, of 1.268.391 Euros (1.500.000 USD) in Pestana CR7 Manhattan, with de new hotel Pestanaa CR7 Times Square opened in July 2021 and of 250.000 Euros to Pestana CR7 – Madeira Invest. Turísticos, S.A.. Furthermore, in 2021, the Group made a new investment in a joint venture, Pestana CR7 Marrakech, S.à.r.l., established in March 2021, for the future operation of a new 4-star hotel in Marrakech, in the amount of 1.271.019 Euros, which is scheduled to open in the first half of 2022.

Accessory contributions were granted to Pestana CR7 – Lisboa Hotel Invest. Turísticos, S.A. in the amount of 250.000 Euros in 2021 (2020: 250.000 Euros to Pestana CR7 Madrid, S.L.).

On 21 December 2021, the Group sold its investment in Pestana CR7 – Lisboa, S.A. for 6.713.711 Euros, as well as the accessory contributions granted at their nominal value of 1.625.000 Euros. The disposed shares were sold to the other partner, CR7 Lifestyle Unipessoal, Lda. for a total price of 8.338.711 Euros, with a gain of 6.713.711 Euros (Note 33). On 22 December 2021, 8.000.000 Euros were received and the remaining amount will be received in the first semestrer of 2022.

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

In 2020, Pestana CR7 Manchester, Ltd. was incorporated with a share capital of 1 GBP corresponding to 50% of this company's share capital.

On June 22, 2020, due to the change that has occurred in the structure of the share capital of URP Urban Renew – Projetos Imobiliários – SICAFI, S.A., since Mr. Dionísio Pestana acquired 50% of the shares owned by the remaining shareholders, becoming the majority shareholder of the company, Pestana Hotel Group transferred this investment to an Associate (Note 10) and the impact of the loss of control amounted to 1.036.376 Euros (Note 21).

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

		Equity method			Acessory contributions			Loans granted			
Entity	% OWNED	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT	IMPAIRMENT LOSS	TOTAL	TOTAL INVESTMENT
Pestana CR7 Manhattan 39, LLC	51,00%	9.342.623	–	9.342.623	–	–	–	5.297.545	–	5.297.545	14.640.168
Solpor – Soc. Turismo Porto Santo Lda.	50,00%	2.238.213	–	2.238.213	430.000	–	430.000	–	–	–	2.668.213
Pestana CR7 Madrid, S.L.	50,00%	–	–	–	3.000.000	–	3.000.000	–	–	–	3.000.000
Pestana CR7 Manchester, Ltd.	50,00%	1.738.738	–	1.738.738	–	–	–	–	–	–	1.738.738
Pestana CR7 Marrakech S.à.r.l.	50,00%	995.329	–	995.329	–	–	–	–	–	–	995.329
Pestana CR7 Madeira Inv. Turísticos, S.A.	50,00%	219.691	–	219.691	437.500	–	437.500	–	–	–	657.191
		14.534.594	**–**	**14.534.594**	**3.867.500**	**–**	**3.867.500**	**5.297.545**	**–**	**5.297.545**	**23.699.639**

As at 31 December 2020 Investments in joint ventures refer to the following entities:

		Equity method			Accessory contributions			
Entity	% OWNED	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	TOTAL INVESTMENT
Pestana Manhattan 39, LLC	51,00%	7.937.931	–	7.937.931	–	–	–	7.937.931
Solpor – Soc. Turismo Porto Santo Lda.	50,00%	2.238.870	–	2.238.870	430.000	–	430.000	2.668.870
Pestana CR7 Madrid, S.L.	50,00%	79.833	–	79.833	3.000.000	–	3.000.000	3.079.833
Pestana CR7 Manchester, Ltd.	50,00%	1	–	1	–	–	–	1
Pestana CR7 Lisboa Hotel Inv. Turísticos, S.A.	50,00%	–	–	–	1.375.000	–	1.375.000	1.375.000
Pestana CR7 Madeira Inv. Turísticos, S.A.	50,00%	53.742	–	53.742	437.500	–	437.500	491.242
		10.310.377	**–**	**10.310.377**	**5.242.500**	**–**	**5.242.500**	**15.552.877**

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

	PESTANA CR7 MANHATTAN 39, LLC	SOLPOR – SOC. TURISMO PORTO SANTO LDA.	PESTANA CR7 MADRID, S.L.	PESTANA CR7 MANCHESTER, LTD.	PESTANA CR7 MARRAKECH S.À.R.L.	PESTANA CR7 MADEIRA INV. TURÍSTICOS, S.A.
Opening net assets 1 January (local currency)	**18.984.505**	**75.708**	**159.666**	**2**	**–**	**107.484**
Profit for the period	(1.275.818)	(1.312)	(975.180)	(78.575)	(4.973.977)	(168.101)
Share capital increase	3.000.000	–	–	3.000.000	27.000.000	500.000
Closing net assets 31 December (local currency)	**20.708.687**	**74.395**	**(815.513)**	**2.921.427**	**22.026.023**	**439.383**
Closing net assets 31 December (Euros)	**18.284.201**	**74.395**	**(815.513)**	**3.477.475**	**2.094.127**	**439.383**
Group's share in %	51,00%	50,00%	50,00%	50,00%	50,00%	50,00%
Group's share in value	9.324.943	37.198	(407.757)	1.738.738	1.047.063	219.691
Conversion to IFRS	17.680	–	(1.032.072)	–	(51.735)	–
Adjustment of purchase price allocation	–	2.201.015	–	–	–	–
Consolidation adjustments	–	–	1.439.829	–	–	–
Carrying amount 31 December	**9.342.623**	**2.238.213**	**–**	**1.738.738**	**995.329**	**219.691**

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Investments in joint ventures in 2020 is as follow:

	PESTANA CR7 MANHATTAN 39, LLC	SOLPOR – SOC. TURISMO PORTO SANTO LDA.	PESTANA CR7 MADRID, S.L.	PESTANA CR7 MANCHESTER, LTD.	PESTANA CR7 LISBOA HOTEL INV. TURÍSTICOS, S.A.	PESTANA CR7 MADEIRA INV. TURÍSTICOS, S.A.
Opening net assets 1 January (local currency)	**19.270.104**	**77.891**	**(57.078)**	**–**	**4.430.144**	**621.257**
Profit for the period	(285.600)	(2.183)	(283.255)	–	(673.959)	(513.773)
Share capital increase	–	–	500.000	2	–	–
Closing net assets 31 December (local currency)	**18.984.505**	**75.708**	**159.666**	**2**	**3.756.185**	**107.484**
Closing net assets 31 December (Euros)	**15.474.816**	**75.708**	**159.666**	**2**	**3.756.185**	**107.484**
Group's share in %	51,00%	50,00%	50,00%	50,00%	50,00%	50,00%
Group's share in value	7.892.156	37.854	79.833	1	1.878.093	53.742
Conversion to IFRS	45.775	–	–	–	–	–
Adjustment of purchase price allocation	–	2.201.016	–	–	–	–
Consolidation adjustments	–	–	–	–	(1.878.093)	–
Carrying amount 31 December	**7.937.931**	**2.238.870**	**79.833**	**1**	**–**	**53.742**

As of 31 December 2021 and 2020, despite the COVID-19 pandemic, there are no indications of impairment that affect the value of investments in joint ventures.

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

10. Investments in associates

The movements occurred in Investments in associates during 2021 and 2020 are as follows:

	2021	2020
1 JANUARY	13.275.530	12.590.287
Loan granted	1.700.000	-
Gains/(losses) from equity accounting (Note 33)	44.434	(226.321)
Repayment of loans granted	(441.000)	(343.000)
Transfers from Investments in joint ventures (Note 9)	-	1.554.564
Share capital reduction	-	(300.000)
31 DECEMBER	14.578.964	13.275.530

A loan was granted in 2021 to URP Urban Renew – Projetos Imobiliários – SICAFI, S.A. in the amount of 1.700.000 Euros to partially finance a land acquisition in a very popular bathing area in Porto Covo, Portugal, to develop a new real estate project. This loan will be repaid in 15 months and bear interests at a fixed rate.

The 2021 and 2020 results from equity accounting mainly refer to URP Urban Renew – Projetos Imobiliários – SICAFI, S.A. and Enatur – Empresa Nacional de Turismo, S.A. (Note 33).

The associate Enatur – Empresa Nacional de Turismo, S.A. repaid loans granted in the amount of 441.000 Euros and 343.000 Euros, in 2021 and 2020, respectively.

Transfers from Investments in joint ventures in 2020 refer to URP Urban Renew – Projetos Imobiliários – SICAFI, S.A. (Note 9).

In 2020, URP Urban Renew – Projetos Imobiliários – SICAFI, S.A. made a share capital reduction in the total amount of 1.000.000 Euros and Pestana Hotel Group received 300.000 Euros corresponding to the percentage it owned.

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

		Equity method			Acessory contributions			Loans granted				
Entity	% OWNED	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	TOTAL INVESTMENT	GOODWILL INCLUDED
Enatur – Empresa Nacional de Turismo, S.A.	49,00%	10.371.573	–	10.371.573	–	–	–	406.593	–	406.593	10.778.166	3.837.382
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	30,00%	1.254.331	–	1.254.331	–	–	–	1.700.000	–	1.700.000	2.954.331	–
Lean Company Ventures II, S.A.	10,00%	–	–	–	–	–	–	495.000	–	495.000	495.000	–
Albar – Sociedade Imobiliária do Barlavento, S.A.	49,81%	286.582	–	286.582	64.885	–	64.885	–	–	–	351.467	–
Soehotur, S.A.	25,00%	596.403	(596.403)	–	–	–	–	172.521	(172.521)	–	–	–
Fantasy Land, Ltd.	33,33%	150.068	(150.068)	–	–	–	–	–	–	–	–	–
		12.658.957	**(746.471)**	**11.912.486**	**64.885**	**–**	**64.885**	**2.774.114**	**(172.521)**	**2.601.593**	**14.578.964**	**3.837.382**

As at 31 December 2020 the Investments in associates refer to the following entities:

		Equity method			Acessory contributions			Loans granted				
Entity	% OWNED	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	TOTAL INVESTMENT	GOODWILL INCLUDED
Enatur – Empresa Nacional de Turismo, S.A.	49,00%	10.365.403	–	10.365.403	–	–	–	847.593	–	847.593	11.212.996	3.837.382
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	30,00%	1.214.991	–	1.214.991	–	–	–	–	–	–	1.214.991	–
Lean Company Ventures II, S.A.	10,00%	–	–	–	–	–	–	495.000	–	495.000	495.000	–
Albar – Sociedade Imobiliária do Barlavento, S.A.	49,81%	287.658	–	287.658	64.885	–	64.885	–	–	–	352.543	–
Soehotur, S.A.	25,00%	596.403	(596.403)	–	–	–	–	172.521	(172.521)	–	–	–
Fantasy Land, Ltd.	33,33%	150.068	(150.068)	–	–	–	–	–	–	–	–	–
		12.614.523	**(746.471)**	**11.868.052**	**64.885**	**–**	**64.885**	**1.515.114**	**(172.521)**	**1.342.593**	**13.275.530**	**3.837.382**

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

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	URP – URBAN REVIEW PROMOÇÃO IMOBILIÁRIA, S.A.	LEAN COMPANY VENTURES II, S.A.	ALBAR – SOC. IMOBILIÁRIA DO BARLAVENTO, S.A.
Opening net assets 1 January	**57.500.706**	**4.939.783**	**389.775**	**1.131.102**
Profit for the period	12.591	(364.518)	559.815	(2.161)
Other comprehensive income	(2.013.328)	–	–	–
Closing net assets 31 December	**55.499.970**	**4.575.265**	**949.590**	**1.128.941**
Group's share in %	49,00%	30,00%	20,00%	49,81%
Group's share in value	27.194.985	1.372.580	189.918	562.326
Goodwill	3.837.382	–	–	–
Conversion to IFRS	(20.660.794)	(118.249)	(189.918)	–
Consolidation adjustments	–	–	–	(275.744)
Carrying amount 31 December	**10.371.573**	**1.254.331**	**–**	**286.582**

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Associates in 2020 is as follow:

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	URP – URBAN REVIEW PROMOÇÃO IMOBILIÁRIA, S.A.	LEAN COMPANY VENTURES II, S.A.	ALBAR – SOC. IMOBILIÁRIA DO BARLAVENTO, S.A.
Opening net assets 1 January	**59.745.881**	**8.861.193**	**380.005**	**1.139.866**
Profit for the period	(372.211)	(2.921.410)	9.770	(8.764)
Other comprehensive income	(1.872.964)	–	–	–
Capital reduction	–	(1.000.000)	–	–
Closing net assets 31 December	**57.500.706**	**4.939.783**	**389.775**	**1.131.102**
Group's share in %	49,00%	30,00%	20,00%	49,81%
Group's share in value	28.175.346	1.481.935	77.955	563.402
Goodwill	3.837.382	–	–	–
Conversion to IFRS	(21.647.325)	(266.944)	(77.955)	–
Consolidation adjustments	–	–	–	(275.744)
Carrying amount 31 December	**10.365.403**	**1.214.991**	**–**	**287.658**

As of 31 December 2021 and 2020, despite the COVID-19 pandemic, there are no indications of impairment that affect the value of investments in associates.

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

11. Financial assets at fair value through profit or loss

The movements occurred in Financial assets at fair value through profit or loss during 2021 and 2020 are as follows:

	2021	2020
1 JANUARY	5.946.142	6.278.551
Acquisitions	1.138.090	7.270
Capital reimbursement	(349.968)	–
Changes in fair value (Note 33)	1.437.820	(331.123)
Foreign currency translation	1.167	(2.967)
Perimeter exits	–	(5.589)
31 DECEMBER	**8.173.251**	**5.946.142**

On 27 October 2021, the Group acquired 1.500.000 Participation Units (UP's) of the Faber Tech II fund – Venture Capital Fund ("Faber Tech II Fund") from Quanlux Unipessoal, Lda. which had subscribed the entire amount but only paid up the corresponding capital of 608.276 UP's until the date of the sale, in the amount of 608.276 Euros. Thus, the Group acquired on this date the 608.276 UP's for 608.276 Euros and took the responsibility for the payment of the remaining subscribed UP's in the amount of 891.724 Euros. In December, the Group paid up capital corresponding to 63.172 UP's in the amount of 63.172 Euros.

The Group also subscribed in 2021 1.000.000 Euros in a Spanish fund, Aldea Tech fund I-A, F.C.R., which invests in capital venture companies as well as others tech funds. On 7 december 2021, the Group paid up the amount of 466.642 Euros and the remaining subscribed amount will be paid in 2022.

In November and December 2021, the Iberis Bluetech Fund, FCR, EuVeca ("Bluetech") made two capital distributions to its investors. The Group received the amounts of 57.980 Euros and 291.988 Euros, in a total of 349.968 Euros through a capital reduction without any redemption of participation units.

In 2021 changes in fair value corresponds to the valuation of the participation units based on the fund's quote of Faber Tech II Fund in the amount of 848.764 Euros and of Bluetech Fund in the amount of 711.761 Euros. The negative change in fair value corresponds to the interest in Sociedade Turística Palheiro Golfe, S.A. in the amount of 122.705 Euros.

In 2020 changes in fair value refer to the investment held in this fund in the amount of 331.123 Euros, as a result of the devaluation of participation units based on the fund's quote. The funds' quote is classified in Level 2 of the fair value hierarchy.

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

Entity	% OWNED	FAIR VALUE
Iberis Bluetech Fund, FCR, EuVECA	n.a.	6.031.600
Faber Tech II, FCR	n.a.	1.520.212
Aldea Tech fund I-A,F.C.R.	n.a.	466.642
Others	n.a.	154.797
		8.173.251

As at 31 December 2020 the Financial assets at fair value through profit or loss have the following detail:

Entity	% OWNED	FAIR VALUE	LOANS GRANTED	TOTAL INVESTMENT
Iberis Bluetech Fund, FCR, EuVECA	n.a.	5.669.807	–	5.669.807
Others	n.a.	265.861	10.474	276.335
		5.935.668	**10.474**	**5.946.142**

12. Deferred tax assets and liabilities

As at 31 December 2021 and 2020 the balance recognized as Deferred taxes is presented in Consolidated statement of financial position at net value.

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

	2021	2020
Impact on income statement		
Deferred tax assets	(1.641.862)	12.742.261
Deferred tax liabilities	4.551.331	(1.644.354)
	2.909.469	**11.097.907**
Impact on perimeter changes (Note 39)		
Deferred tax assets	–	–
Deferred tax liabilities	–	987
	–	**987**

In 31 December 2021 and 2020, the tax rate applied to measure the main deferred taxes are as follows: Portugal is comprised between 14,7% and 25,58%; Brazil is 34%, USA is comprised between 21% and 24,48% and Luxembourg is 24,94%.

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

	CARRY FORWARD TAX LOSSES	INVESTMENT AND R&D INCENTIVES	LEASES	SUBSIDIARY'S CAPITAL INCREASE INCENTIVE	LITIGATIONS IN PROGRESS	DEEMED COST (IFRS 1)	NET FINANCING CHARGES	LOYALTY PROGRAM (PPG)	IMPAIRMENT LOSSES	OTHERS	TOTAL
1 JANUARY 2021	25.168.527	6.696.989	1.677.776	1.768.987	1.546.416	1.237.682	720.730	689.012	1.789.136	1.742.808	43.038.063
IFRS 16 Impact	–	(2.264.530)	–	–	–	–	–	–	–	–	(2.264.530)
Constitution through income statement	889.387	4.433.790	433.814	61.425	–	–	614.773	–	–	–	6.433.189
Reversal through income statement	(3.551.949)	(975.483)	–	(287.206)	(103.648)	(48.584)	–	(289.807)	(397.396)	(156.448)	(5.810.521)
Foreign currency translation	196.419	–	19.619	–	10.460	10.066	–	–	(785)	52.126	287.905
Changes on period	(2.466.143)	1.193.777	453.433	(225.781)	(93.188)	(38.518)	614.773	(289.807)	(398.181)	(104.322)	(1.353.957)
	22.702.384	7.890.766	2.131.208	1.543.206	1.453.228	1.199.164	1.335.503	399.205	1.390.955	1.638.486	41.684.106
Offset of Deferred tax liabilities	(10.608.674)	(7.626.333)	(898.825)	(1.543.206)	(1.453.228)	(1.199.164)	(1.335.503)	(399.205)	(1.390.955)	(873.331)	(27.328.424)
31 DECEMBER 2021	12.093.710	264.433	1.232.384	–	–	–	–	–	–	765.155	14.355.682

	CARRY FORWARD TAX LOSSES	INVESTMENT AND R&D INCENTIVES	LEASES	SUBSIDIARY'S CAPITAL INCREASE INCENTIVE	LITIGATIONS IN PROGRESS	DEEMED COST (IFRS 1)	NET FINANCING CHARGES	LOYALTY PROGRAM (PPG)	IMPAIRMENT LOSSES	OTHERS	TOTAL
1 JANUARY 2020	17.701.641	–	8.154.593	1.111.586	1.932.889	2.442.660	–	538.682	1.241.082	3.748.121	36.871.254
Constitution through income statement:	–	–	–	–	–	–	–	–	–	–	–
Impact of transition to IFRS 16	–	4.585.457	–	–	–	–	–	–	–		4.585.457
Others	10.498.493	2.111.532	172.543	1.029.706	114.856	–	720.730	150.330	–	483.961	15.282.151
Reversal through income statement:											
Impact of transition to IFRS 16	–	–	(5.018.023)	–	–	–	–	–	–	–	(5.018.023)
Others	(779.909)	–	–	(394.355)	–	(241.066)		–	(691.994)	–	(2.107.324)
Foreign currency translation	(2.251.698)	–	–	–	(501.329)	(596.570)	–	–	–	(229.224)	(3.578.821)
Transfers	–	–	(1.631.337)	22.050	–	(367.342)	–	–	1.240.048	(2.260.050)	(2.996.631)
Changes on period	**7.466.886**	**6.696.989**	**(6.476.817)**	**657.401**	**(386.473)**	**(1.204.978)**	**720.730**	**150.330**	**548.054**	**(2.005.313)**	**6.166.809**
	25.168.527	**6.696.989**	**1.677.776**	**1.768.987**	**1.546.416**	**1.237.682**	**720.730**	**689.012**	**1.789.136**	**1.742.808**	**43.038.063**
Offset of Deferred tax liabilities	(14.197.952)	(6.696.989)	(983.989)	(1.651.387)	(1.546.416)	(1.237.682)	(720.730)	(689.012)	(1.789.136)	(1.003.356)	(30.516.649)
31 DECEMBER 2020	**10.970.575**	**–**	**693.787**	**117.600**	**–**	**–**	**–**	**–**	**–**	**739.452**	**12.521.414**

Impact of transition to IFRS 16

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

After the deadline for submission of the income tax forms for the 2019 tax period, the Portuguese tax authority issued a clarification on August 13, 2020, with the following understanding for the tax treatment to be given for IFRS 16:

(i) The right of use asset is an asset subject to depreciation for tax purposes (straight-line method and considering the depreciation rates applicable to the underlying assets), since all expectations or provisions included in the lease payments are excluded for tax purposes (namely an estimate of costs to be incurred in dismantling and removing an asset, an expected amount to be paid under residual value guarantees, penalties for terminating the lease and the exercise price of a purchase option);

(ii) The positive or negative adjustments made on the transition date related to leases for assets which were improved with constructions, are deductible in the taxable income, since the depreciation amounts of the underlying assets were the same than in previous years and which were not considered in the taxable income previously;

(iii) Interest on operating lease liabilities (as on finance leases) are relevant for the maximum deductible net financing expenses as defined in the Portuguese corporate income tax rules.

In this context, in 2020, Pestana Hotel Group decided to present a gracious complaint regarding the 2019 income tax submitted in Portugal. As of 31 December 2019, the tax effect of this transition implied the decrease in the tax payable of that year in the amount of 7.118.044 Euros and, consequently, a decrease in tax benefits then considered and deducted in the amount of 4.585.457 Euros, resulting in an tax receivable of 2.532.587 Euros (Note 16).

Consequently, tax benefits deducted in 2019 for incentives for investment ("RFAI" – "Regime Fiscal de Apoio ao Investimento") and for research and development ("SIFIDE" – "Sistema de Incentivos Fiscais à Investigação e ao Desenvolvimento Empresarial") in the amount of 4.585.457 Euros were corrected once the new tax result was not sufficient to deduct them. However, these benefits may be deductible in subsequent years, SIFIDE for eight years and RFAI for ten years, reason for which a deferred tax asset was recorded in the same amount and which is expected to be recovered in 2 years.

In 2020, Deferred tax assets recognized on the transition date for IFRS 16 were reversed in the amount of 5.018.023 Euros. When the useful life of the underlying assets for tax purposes is less than the period of the lease, the Group recognized a deferred tax liability in the amount of 2.962.501 Euros. The tax estimate for Portuguese subsidiaries in 2020 has already been calculated in accordance with the clarification issued by the local tax authorities.

In 2021, during the preparation work for the aforementioned gracious complaint, after consulting its consultants again in order to verify the most current understanding of the aforementioned clarification, the Group assumed in the complaint filed on 19 May 2021 that the useful life of the underlying assets for tax purposes, when lower than the period of the lease, is the fiscal useful life, when higher than the period of the lease agreement, it is the useful life of the underlying assets, having thus canceled the deferred tax liability recorded in 2020 in the amount of 2.755.456 Euros and determined a decrease in the tax benefits considered and deducted in 2019 of 2.264.530 Euros. This understanding was accepted by the Tax Authorities within the scope of the granting, in March 2022, of the gracious complaint filed against the corporate income tax self-assessment for the 2019 tax period.

Carry forward tax losses

The outbreak of the COVID-19 pandemic over Pestana Hotel Group results led to tax losses in 2020 and the recognition of deferred tax assets in the amount of 10.498.493 Euros. These deferred taxes resulted mainly from Portugal in the amount of 6.637.431 Euros, Brazil in the amount of 1.375.795 Euros, United States of America in the amount of 1.024.709 Euros, Spain in the amount of 550.772 Euros and Netherlands in the amount of 509.307 Euros.

Carry forward tax losses in Portugal can be offset for 12 years and in Brazil and in the United States tax losses do not expire. In the case of Luxembourg tax losses incurred until 31 December 2016 also do not expire and those generated from 1 January 2017 can be carried forward for 17 years.

As of 31 December 2021, Pestana Hotel Group's results already started to recover, having determined a tax profit from which part of the tax losses generated in 2020, in the amount of 3.551.949 Euros, have been deducted. The Group expects to recover 20% of this total deferred tax asset in the next year in Portugal.

Investment and research & development (R&D) incentives

As of 31 December 2021 and 2020, due to the fact that it was not possible to deduct the entire tax benefit related to the incentive for investment (RFAI), deferred tax assets were recorded in the amounts of 1.282.429 Euros and 2.111.532 Euros, respectively.

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

The Group expects to recover the deferred tax assets of RFAI and to the incentive for R&D (SIFIDE) in two years.

Net financing charges

In 2021 and 2020, considering that part of the net financial expenses for the period are not tax deductible in Portugal because of the reduction verified in EBITDA calculated for tax purposes, deferred tax assets were recorded in amount of 614.733 Euros and 720.730 Euros, respectively. These net financial expenses can be deductible up to the 5th subsequent tax period and the Group's expectation is that they will be recovered within two years.

Foreign currency translation

Foreign currency translation in 2020 mainly refer to the significant depreciation of the Brazilian Real against the Euro, decreasing the Brazilian Deferred tax assets in the total net amount of 3.346.342 Euros. (Note 3.2. iv).

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

	DEEMED COST (IFRS 1) ON TANGIBLE ASSETS	DIFFERENCES IN DEPRECIATION RATE	OTHERS	TOTAL
1 JANUARY 2021	39.579.836	3.306.398	2.705.499	45.591.733
IFRS 16 Impact	–	(2.755.456)	–	(2.755.456)
Constitution through income statement	–	197.907	–	197.907
Reversal through income statement	(1.442.469)	–	(551.313)	(1.993.782)
Foreign currency translation	543.758	19.322	1.990	565.070
Changes on period	**(898.711)**	**(2.538.227)**	**(549.323)**	**(3.986.261)**
	38.681.125	**768.171**	**2.156.176**	**41.605.472**
Offset of Deferred tax assets	(26.517.918)	(361.201)	(449.305)	(27.328.424)
31 DECEMBER 2021	**12.163.207**	**406.970**	**1.706.870**	**14.277.047**

	DEEMED COST (IFRS 1) ON TANGIBLE ASSETS	DIFFERENCES IN DEPRECIATION RATE	OTHERS	TOTAL
1 JANUARY 2020	50.488.793	492.733	2.048.530	53.030.056
Constitution through income statement:				
Impact of transition to IFRS 16	–	2.962.501	–	2.962.501
Others	–	120.508	–	120.508
Reversal through income statement	(1.410.580)	(15.307)	(12.768)	(1.438.655)
Foreign currency translation	(5.959.082)	(12.908)	(113.069)	(6.085.059)
Transfers	(3.539.295)	(241.129)	783.793	(2.996.631)
Perimeter changes (Note 39)	–	–	(987)	(987)
Changes on period	**(10.908.957)**	**2.813.665**	**656.969**	**(7.438.323)**
	39.579.836	**3.306.398**	**2.705.499**	**45.591.733**
Offset of Deferred tax assets	(28.437.271)	(139.385)	(1.939.993)	(30.516.649)
31 DECEMBER 2020	**11.142.565**	**3.167.013**	**765.507**	**15.075.084**

Deemed cost (IFRS 1) on tangible assets

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

Foreign currency translation

In 2021 foreign currency translation mainly refers to the variance of the Mozambican metical against the Euro, increasing the Mozambican deferred tax liabilities in the total net amount of 434.909 Euros. In 2020, it referred to the variance of the Brazilian Real against the Euro, decreasing the Brazilian deferred tax liabilities in the total net amount of 5.404.068 Euros (Note 3.2 iv).

13. Financial assets and liabilities

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

31 DECEMBER 2021	AMORTIZED COST	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME	OTHER NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Financial assets					
Cash and cash equivalents	88.901.771	–	–	–	88.901.771
Trade and other receivables	92.052.986	–	–	14.808.713	106.861.699
Financial assets at fair value through profit or loss	–	8.173.251	–	–	8.173.251
	180.954.757	**8.173.251**	**–**	**14.808.713**	**203.936.721**
Financial liabilities					
Borrowings	462.811.011	–	–	–	462.811.011
Derivatives	–	25.822	332.306	–	358.128
Advances from customers	–	–	–	17.860.815	17.860.815
Trade and other payables	46.928.908	–	–	10.722.980	57.651.888
	509.739.919	**25.822**	**332.306**	**28.583.795**	**538.681.842**

31 DECEMBER 2020	AMORTIZED COST	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME	OTHER NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Financial assets					
Cash and cash equivalents	67.019.191	–	–	–	67.019.191
Trade and other receivables	48.662.656	–	–	27.288.854	75.951.510
Financial assets at fair value through profit or loss	–	5.946.142	–	–	5.946.142
	115.681.847	**5.946.142**	**–**	**27.288.854**	**148.916.843**
Financial liabilities					
Borrowings	421.096.804	–	–	–	421.096.804
Derivatives	–	–	1.176.734	–	1.176.734
Advances from customers	22.345.088	–	–	–	22.345.088
Trade and other payables	19.809.542	–	–	23.993.725	43.803.267
	463.251.434	**–**	**1.176.734**	**23.993.725**	**488.421.893**

According to IFRS 13, Pestana Hotel Group established the way it obtains the fair value of its Financial assets and liabilities. The levels used are presented in Note 3.8. and are as follows:

	31-12-2021			31-12-2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Financial assets at fair value through profit or loss	–	8.173.251	–	–	5.946.142	
	–	**8.173.251**	**–**	**–**	**5.946.142**	
Financial liabilities						
Derivatives	–	358.128	–	–	1.176.734	–
	–	**358.128**	**–**	**–**	**1.176.734**	–

14. Trade and other receivables and Advances from customers

As at 31 December 2021 and 2020 Trade and other receivables are detailed as follows:

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade and other receivables						
Trade receivables (i)	48.959.150	–	48.959.150	16.288.425	–	16.288.425
Other receivables (ii)	13.646.709	6.284.058	19.930.767	7.839.229	8.776.415	16.615.644
Prepayments (iii)	3.974.705	10.834.008	14.808.713	3.664.117	11.612.594	15.276.711
Contract assets (iv)	10.614.429	–	10.614.429	12.011.056	1.087	12.012.143
Taxes receivable (v)	12.548.640	–	12.548.640	15.758.588	–	15.758.588
	89.743.633	**17.118.066**	**106.861.699**	**55.561.415**	**20.390.096**	**75.951.511**
Advances from customers (vi)	**(12.362.405)**	**(5.498.410)**	**(17.860.815)**	**(21.713.588)**	**(631.500)**	**(22.345.088)**

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

(i) Trade receivables

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables – group (Note 40)	2.634.205	–	2.634.205	3.116.099	–	3.116.099
Trade receivables – other	46.324.945	–	46.324.945	13.172.326	–	13.172.326
Doubtful debtors	7.187.364	–	7.187.364	8.842.868	–	8.842.868
	56.146.514	**–**	**56.146.514**	**25.131.293**	**–**	**25.131.293**
Impairment of trade receivables	(7.187.364)	–	(7.187.364)	(8.842.868)	–	(8.842.868)
	48.959.150	**–**	**48.959.150**	**16.288.425**	**–**	**16.288.425**

As at 31 December 2021, the balance of Trade receivables – others includes 25.468.507 Euros related to the real estate transaction Madeira Palácio Residences (Notes 15 and 28). This value has as real guarantee the apartments not sold to third parties.

Impairment of Trade receivables – movements of the year:

	2021	2020
1 JANUARY	8.842.868	14.097.315
Utilizations	(1.676.064)	(157.373)
Reversals	(22.234)	–
Increases	–	855.639
Transfers – Other receivables	–	(47.321)
Foreign currency translation	42.794	(231.646)
Perimeter exits	–	(5.673.746)
31 DECEMBER	**7.187.364**	**8.842.868**

(ii) Other receivables

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Other debtors	13.905.611	4.460.900	18.366.511	7.965.341	6.888.468	14.853.809
Other debtors – group (Note 40)	65.326	1.823.158	1.888.484	52.439	1.887.947	1.940.386
Personnel	7.893	–	7.893	14.685	–	14.685
Impairment	(332.121)	–	(332.121)	(193.236)	–	(193.236)
	13.646.709	**6.284.058**	**19.930.767**	**7.839.229**	**8.776.415**	**16.615.644**

As at 31 December 2021 and 2020, Other debtors includes the amount receivable from the Autonomous Region of Madeira for the sale in 2020 of SDM – Sociedade de Desenvolvimento da Madeira, S.A., for the amount of 6.813.058 Euros, that will be received in two tranches of the same amount, until 30 June 2022 and 30 June 2023 (Note 39). In 2021 this caption also includes approximately 1.540.000 Euros related to the sale of Pestana Angra Beach Resort (Note 6), of which approximately 470.000 Euros (3.000.000 Reais) will be received in 2022 and around 1.070.000 Euros (6.750.000 Reais) will be received between 2023 and 2025 based on the defined contractual payment plan.

Other debtors in 2021 also include the amount receivable related to fixed costs subsidies granted by the governments of the Netherlands and Germany as part of COVID-19 support to companies affected by the pandemic in the amount of around 1.800.000 Euros and 810.0000 Euros, respectively. Germany's support was received on 7 January 2022 and approximately 1.200.000 Euros of the Dutch support were already received.

As at 31 December 2021 and 2020, the caption Other debtors – group includes the receivable amount of 1.865.640 Euros and 1.887.947 Euros, respectively, from the sub-lease resulting from the derecognition of the Right of use asset concerning the sub concession agreement signed in 2016 for the private use of Pestana CR7 Funchal hotel until 2044, with Pestana CR7 – Madeira, S.A. (Note 3.16).

Impairment of Other receivables – movements of the year:

	2021	2020
1 JANUARY	193.236	86.312
Increases	155.251	65.980
Utilizations	(20.201)	–
Transfers – Trade receivables	–	47.321
Foreign currency translation	3.835	(6.377)
31 DECEMBER	**332.121**	**193.236**

The ageing of overdue balances without impairment is as follows:

	2021	2020
0 to 6 months	56.870.021	21.187.001
6 to 12 months	4.310.270	2.096.536
12 to 18 months	1.391.736	2.938.426
18 to 24 months	1.165.870	1.165.823
more than 24 months	5.152.020	5.516.283
	68.889.917	**32.904.069**

As at 31 December 2021, the ageing balances without impairment for more than 24 months include the receivable amount from the sub-lease of Pestana CR7 Funchal as already mentioned, as well as judicial deposits made for provisioned lawsuits in the current balance in the total amount of 2.143.591 Euros (Note 22). The remaining amount mainly refers to pledges granted to suppliers which are safeguarded by their open balances.

The ageing of overdue balances with impairment is as follows:

	2021	2020
0 to 6 months	465.728	347.261
6 to 12 months	1.003.634	534.531
12 to 18 months	512.389	849.194
18 to 24 months	455.405	487.973
more than 24 months	5.528.354	6.817.145
	7.965.510	**9.036.104**

Impairment losses are calculated as described in Note 3.8. iii). Considering the increased risk of collection in the market due to the COVID-19 pandemic, impairment losses were calculated considering the effect of this situation on each account receivable.

Despite the pandemic and the 2020 economic crisis, which significantly affected the majority of travel and tourism operators, it is worth noting that, due to the Pestana Hotel Group's careful management in the attribution of credit and respective collections, there is no significant incidents of default on receivables from customers so far. Therefore, despite the risk covered by credit insurance, it was not necessary in 2021 and 2020 to use this coverage, nor recognize any relevant impairment in these values.

(iii) Prepayments

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contract costs	706.801	10.834.008	11.540.809	630.840	11.541.574	12.172.414
Rentals	18.007	–	18.007	12.134	–	12.134
Insurance	361.221	–	361.221	353.886	–	353.886
Maintenance services	1.238.342	–	1.238.342	1.056.013	–	1.056.013
Other services	1.650.334	–	1.650.334	1.611.244	71.020	1.682.264
	3.974.705	**10.834.008**	**14.808.713**	**3.664.117**	**11.612.594**	**15.276.711**

As at 31 December 2021 and 2020 the balance of Contract costs relates exclusively to commissions paid related to sales of Pestana Vacations Club – Options contracts (Note 3.20 ii).

(iv) Contract assets

As at 31 December 2021 and 2020, this caption essentially refers to the amounts that will be received upon the completion of the deeds of the housing units already delivered to owners, in the amount of 8.949.133 Euros and 11.329.415 Euros, respectively.

(v) Taxes receivable

As at 31 December 2021 and 2020 this caption is mainly related to VAT receivable.

Several VAT refunds have been received in 2021 in the total amount of 4.269.049 Euros. A correction was made in one of the several refund requests, in the amount of 984.155 Euros, recognized in Other expenses (Note 32).

(vi) Advances from customers

Refers, mainly, to the amounts received along the construction works, amounting in total to 9.584.984 Euros (31 December 2020: 13.550.188 Euros) and maintenance fees charged in advance under timeshare contracts amounting to 5.169.126 Euros (31 December 2020: 4.767.348 Euros). The residual amount in 31 December 2021 and 2020 are mainly related to reservations made by tour operators, groups and individual customers.

15. Inventories

As at 31 December 2021 and 2020 Inventories are detailed as follows:

	2021	2020
Goods	871.320	847.839
Raw and subsidiary materials	2.641.970	2.360.580
Finished goods	1.412.855	771.379
Work in progress	70.415.854	51.307.148
	75.341.999	**55.286.996**
Impairment of inventories	(533.869)	(423.982)
	74.808.130	**54.863.014**

Finished goods and Work in progress are as follows:

	2021	2020
Madeira Acqua Residences (Madeira, Portugal)	17.836.099	–
Silves Golf Resort project (Algarve, Portugal)	11.819.919	11.766.359
North of Gramacho land (Algarve, Portugal)	7.982.819	7.933.597
Abrunheira project (Portalegre, Portugal)	6.349.235	6.349.235
Pestana Comporta Village Residences (Tróia, Portugal)	5.660.869	3.577.776
Fábrica, Apartaments & Lofts (Madeira, Portugal)	4.802.950	4.040.034
Pine Village (Comporta, Portugal)	4.527.453	–
The Valley – Nature Resort (Algarve, Portugal) (Note 6)	4.450.856	2.285.653
Quinta das Maravilhas (Madeira, Portugal)	2.654.250	–
Tróia Eco-Resort project (Tróia, Portugal)	2.466.427	8.789.866
Bazaruto Villas (Mozambique)	1.110.970	879.975
Beverages and packaging	958.870	859.182
Bahia lodge residences (Brazil) (Note 6)	575.777	–
Coliseu project (Azores, Portugal)	–	4.885.233
Others	632.215	711.617
	71.828.709	**52.078.527**

The acquisition of Madeira Palácio hotel includes two real estate components in addition to the component relating to the construction of a future new hotel (Note 6). The Madeira Palácio Residences ready to be sold, in a luxury condominium and first line of sea, acquired for 28.751.200 Euros and the former hotel that will be transformed into 181 T1 to T4 apartments for sale, acquired for 17.149.400 Euros, Madeira Acqua Residences. Madeira Palácio Residences was quickly sold to a real estate developer for a total amount of 40.000.000 Euros (Note 28), with a margin of 10.683.372 Euros. The sale value will be collected according to the pace of sales to third parties until 2024 at the latest. However, considering the pace of sales up to 31 December 2021, the entire amount will be collected in 2022 and has as real guarantee the apartments not sold to third parties. Madeira Acqua Residences will have a total estimated investment of 53.000.000 Euros, including the acquisition cost and is expected to be concluded in 2024.

The Silves Golf Resort project is a touristic project which includes two 4-star touristic resorts and 1 apart-hotel with a total of 269 accommodation units. The first tourist resort includes 175 accommodation units, with a total expected investment of 17.000.000 Euros, and which is already under construction. In 2021, 4 more villas were built and 1 villa and two apartments were delivered to customers.

The land North of Gramacho relates to a real estate project still in development (Note 6).

On a land with an area of about 450 ha, the Abrunheira project is formed by 13 touristic undertakings, divided in 10 tourist villages, 2 touristic apartments with houses and 1 hotel or apart-hotel, with an additional 32 plots of equipment, infrastructures and leisure spaces, including a golf course, a Club House and an equestrian centre. This project is intended to be undertaken through phases, with the first one having been submitted for approval in November 2019, corresponding to an area of 63 ha and is composed of 1 tourist village with 13 lodging units, two tourist apartments and 1 apart-hotel. In 2020, the application to the Rural Development Program (PDR 2020) has been approved to start an intensive olive grove project with an extension of 100 ha which grants a non-refundable subsidy about 20% of the investment and implies the construction of dams which will enhance the attractiveness of the real estate component.

Pestana Comporta Village is located 200 meters from Vila da Comporta, in Portugal, and 2 km from the beach where 75 units from T1 to T2 with swimming pool are being constructed. Due to the high demand for this type of development, all purchase promise contracts have already been executed, with total deposits amounting to 5.498.410 Euros. During 2021, the Group started the construction of the model unit and prepared the infrastructure project, which is expected to be approved at the end of the first quarter of 2022. As soon as the licence is issued, the works will start immediately, with a forecast of 18 months until completion. At the same time, the Group also submitted the construction project for approval which is also expected to be licenced by the end of the first half year of 2022. The estimated total investment is 17.800.000 Euros, including the acquisition of the land.

The Fábrica, Apartaments & Lofts project, located in the heart of Funchal, Madeira island, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development. This project started in 2020, will represent an investment of 11.000.000 Euros and is expected to be concluded in 2022.

At the beginning of 2021, an urban plot in Brejos da Carregueira de Baixo, parish of Comporta, Municipality of Alcácer do Sal, was acquired by public auction for 7.300.000 Euros, with the purpose of selling 59 plots with an already approved architectural project, called as The Pine Village. During 2021, all the plots are reserved and promise purchase agreements have already been signed for 22 plots. For these, the tradition of the land is verified in 2021 since the customers can already start the licensing process and subsequent construction (Note 28). In 2022, all remaining promissory contracts will be signed as well as all public deeds.

In 2020, construction began on the real estate project located south of Gramacho called The Valley – Nature Resort. This project is located on a plot of land with 30,14 hectares where 77 independent units that will be constructed for sale and tourist exploitation, with an estimated total cost of 16.000.000 Euros. During 2021, 2 blocks were built consisting of 4 houses for which 3 reservations were obtained at the end of 2021. Also at the end of 2021, the construction of another 16 blocks consisting of 32 houses began.

The Quinta das Maravilhas project concerns a building located on Rua das Maravilhas, in Funchal, which has a privileged location for the development of a residential complex of apartments and luxury houses. The estimated investment for this project is 12.000.000 Euros and is expected to be completed in 2024.

The Tróia project is related to the construction of houses and the infrastructures of a touristic village. The variation that occurred in 2021 essentially refers to the conclusion of Lot 1 with the delivery of the last units and 4 more units of Lot 3, with only 7 units still to be delivered.

Bazaruto Villas comprises the construction of luxury villas in a rustic setting located near the beach of the island of Bazaruto in Mozambique. The variation of the year refers to the currency translation adjustment.

Bahia lodge Residences refers to 6 apartments in Brazil transferred from Tangible fixed assets since they are intended for sale.

The Coliseu project refers to a real estate project with 56 apartments in the center of Ponta Delgada, in the Azores, next to the Coliseu Micaelense, which was fully sold in 2021. The Pestana brand, its location, the famous architect, the recognized builder and the commercial partnerships with the best real estate companies in the city, allowed this project to be a commercial success. The total sales of this project amounts to 13.942.500 Euros.

In 2021, the Cost of goods sold and materials consumed amounted to 79.029.834 Euros (31 December 2020: 41.263.204 Euros).

Impairment of Inventories – movements of the year:

	2021	2020
1 JANUARY	423.982	381.669
Increases	121.224	133.264
Utilizations	(11.381)	(90.573)
Foreign currency translation	44	(378)
31 DECEMBER	**533.869**	**423.982**

16. Corporate income tax

The balances of Corporate income tax for the years ended 31 December 2021 and 2020 are as follows:

	31-12-2021		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Current income tax	3.455.334	405.754	3.506.701	601.458
	3.455.334	**405.754**	**3.506.701**	**601.458**

The balance of Current income tax is detailed as follows:

	2021	2020
Advance payments	873.381	344.414
Withholding taxes	9.869	291.765
Corporate income tax receivable	81.702	-
Current income tax estimate	-	337.935
Impact of transition to IFRS 16 (Notes 12 and 35)	2.490.383	2.532.587
Corporate Income tax receivable	**3.455.334**	**3.506.701**
Advance payments	638.739	1.200.399
Withholding taxes	284.261	286.593
Current income tax estimate	(1.328.755)	(2.088.450)
Corporate Income tax payable	**(405.754)**	**(601.458)**

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Some companies are subject to tax business groups, namely, in Portugal and in the United States of America. In Portugal, the Special Tax Regime for Groups of Companies (R.E.T.G.S.), comprising companies in which the shareholding is equal to or more than 75% and which meet the requirements laid down in Article 69 of Portuguese Corporate income tax law. Grupo Pestana, S.G.P.S., S.A. is the responsible company for the Group's overall clearance and payment of the corporate income tax in Portugal. In the United States of America, a tax business group was also established, which includes the New York companies and the dominant company is Pestana USA, Inc.. The remaining companies, not included in tax business groups, are taxed individually, based on their respective taxable income and applicable tax rates.

Due to the context of pandemic in 2020, the Portuguese government has exempted companies from paying the first two advance payments, whenever the amounts invoiced had decreased more than 40% compared to the previous year. Furthermore, the third advance payment was also not paid since at the due date the existence of a tax loss for the year 2020 was already expected. This exemption was not applied to the "Additional advance payments" and consequently in 2020 the Group paid 1.255.278 Euros in Portugal. In 2021, the Additional advance payments paid in Portugal amounts to 630.056 Euros.

17. Cash and cash equivalents

As at 31 December 2021 and 2020 Cash and cash equivalents are detailed as follows:

	31-12-2021	31-12-2020
Cash	1.493.139	835.761
Bank deposits	87.408.632	66.183.430
	88.901.771	**67.019.191**

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the Consolidated statement of cash flows for the period ended 2021 and 2020 is as follows:

	31-12-2021	31-12-2020
Cash	1.493.139	835.761
Bank overdrafts	(9.812.229)	(1.720.674)
Bank deposits	87.408.632	66.183.430
	79.089.542	**65.298.517**

Balances in foreign currency are included in Bank deposits and are mainly composed by 7.513.056 USD and 2.513.937 GBP (31 December 2020: 2.247.655 USD and 559.463 GBP).

18. Capital

As at 31 December 2021 and 2020 Capital is as follows:

	2021	2020
Share capital (i)	166.625.238	166.625.238
Other equity instruments (ii):		
Other capital contributions not remunerated nor with reimbursement date	71.374.762	71.374.762
	238.000.000	**238.000.000**

(i) Share capital

As at 31 December 2021 and 2020, Pestana International Holdings S.A.'s subscribed Share capital amounts to 166.625.238 Euros, represented by 1.319.177 fully paid shares in registered form without nominal value.

The authorized capital of the Company is set at 250.000.000 Euros divided into 2.000.000 shares without nominal value.

The detail of the Share capital as at 31 December 2021 and 2020 is as follows:

Shareholders	NUMBER OF SHARES	CAPITAL
Dionísio Fernandes Pestana	1.319.176	166.625.111
José Alexandre Lebre Theotónio	1	127
	1.319.177	**166.625.238**

As at 31 December 2021 and 2020, basic and diluted earnings per share are positive in 17,34 Euros and negative in 24,43 Euros, respectively.

(ii) Other equity instruments

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

19. Other reserves

As at 31 December 2021 and 2020 the movements occurred in Other reserves were as follows:

	LEGAL RESERVE (I)	FREE RESERVES	FAIR VALUE RESERVE C.F.H. (II)	CUMULATIVE TRANSLATION ADJUSTMENTS (III)	TOTAL
1 JANUARY 2020	40.539.060	29.153	1.041.617	(36.157.966)	5.451.864
Profit for the period application	4.832.380	–	–	–	4.832.380
Change in fair value reserve – hedging derivatives (net of tax)	–	–	65.886	–	65.886
Transfer from and to Retained earnings (Note 20)	105.811	(29.153)	–	–	76.658
Transfer to Non-controlling interests (Note 21)	(578.311)	–	–	–	(578.311)
Foreign currency translation	–	–	–	(24.558.161)	(24.558.161)
31 DECEMBER 2020	**44.898.940**	**–**	**1.107.503**	**(60.716.127)**	**(14.709.684)**
Profit for the period application	504.776	–	–	–	504.776
Change in fair value reserve – hedging derivatives (net of tax)	–	–	632.821	–	632.821
Foreign currency translation	–	–	–	5.381.100	5.381.100
31 DECEMBER 2021	**45.403.717**	**–**	**1.740.323**	**(55.335.025)**	**(8.190.987)**

(i) Legal reserve

In accordance with the applicable commercial law in several countries where Pestana Hotel Group operates, a specific percentage of net profit must be set aside in a legal reserve until that reserve is equal to another specific percentage of the subsidiary´s issued share capital. This reserve is usually not available for distribution until the company’s liquidation but may be used to offset losses if no other reserves are available and to increase share capital.

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

This reserve is not available for distribution and includes the effective portion of changes in fair value of hedging derivatives (Note 25). This reserve also includes the deferred tax impact related to the changes in fair value that are not tax deductible, at the reporting date.

(iii) Currency translations adjustments

The differences arising from the conversion of the Income statement and the Statement of financial position of the subsidiaries that have a functional currency other than Euro, as described in Note 3.2 iii), are recognized under this caption and are detailed as follows as at 31 December 2021 and 2020:

	2021	2020
BRL – Brazilian Real	(37.808.847)	(38.142.830)
MZN – Mozambican Metical	(7.307.994)	(9.567.842)
ARS – Argentinian Peso	(8.999.995)	(8.865.694)
UYU – Uruguayan Peso	(2.408.133)	(2.535.277)
USD – US Dollar	718.396	(2.061.402)
GBP – Pound sterling	25.438	2.615
ZAR – South African Rand	519.245	517.521
Others	(73.137)	(63.218)
	(55.335.025)	**(60.716.127)**

20. Retained earnings

As at 31 December 2021 and 2020 Retained earnings movements were as follows:

	TOTAL
1 JANUARY 2020	**146.269.375**
Profit for the period application	69.800.455
Foreign currency translation	424.990
Transfers to and from Other reserves (Note 19)	(76.658)
Others	72.751
31 DECEMBER 2020	**216.490.913**
Profit for the period application	(33.412.453)
Dividends (Note 36)	(150.000)
Foreign currency translation	(334.216)
Other changes recognized in equity (Note 21)	2.333.418
31 DECEMBER 2021	**184.927.662**

21. Non-controlling interests

As at 31 December 2021 and 2020 Non-controlling interests' movements were as follows:

	2021	2020
1 JANUARY	**10.235.121**	**18.388.220**
Profit for the period	432.802	674.723
Foreign currency translation	111.605	(59.332)
Change in fair value reserve – hedging derivatives (net of tax)	–	666
Dividends (Note 36)	–	(2.431.067)
Reimbursement of equity instruments	–	(3.400.728)
Changes in the perimeter (Note 39)	–	(2.479.296)
Change in financial interest	–	(1.036.376)
Transfers from Other reserves (Note 19)	–	578.311
Other changes recognized in equity (Note 20)	(2.333.418)	–
31 DECEMBER	**8.446.110**	**10.235.121**

In 2020 Dividends were paid by SDM – Sociedade de Desenvolvimento da Madeira, S.A. in the amount of 2.431.067 Euros.

Reimbursement of equity instruments in 2020 was made by SDM – Sociedade de Desenvolvimento da Madeira, S.A. through a share capital reduction in the amount of 6.505.738 Euros, of which 3.400.728 Euros were paid to non-controlling interests according to the respective proportion of voting rights (Note 39).

Changes in the perimeter in 2020 result from the disposal of the subsidiary SDM – Sociedade de Desenvolvimento da Madeira, S.A., and the consequent participation that the last held in SDEM – Sociedade de Madeira Business Development, Sociedade Unipessoal, S.A. (Note 39).

On June 22, 2020, due to the change that has occurred in the structure of the share capital of URP Urban Renew – Projetos Imobiliários – SICAFI, S.A., since Mr. Dionísio Pestana acquired 50% of the shares owned by the remaining shareholders, becoming the majority shareholder of the company, Pestana Hotel Group transferred this investment to an Associate (Note 10) which means the non-controlling interests existing at the effective date were written off in the amount of 1.036.376 Euros (Note 9).

Non-controlling interests relate to the following investments:

	31-12-2021	31-12-2020
Pestana S.G.P.S. Sub-group (Portugal) (i)	8.392.090	10.332.300
Hotéis do Atlântico Sub-group (Europe and North America) (i)	302.060	206.307
Pestana Inversiones Sub-group (Latin America) (i)	14	14
Salvintur Sub-group (Africa) (i)	(248.054)	(303.500)
	8.446.110	**10.235.121**

(i) Detailed information not disclosed because it relates to a subgroup aggregation. Corresponding financial information is disclosed in Note 38.

22. Provisions

As at 31 December 2021 and 2020 the movements in Provisions were as follows:

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
1 JANUARY 2021	9.446.034	290.454	1.505.863	11.242.351
Decreases	(508.691)	(124.167)	(63.043)	(695.901)
Utilizations	(2.328.791)	–	(53.020)	(2.381.811)
Interest charges (Note 34)	472.144	–	–	472.144
Foreign currency translation (iv)	7.423	–	33.772	41.195
Changes on period	(2.357.915)	(124.167)	(82.291)	(2.564.373)
31 DECEMBER 2021	**7.088.119**	**166.287**	**1.423.572**	**8.677.978**
Current balance	433.997	75.150	1.036.398	1.545.545
Non-current balance	6.654.122	91.137	387.174	7.132.433
	7.088.119	**166.287**	**1.423.572**	**8.677.978**

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
1 JANUARY 2020	9.909.708	271.010	2.272.019	12.452.737
Increases	79.059	19.444	840.374	938.877
Decreases	(542.207)	–	–	(542.207)
Utilizations	(2.654)	–	(111.076)	(113.730)
Interest charges (Note 34)	444.011	–	–	444.011
Foreign currency translation (iv)	(441.883)	–	(1.495.454)	(1.937.337)
Changes on period	(463.674)	19.444	(766.156)	(1.210.386)
31 DECEMBER 2020	**9.446.034**	**290.454**	**1.505.863**	**11.242.351**
Current balance	2.755.963	100.752	1.062.141	3.918.856
Non-current balance	6.690.071	189.702	443.722	7.323.495
	9.446.034	**290.454**	**1.505.863**	**11.242.351**

Court deposits were made for provisioned lawsuits in the current balance in the total amount of 2.143.591 Euros (Note 14). Details of provisions accounted for and main reasons for the movements occurred are as follows:

(i) Litigation and claims in progress

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

In 2021, the provision constituted for a litigation in Colombia in the amount of 2.328.791 Euros was used due to the definitive and unfavourable conclusion of the judicial process. This amount had already been paid in 2017.

As at 31 December 2021, the Brazilian subsidiary Brasturinvest, S.A. is an involved party in several processes in the total amount of 4.218.886 Euros (31 December 2020: 4.245.506 Euros), mainly related with labour processes, which essentially correspond to claims from past employees of greater compensation than paid by the subsidiary at the time they were laid off. However, it has been the subsidiary's practice to settle several of these cases outside of court for amounts lower than those which have been provided considering the estimated losses calculated by the Brazilian external expert legal entities.

The subsidiary Empresa de Cervejas da Madeira, Lda. (ECM) received an inspection carried out by Customs in Lisbon related to Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, an officious liquidation in the amount of 2.029.130 Euros with the addition of 321.270 Euros of compensatory interest. Until 2014, this claim was on hierarchical court appeal and the subsidiary ECM had constituted bank guarantees, and no outflow was expected to occur based on the opinion of reputable external advisors. However, in 2015, the court has taken its decision which was unfavorable to ECM. Despite the extraordinary judicial administrative appeal that was immediately submitted, considering the development occurred in the process, Pestana Hotel Group recognized a provision in the total amount of 2.755.052 Euros. The lawsuit is currently under judicial review, and there are no further developments that imply changes to the balance of the provision, which was classified as a current liability. According to the external lawyer in charge of the process, the process is not expected to be concluded and paid within one year, so this provision is classified as a non-current liability.

(ii) Customer guarantees

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

(iii) Other provisions

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

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

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

In 2021, there is no evolution regarding this process, the bank guarantee remains active and this provision continues to prudently be presented in current liabilities.

As at 31 December 2021 and 2020, the remaining Other provisions result from ordinary and inherent business risks.

(iv) Foreign currency translation

Mainly refers to the variance of the Brazilian Real against the Euro (Note 3.2. iii).

23. Borrowings

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

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bank loans	64.413.810	250.257.854	314.671.664	13.533.632	279.963.167	293.496.799
Bond loans	13.479.675	89.000.000	102.479.675	27.500.000	75.000.000	102.500.000
Commercial paper	444.444	36.777.778	37.222.222	2.944.444	22.222.223	25.166.667
Bank overdrafts	9.812.229	–	9.812.229	1.720.674	–	1.720.674
	88.150.158	**376.035.632**	**464.185.790**	**45.698.750**	**377.185.390**	**422.884.140**
Interests payable – accrual	1.735.965	–	1.735.965	1.513.337	–	1.513.337
Interests paid – deferral	(645.409)	(2.465.335)	(3.110.744)	(544.978)	(2.755.695)	(3.300.673)
	89.240.714	**373.570.297**	**462.811.011**	**46.667.109**	**374.429.695**	**421.096.804**

The future payments of the outstanding bank loans, bond loans and commercial paper, by currency of denomination as at 31 December 2021 and 2020 are as follows:

	2022	2023	2024	2025	2026	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	61.818.358	27.442.716	24.849.916	19.615.882	31.764.865	103.830.549	269.322.286
American dollar	1.383.764	1.383.764	1.383.764	1.383.764	11.992.620	–	17.527.676
British pound	1.211.688	1.352.705	1.496.154	1.641.346	2.024.990	20.094.819	27.821.702
	64.413.810	**30.179.185**	**27.729.834**	**22.640.992**	**45.782.475**	**123.925.368**	**314.671.664**
Bond loans							
Euro	13.479.675	–	–	60.000.000	–	29.000.000	102.479.675
	13.479.675	**–**	**–**	**60.000.000**	**–**	**29.000.000**	**102.479.675**
Commercial paper							
Euro	444.444	20.444.444	444.444	5.444.444	10.444.446	–	37.222.222
	444.444	**20.444.444**	**444.444**	**5.444.444**	**10.444.446**	**–**	**37.222.222**
	78.337.929	**50.623.629**	**28.174.278**	**88.085.436**	**56.226.921**	**152.925.368**	**454.373.561**

	2021	2022	2023	2024	2025	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	11.819.361	48.711.176	24.548.142	24.202.287	35.018.087	106.025.214	250.324.267
American dollar	743.472	1.201.075	1.298.130	1.433.001	1.570.418	20.207.112	26.453.208
British pound	970.799	1.294.399	1.294.399	1.294.400	11.865.327	–	16.719.324
	13.533.632	51.206.650	27.140.671	26.929.688	48.453.832	126.232.326	293.496.799
Bond loans							
Euro	27.500.000	15.000.000	–	–	60.000.000	–	102.500.000
	27.500.000	15.000.000	–	–	60.000.000	–	102.500.000
Commercial paper							
Euro	2.944.444	444.444	20.444.444	444.444	444.444	444.447	25.166.667
	2.944.444	444.444	20.444.444	444.444	444.444	444.447	25.166.667
	43.978.076	66.651.094	47.585.115	27.374.132	108.898.276	126.676.773	421.163.466

As at 31 December 2021 71% of the borrowings total balance are contracted at fixed rate and the remaining are mainly subject to variable interest rate of 12M, 6M, 3M and 1M Euribor and Libor plus spread.

Bank loans

Bank loans have as collateral the mortgage over some assets which are booked as tangible fixed assets (Note 37).

The COVID-19 pandemic led governments from various countries to adopt several measures to mitigate its financial impact on companies, including the provision of subsidized credit lines with State guarantees of capital and capital moratoriums on bank loans. The Group obtained subsidized credit lines with State guarantee in the amount of 7.911.085 Euros in 2021 and 2.000.000 Euros in 2020.

The capital moratoriums on bank loans were in effect between April 2020 and September 2021 and amounted to 9.903.557 Euros in 2021 and 19.223.583 Euros in 2020. Regarding interests, the Group decided to proceed with its payment.

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

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

In February 2020, the Group received the funds for the loan contracted at the end of 2019, in the amount of 45.000.000 Euros, for a 15-year period, with a fixed interest rate and payable in 60 quarterly instalments. The first instalment was paid in March.

In October 2020, the Group used a loan already contracted in 2018 in the amount of 5.000.000 Euros.

In 2020, regarding loans contracted by companies in sectors considered to be most affected by the Portuguese State, such as hospitality, it also allowed a 12-month extension in the maturity of the respective loans.

Bond loans

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

The Pestana Hotel Group has fully repaid the bond loan due on 22 December 2021 and the partial payment of the bond loan due on 15 July 2022, in the amounts of 27.500.000 Euros and 1.520.325 Euros, respectively. On 28 February 2020, the bond loan of 65.000.000 Euros was also repaid on its due date.

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

All bond loans have a fixed interest rate.

Commercial paper

As at 31 December 2021, the Group has contracted 7 commercial papers programs with underwriting value of 20.000.000 Euros, 10.000.000 Euros, 8.000.000 Euros, 5.000.000 Euros, 3.500.000 Euros, 3.000.000 Euros, 2.222.222 Euros and 2.000.000 Euros, of which 32.222.222 Euros are used, and classified 31.777.778 Euros in non-current and 444.444 Euros in current. These programs are remunerated at the Euribor rate for the respective issue term plus spread.

Covenants

Borrowings engaged by Group companies include, in some cases, clauses that require specific covenants to be accomplished such as: i) the maintenance of the subsidiaries share capital inside the group; and ii) the maintenance of ratios, namely related to the capital structure, profitability and indebtedness. Due to the impact of this pandemic crisis on the results of Pestana Hotel Group and although there are no difficulties in fulfilling its financial responsibilities, considering its financial structure, the Group agreed to suspend the covenants provided in the loan agreements for 2021 and 2020.

Unused contracted credit lines

Pestana Hotel Group holds, as at 31 December 2021, a set of unused contracted credit lines in Financial Institutions, with a total amount of 92.900.000 Euros related to authorized credit lines and overdrafts.

24. Lease liabilities

As at 31 December 2021 and 2020 Lease liabilities refer to:

	31-12-2021	31-12-2020
Current	14.058.003	11.792.572
Non-current:		
1 to 5 years	48.098.730	43.666.086
More than 5 years	119.378.262	124.590.453
	181.534.995	**180.049.111**

As at 31 December 2021 and 2020 Lease liabilities mainly refer to the following Right of use assets (Note 6):

- Alto Golf – Pestana Golf & Resort
- Beloura – Pestana Golf & Resort
- Casino da Madeira
- Madeira Magic
- Pestana Amsterdam Riverside
- Pestana Carlton Madeira
- Pestana Casablanca
- Pestana Cascais
- Pestana Churchill Bay
- Pestana Cidadela Cascais
- Pestana Colombos
- Pestana CR7 Funchal
- Pestana Delfim
- Pestana Fisherman

- Pestana Ilha Dourada
- Pestana Lisboa Vintage
- Pestana Miramar São Tomé
- Pestana Palácio do Freixo
- Pestana Park Avenue
- Pestana Plaza Mayor
- Pestana Quinta do Arco
- Pestana Royal
- Pestana Rua Augusta
- Pestana Sintra Golf
- Pestana Tanger City Center
- Pestana Viking
- Pestana Vila Sol
- Pousada de Alfama
- Pousada de Lisboa
- Pousada de Vila Real de Santo António
- Pousadas de Portugal (Network)
- Vila Sol – Pestana Golf & Resort

Following the COVID-19 pandemic, some lease agreements were renegotiated to obtain reductions in fixed rents or to defer payments to minimize the impact of the temporary reduction in the activity of the units until June 2021. The impact of this renegotiation in liabilities and in other income (Note 31) was 1.438.089 Euros and 5.391.527 Euros, in 2021 and 2020, respectively.

25. Derivatives

As at 31 December 2021 and 2020 Pestana Hotel Group had interest rate swaps (hedging derivatives) as follows:

	31-12-2021		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate swaps – non-current	–	358.128	–	1.176.734
Interest rate swaps – current	–	–	–	–
	–	**358.128**	**–**	**1.176.734**

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

Subsidiary	CLASSIFICATION IFRS 9	INITIAL REFERENCE VALUE	MATURITY	PAYMENT PERIOD	FEES RECEIVABLE/ PAYABLE	FAIR VALUE AT 31-12-2021	FAIR VALUE AT 31-12-2020	VARIATION
Hotel Rauchstrasse 22, S.à.r.l. (i)	Trading	11.500.000	16/06/2025	Semiannual	Eur 6M / 2,10%	(224.248)	(395.089)	170.841
Pestana International Holdings S.A.	Hedging	17.921.875	28/05/2024	Quartely	GBP Libor 3M / 1,20%	(108.058)	(696.046)	587.988
ITI Soc. Inv. Tur. Ilha Madeira, S.A. (ii)	Proportion hedge	7.000.000	26/09/2022	Semiannual	Eur 6M / 4,82%	(25.822)	(85.600)	59.778
						(358.128)	**(1.176.734)**	**818.607**

(i) This derivative was signed as part of the renegotiation of the borrowings of Hotel Rauchstrasse 22, SARL. It is classified as trading, therefore its fair value variations were recognized in the Income statement (Note 34).

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

The change in the fair value of the derivatives financial instruments occurred in 2021 and 2020 were as follows:

	2021	2020
1 JANUARY	1.176.734	847.359
Hedging derivatives – fair value changes	(632.821)	(66.552)
Trading derivatives – fair value changes (Note 34)	(185.786)	395.927
31 DECEMBER	**358.128**	**1.176.734**

The changes in the fair value reserve related to cash flow hedges in 2021 and 2020 were as follows:

	2021	2020
1 JANUARY	1.107.503	1.041.617
Hedging derivatives – fair value changes (Note 19)	632.821	65.886
31 DECEMBER	**1.740.324**	**1.107.503**

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

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

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

26. Deferred revenue

As at 31 December 2021 and 2020, the detail of Deferred revenue is as follows:

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Pestana Vacations Club (i)	15.895.232	80.970.272	96.865.504	13.503.849	90.266.447	103.770.296
Pestana Vacations Club – Options (ii)	1.180.064	31.006.418	32.186.482	971.753	32.195.747	33.167.500
Government grants (iii)	815.624	7.738.098	8.553.722	726.846	7.211.227	7.938.073
Customer loyalty program ("PGC") (iv)	692.682	709.183	1.401.865	2.565.739	399.986	2.965.725
Other deferred income (v)	2.301.859	2.579.918	4.881.777	1.656.867	2.830.666	4.487.533
	20.885.461	**123.003.889**	**143.889.350**	**19.425.054**	**132.904.073**	**152.329.127**

(i) Pestana Vacation Club

This balance refers to the sale of Pestana Vacations Club rights, which are deferred over the period of the award of temporary right of use of hotels and apartments at the Pestana Hotel Group (Note 3.20 ii)), which will end between 2021 and 2039.

The temporary reduction in the activity of the Vacation club units due to the COVID-19 pandemic have impacted the possibility of using the contracted right and the negotiation of new contracts between March 2020 and July 2021. Thus, for accommodation units for which use was made impossible by the pandemic and whose maintenance fees were paid during this period, Pestana Hotel Group decided to allow its use until the end of the contract, in the amount of 1.605.205 Euros in 2021 and 5.363.064 Euros in 2020.

The movement that occurred in 2021 and 2020 was as follows:

	2021	2020
1 JANUARY	103.770.296	112.393.046
Increases/Reductions	3.213.981	3.304.767
Consumption	(10.152.240)	(9.700.809)
Foreign exchange translations	33.467	(2.226.708)
Movement	(6.904.792)	(8.622.750)
31 DECEMBER	**96.865.504**	**103.770.296**

(ii) Pestana Vacation Club – Options

This item refers to the sale of the timeshare program Options. The customer acquires points that give him the right to use accommodation without having to choose the specific hotel at that time. Revenue is recognized according to the redemption of points in the program and their validity date (Note 3.20 ii)).

The movement that occurred in 2021 and 2020 was as follows:

	2021	2020
1 JANUARY	33.167.500	33.866.827
Increases/Reductions	1.569.726	861.522
Consumption	(2.550.744)	(1.560.849)
Movement	(981.018)	(699.327)
31 DECEMBER	**32.186.482**	**33.167.500**

(iii) Government grants

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

In June 2021, the Group benefited from a conversion of 40% of a loan previously contracted into a non-repayable subsidy under the terms of the financing of European Regional Development Fund (ERDF), in the amount of 527.267 Euros. This amount will be recognized over the useful life of the asset, until 2057 (Note 23).

(iv) Customer Loyalty Program (PGC)

This item refers to the customer loyalty program of Pestana Hotel Group, named PGC – Pestana Guest Club. The program consists of points earned in consumption and accommodation in hotels of the Pestana Hotel Group, enabling the exchange of points for accommodation in hotels of the Group and direct discounts at restaurants and bars as well as other benefits by the customers. Considering that transactions that qualify for point's award is a separate performance obligation, at the date the services are rendered there is a segregation of the amount invoiced to the client between the revenue of product or services and the value of the points awarded, considering the separate sale price of each performance obligation and the customer's point redemption history. Thus, revenue is recognized when the customer redeems the points to purchase a product / service, as agreed in the loyalty program, or until the date the points expire, considering the historic average of expired points and the consumption rhythm of the existing points (breakage) as foreseen in IFRS 15.

(v) Other deferred income

This caption includes the amount billed to Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A. relating to the agreement for the private use of plots integrated in the infrastructure constructed in Praça do Mar, for 28 years as well as the deferred income from billed construction works not yet performed.

27. Trade and other payables

As at 31 December 2021 and 2020 the detail of Trade and other payables is as follows:

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade payables						
Suppliers (i)	23.324.746	–	23.324.746	14.453.500	–	14.453.500
Other payables						
Other payables	1.243.846	59.367	1.303.213	835.000	–	835.000
Other payables – group (Note 40)	247.388	–	247.388	70.497	–	70.497
Suppliers of property, plant and equipment	1.637.541	–	1.637.541	1.360.272	–	1.360.272
Taxes payable (ii)	4.412.734	–	4.412.734	3.090.272	–	3.090.272
Accrued expenses						
Property taxes	2.080.160		2.080.160	2.364.783		2.364.783
Wages and corresponding taxes	10.722.980	–	10.722.980	10.079.376	–	10.079.376
Others (iii)	13.923.126	–	13.923.126	11.495.630	53.937	11.549.567
	57.592.521	**59.367**	**57.651.888**	**43.749.330**	**53.937**	**43.803.267**

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

(i) Suppliers

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Suppliers – group (Note 40)	–	–	–	16.703	–	16.703
Other suppliers	23.324.746	–	23.324.746	14.436.797	–	14.436.797
	23.324.746	**–**	**23.324.746**	**14.453.500**	**–**	**14.453.500**

(ii) Taxes payable

	31-12-2021			31-12-2020		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Social security contributions	1.881.927	–	1.881.927	1.140.822	–	1.140.822
Value added tax	1.412.024	–	1.412.024	901.511	–	901.511
Personnel income tax withheld	827.982	–	827.982	925.514	–	925.514
Others	290.801	–	290.801	122.425	–	122.425
	4.412.734	**–**	**4.412.734**	**3.090.272**	**–**	**3.090.272**

(iii) Other accrued expenses

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

28. Revenue

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

	2021	2020
Hospitality business (i)	139.230.469	68.377.540
Real estate (ii)	98.116.707	54.807.265
Vacation club (iii)	23.046.756	19.974.042
Beverages (industry) (iv)	22.790.456	19.206.089
Golf	6.541.935	6.018.320
Entertainment	5.537.289	5.239.240
Others	157.532	8.037.133
	295.421.144	**181.659.629**

Revenue in 2020 related to the subsidiaries that were excluded from the consolidation perimeter amounted to 7.910.797 Euros (Note 39).

(i) Hospitality business

In 2021, the economic recovery began thanks to the acceleration of the vaccination process and the reopening of borders, although the first four months were still affected by restrictive and containment measures of the pandemic. Thus, Pestana Hotel Group began the process of reopening gradually, based fundamentally on domestic tourism in each country where it is present, which allowed the Group to have most of its units in operation at the end of June.

As of July, restrictions on the movement of people were effectively reduced, which combined with Pestana Hotel Group's ability to reopen units in few days, allowed for the opening of around 80% of its units as soon as demand installed. Therefore, in the most relevant period of the year, it managed to reach occupancy rates above 50% in July and 80% in August, maintaining the strategy followed in the previous year of safeguarding the average price. At the beginning of September, the vaccination process started to rapidly advance worldwide. Thus, there was a gradual increase in people's confidence in city tourism, leading to the reopening of practically all the Group's units during the last quarter, including the inauguration of most units completed during the pandemic period. At the end of November, the first cases of the new Omicron variant were detected, which led to the entry into force of new preventive measures that limited activity during the month of December.

In 2020, the hospitality business had been significantly affected by the restrictions imposed in the context of the pandemic, with all of the Group's units being prevented from receiving guests during the months of April and May. As of June, some units gradually reopened, but always limited by strong air restrictions and mandatory quarantines on the return to some countries, namely the United Kingdom, which led the Group to be almost entirely dependent on the reaction of the domestic tourism in each country.

The hospitality business in Portugal achieved revenue of approximately 105 million Euros (an increase of 118% compared with the previous year) and in terms of regions it is spread between Algarve (34%), Madeira (26%), Lisbon (11%), Porto Santo (10%) and Oporto (5%) with the remaining 14% being spread-out between Azores, Alentejo and North and Central Portugal. In 2021, the strength of domestic leisure tourism and the beginning of the recovery of international tourism demand, whenever the pandemic was under control, allowed activity levels to recover in resorts in the summer season and in some to reach levels similar to those recorded in the same period of 2019. This context allowed for the opening of 4 new units in the country, including two in the cities of Lisbon and Oporto. Although in terms of overall conditions Portugal benefitted as a whole these results were not equal in terms of timing for every region. Algarve's recovery resulted not only from a significant increase in internal tourism but also from being capable of capturing new feeder markets and, whenever Portugal was included in the safe travel lists in the United Kingdom, to attract tourists from this market. Madeira and Porto Santo were heavily penalized in 2020 from lack of flights and for being associated with the negative image of continental Portugal, however, in the second half of 2021 this was no longer the case with several airline companies increasing available flights to these islands which significantly impacted activity in these regions. Lisbon and Oporto, being cities with greater population density, had a more difficult time due to an initial lack of confidence from tourists which was slowly built up with the increase in the vaccination rate with revenue only increasing from August onwards. The Pousadas, which are spread throughout the country, were the first to reopen as early as the first quarter of 2021 because of their proclivity for domestic tourism. In 2020, traffic restrictions, quarantines unilaterally imposed by some countries since the beginning of the pandemic without common epidemiological criteria and lack of confidence of European guests to travel abroad directly limited this business.

In Europe revenue increased 59% mainly due to Pestana Plaza Mayor. This increase was widespread with every unit presenting revenue growth rates above 36% except for Berlin which had revenue in line with the previous year. In Spain the increase in revenue was not equal in both units, Pestana Arena Barcelona's revenue increased 47% while Pestana Plaza Mayor's increased 168%. This happened because the Catalonia region was one of the most affected by the pandemic which resulted in Pestana Arena Barcelona's activity being suspended for a greater period of time in 2020 and 2021. In the Netherlands, there was an increase of approximately 970.000 Euros in revenue while its average occupancy rate remained stable. In the United Kingdom, Pestana Chelsea Bridge was prevented from receiving guests for several months and was affected by the instability in travel measures as well as the constant changes in England's COVID-19 travel red list, however, it registered a revenue increase of 1.580.000 Euros. In Berlin, demand increased in the second half of the year due to the lifting of restrictive measures implemented by the German government, which allowed the hotel to reopen in July 2021.

America was the continent most affected by the COVID-19 pandemic worldwide, both in terms of number of cases and deaths, mainly in the United States of America and Brazil. However, revenue increased 282% in the United States due to Pestana Park Avenue's first full year of activity, which had opened in February 2020 but was prevented from receiving customers in April and throughout the remainder of 2020. The absence of any pandemic restrictions in Miami during 2021 allowed for the return of face-to-face events, namely the largest art exhibition in the world, Art Basel. On the other hand, activity in Brazil was affected especially in the first half of 2021 with the cancellation of one of the biggest events in the world, Carnival, and the constant political and judicial instability which led to an increase in inflation and unemployment rates. In the second half of 2021 activity improved significantly with the increase in vaccination and reaching 70% of the population vaccinated by the end of the year. As a result, restrictive measures began gradually being lifted and tourist confidence increased resulting in an increase in the number of flights to the country which also organized the Copa da America, the biggest sporting event in South America.

The Group's hotel units in Africa are mainly located in developing countries, which continued to have a difficult year with the pandemic. Vaccination efforts are mostly dependent on other countries' donations, as African countries have scarcer resources to effectively control the pandemic. Despite the lasting effects of the pandemic on the continent, revenue increased by 13% when compared with 2020, which was particularly good considering its economic conditions. The greatest contributions for this increase were in Pestana Casablanca, in Morocco and Pestana Trópico, in Cape Green, since they were always in operation during both years.

The 2021 and 2020 detail of sales and services rendered in Hospitality business by country of origin are as follows:

	Hospitality business	
Country	2021	2020
Portugal	43,0%	40,7%
United Kingdom	14,4%	12,8%
Germany	6,2%	9,5%
United States	6,2%	2,9%
France	4,5%	4,7%
Spain	4,0%	4,4%
Brazil	3,6%	5,9%
Netherlands	2,8%	2,8%
Switzerland	1,4%	1,1%
Belgium	1,3%	1,0%
Ireland	1,3%	0,5%
Italy	1,0%	1,1%
Poland	0,7%	0,6%
Sweden	0,6%	1,0%
Denmark	0,6%	0,8%
Others	8,4%	10,2%
	100%	**100%**

(ii) Real estate

The diversification strategy followed by Pestana Hotel Group, such as the investment in the tourist and residential real estate sector, which has shown and confirmed an enormous resilience to this crisis, allowed the Group to minimize the impact of the decrease in revenue in the hospitality business.

Following last few years' trends, real estate sales and management business continued to grow and present good results in 2021, driven by the successful bet on three new real estate projects with fast returns.

Madeira Palácio Residences located in one of the most modern residential areas in Funchal, on the first line of the sea, was sold for 40.000.000 Euros, with a margin of 10.683.372 Euros (Note 15).

The 56 apartments of Coliseu Residences, located in São Miguel in the Azores, were all sold in 2021, for 13.942.500 Euros, with a margin of 4.812.410 euros. This project with an excellent location was another quality investment made by the Group in this business area, with excellent results.

The Group's main real estate project in recent years, Pestana Tróia Eco-Resort, is nearing its completion with the last 12,75 accommodation units (u.a.) of Lot 1 being delivered in 2021, for the amount of 7.730.850 Euros (2020: 54 u.a. for 31.211.498 Euros). Lot 3 is also almost entirely sold, with 4 villas having been delivered for the amount of 5.350.000 Euros (2020: 8 villas for 7.267.350 Euros), with 7 lots still to be delivered.

At the beginning of 2021, an urban plot in Brejos da Carregueira de Baixo, parish of Comporta, Municipality of Alcácer do Sal, in one of the most attractive and sought after area of the Portuguese coast, for clients to build luxury villas based on previously defined model houses, which will give rise to the new "Pine Village" development. In this project, the Group will only sell the lots, without construction, unless clients contact it for this purpose. In 2021, 22 of 59 lots were already sold for 8.371.800 Euros, with a margin of 4.244.297 Euros.

The Silves Golf Resort Project is a touristic project which includes two 4-star touristic resorts and 1 apart-hotel. The first tourist resort is currently under construction, including 175 accommodation units with a total expected investment of 16.000.000 Euros. In 2021, the construction of Phase 1 of the first touristic resort continued with the construction of 4 more villas and the delivery of one villa and two apartments. In 2021 and 2020, sales of villas and apartments amounted to 1.080.000 Euros and 4.423.580 Euros, respectively.

Real estate includes revenue recognized according to the measurement of performance obligation satisfaction based on the percentage of completion method, which corresponds to the proportion of incurred costs to the total estimated contract costs. The main project in 2021 concerns the requalification of the building on Avenida Casal Ribeiro, in Lisbon, Empreendimento OASIS 28, with 60 apartments, which generated revenue of 5.421.255 Euros (2020: 1.217.563 Euros). This project will be completed in 2022. In 2021 and 2020, the amount recognized in revenue with respect to these contracts amounted to 5.883.240 Euros and 1.382.052 Euros, respectively with costs of 5.583.263 Euros and 1.273.576 Euros, respectively. As at 31 December 2021 and 2020, accumulated recognized revenue from construction contracts in progress amounted to 7.154.384 Euros and 1.382.052 Euros, respectively, and the accumulated costs amounted to 6.835.897 Euros and 1.288.498 Euros, respectively. For all Construction contracts in progress it was possible to make a reliable estimate of their outcome.

Real estate revenue also includes the residence activity, namely the tourist exploration contracts for Pestana Troia Eco-Resort, which in 2021 represented accommodation revenue in the amount of 4.245.027 Euros and real estate management of 2.435.087 Euros as well as the tourist exploration of Pestana Gramacho and Pinta which continued to show good results with revenue of 4.597.203 Euros in 2021. The remaining amount essentially refers to gardening and maintenance services.

In 2021, sales with this activity started to include the recharge, with margin, of infrastructure costs, such as electricity, water, gas and telephone related to the Real estate management activity of the Group, in the amount of 1.954.153 Euros. In 2020, this revenue was recorded in Other income (Note 31).

(iii) Pestana Vacation Club

Vacation Club which represents 8% of Pestana Hotel Group's revenue continues to be supported by close to 30.000 families that have kept following the Group for the last 30 years. Pestana continues to develop Pestana Vacation Club (PVC) that allows guests to travel all along the Group's hotels around the world. This does not always give the buyer a legal temporary right to the property.

The Vacation Club business concerns the sale of timeshare and Options, having recorded in 2021 an increase of 15% over the previous year.

As in the hospitality business, the reduction of activity and the restrictions on the air transportation has impacted the possibility to use the right contracted and the negotiation of new contracts, but with less impact than the previous year. Thus, similar to what happened in 2020, for accommodation units for which there was no use and whose maintenance fees were paid, Pestana Hotel Group decided to allow the use of the accommodation unit during the remaining period of the contract.

The resumption of Vacation Club activity was also progressive and gradual, considering the existing limitations and restrictions. The reactivation of the main tourist markets for the Vacation Club activity, such as the United Kingdom and Germany, allowed, as far as possible, the use of the contracted weeks and the signing of new contracts, with a positive impact on the revenue from the Vacation Club business in 2021.

The 2021 and 2020 detail of sales and services rendered in Vacation Club by country of origin related to the number of customers are as follows:

	Vacation club	
Country	2021	2020
United Kingdom	52,9%	51,9%
Germany	11,0%	11,9%
Portugal	10,0%	8,8%
Finland	6,9%	6,8%
Brazil	5,2%	5,1%
Sweden	2,8%	3,0%
Others	11,2%	12,6%
	100%	**100%**

(iv) Beverages (industry)

Commercial activity in this market continued to be strongly affected by the epidemic crisis in the first four months of the year, given all the constraints that existed in that period. The mandatory curfew imposed in the first quarter of 2021, as well as the substantial reduction in the inflow of tourists, greatly affected the performance of this activity in that part of the year.

With the progressive lifting of restrictions that constrained consumption in bars and restaurants, there was a gradual recovery in sales. In the summer, there was even a recovery to pre-pandemic consumption levels and at this stage sales showed a performance similar to 2019, with October recording the best performance in recent years. In the foreign markets, there was a return of exports to China as well as the shipment of products to new European markets.

29. External services and supplies

The detail of External services and supplies is as follow:

	2021	2020
Professional fees	16.303.155	14.225.762
Cleaning	13.037.231	7.971.282
Energy	9.866.033	8.515.011
Commissions	7.025.179	4.631.843
Maintenance	5.924.222	5.761.711
Advertising	4.640.302	5.601.566
Subcontracts	3.890.016	2.981.233
Property management exploration counterpart	3.572.798	2.981.353
Rents	2.990.595	1.799.995
Insurance	1.653.402	1.832.155
Travelling and transport expenses	1.283.116	1.314.190
Others	5.431.805	5.215.326
	75.617.854	**62.831.426**

External services and supplies related to the subsidiaries excluded from the consolidation perimeter in 2020 amounted to 1.837.626 Euros (Note 39).

Pestana Hotel Group has a mostly variable cost structure which provides a robust resilience to downturns, which was decisive in obtaining positive operating results in 2020 despite the impact caused by the COVID-19 pandemic. Thus, after the decrease in terms of variable expenses in 2020, namely in cleaning, energy, licenses, temporary work, commissions and rents, in 2021 the same expenses increased as a result of the progressive increase of Group's activities and the beginning of the economic recovery. In 2021 and 2020, mainly during the period in which the units were temporarily closed and within the scope of cost reduction and control measures, there was also the renegotiation of professional fee contracts and subcontracts.

The 2021 Group auditor's consolidated audit fees for all subsidiaries amounted to 182.000 Euros. Audit services performed on the remaining companies included in the consolidation perimeter by different auditors amounted to 120.371 Euros. There were no other service fees charged by any of these auditors.

30. Personnel expenses

The detail of Personnel expenses is as follows:

	2021	2020
Board of Directors (including subsidiaries)		
Wages and salaries	2.184.123	1.458.004
Social security contributions	535.733	576.618
	2.719.856	**2.034.622**
Staff		
Wages and salaries	44.196.072	41.224.551
Social security contributions	9.782.062	8.278.563
Others	3.778.555	3.341.555
	57.756.689	**52.844.669**
	60.476.545	**54.879.291**

Personnel expenses related to the subsidiaries excluded from the consolidation perimeter in 2020 amounted to 1.344.283 Euro (Note 39).

The average number of employees of Pestana Hotel Group in 2021 was 3.268 (2020: 3.667). The average number of Board directors of Pestana Hotel Group's subsidiaries in 2021 was 39 (2020: 44).

In 2021 and 2020, the Group used the job maintenance programs granted by various governments in response to the pandemic COVID-19 and which allowed to reduce personnel expenses by approximately 9.416.000 Euros and 12.065.000 Euros, respectively. In 2020, fixed-term employment contracts were not renewed and there were no temporary contracts for the summer season, which was not the case in 2021.

In 2021 Personnel Expenses includes 1.605.500 Euros of profit sharing expenses.

31. Other income

The detail of Other income is presented as follows:

	2021	2020
Operating government grants	4.886.486	-
Supplementary income	4.503.265	6.395.552
Gains on disposal of assets	1.917.650	738.673
Foreign currency exchange gains	1.648.099	1.371.474
Rent concessions	1.438.089	5.391.527
Investment government grants (Note 26)	486.326	600.229
Lease write-offs (Note 6)	-	418.028
Others	1.490.295	2.270.500
	16.370.210	**17.185.983**

Other income in 2020 related to the subsidiaries excluded from the consolidation perimeter amounted to 67.009 Euros (Note 39).

Operating government grants mainly refer to subsidies granted by European Union governments to support companies that suffered a significant loss of turnover due to the COVID-19 pandemic (Netherlands: 2.121.092 Euros; Germany: 1.493.447 Euros; Portugal: 508.256 Euros; USA: 487.089 Euros; Spain: 218.500 Euros; UK: 47.008 Euros; Argentine: 11.094 Euros).

Supplementary income refers to the exchange of services and recharges to joint ventures and companies that are not included in the perimeter. In 2020 it included the recharge, with a margin, of infrastructure costs, such as electricity, water, gas and telephone related to the Property Management activity of Properties managed by the Group (Tróia, Vale da Pinta and Gramacho), in the amount of 1.685.984 Euros. In 2021 these transactions are recognized in Revenue (Note 28).

In 2021, Gains on the disposal of assets essentially refer to the sale of Pestana Angra in the amount of 2.351.834 Euros (15.000.000 Brazilian Reais) which generated a gain of 1.430.370 Euros (Note 6). It is also included the profit on sale of apartments in the tourist resort Pestana Gramacho Residences, in the amount of 187.200 Euros (2020: 564.694 Euros) (Note 6) and one house located in São Gonçalo, Funchal, for the amount of 279.000 Euros, with a gain on the disposal of 27.767 Euros (Note 8).

Rent concessions refers to total or partial reductions in the value of fixed rents (Note 24).

32. Other expenses

The detail of Other expenses is as follows:

	2021	2020
Taxes	5.559.837	6.597.654
Credit card commissions	1.093.406	579.215
Foreign currency exchange losses	264.090	1.361.221
Losses on inventories	212.113	260.651
Donations	201.820	605.709
Disposal of investment properties (Note 8)	55.362	–
Others	1.329.144	1.717.402
	8.715.772	**11.121.852**

Other expenses in 2020 related to the subsidiaries excluded from the consolidation perimeter amounted to 1.653.293 Euros (Note 39).

In 2021, Taxes include the correction made to the November 2021 VAT refund in the amount of 984.155 Euros (Note 14). The remaining amount refers essentially to expenses incurred with property taxes, with solid waste and sewage conservation rates.

Donations in 2020 include the acquisition of 20 ventilators to the Health Service of the Autonomous Region of Madeira which are intended to support hospitals in the treatment of patients infected with COVID-19 in the amount of 428.883 Euros.

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

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

	2021	2020
Disposal of joint venture Pestana CR7 – Lisboa Hotel Inv Turísticos, S.A. (Notes 9 and 39)	6.713.711	–
Disposal of subsidiaries S.D.M., S.A. and S.D.E.M., S.A. (Note 39)	–	6.246.025
Gains/(losses) in Financial assets at fair value through profit or loss (Note 11)	1.437.820	(331.123)
Losses from equity method in Joint ventures (Note 9):		
Pestana CR7 Manhattan 39 LLC	(539.412)	(125.110)
Pestana CR7 Marrakech S.à.r.l.	(285.379)	–
Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A.	(84.051)	(256.887)
Pestana CR7 Madrid, S.L.	(79.833)	(141.628)
Pestana CR7 Manchester, Ltd.	(45.710)	–
Solpor, Lda.	(657)	(3.041)
Pestana CR7 – Lisboa Hotel Investimentos Turísticos, S.A.	–	(164.154)
Gains/(losses) from equity method in Associates (Note 10):		
URP – Urban Renew Promoção Imobiliária, S.A.	39.340	(39.573)
Enatur – Empresa Nacional de Turismo, S.A.	6.170	(182.383)
Albar – Sociedade Imobiliária do Barlavento, S.A.	(1.076)	(4.365)
Liquidation of subsidiary Imóveis Brisa F.I.I.F. (Note 39)	–	(17.919)
	7.160.923	**4.979.842**

34. Financial expenses and income

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

	2021	2020
Financial expenses		
Interest expenses	10.799.885	10.716.935
Lease liabilities' interest	8.998.637	8.733.187
Commissions and guarantee fees	1.517.959	1.541.591
Foreign currency exchange losses	1.214.341	93.875
Provisions interest charges (Note 22)	472.144	444.011
Interest rate swaps	412.437	443.537
Taxes	377.833	–
Derivatives fair value (Note 25)	–	443.236
	23.793.236	**22.416.372**
Financial income		
Interest income	245.869	65.483
Interest rate swaps	11.763	64.398
Foreign currency exchange gains	191.885	1.000.027
Derivatives fair value (Note 25)	185.786	47.309
Dividends	21.923	36.560
Guarantee fees	108.996	294.306
Others	268.974	423.184
	1.035.196	**1.931.267**

The financial income net of financial expenses in 2020 related to the subsidiaries excluded from the consolidation perimeter amounted to 2.322 Euros (Note 39).

The variation in fair value of swaps corresponds in its entirety to the variation in fair value of derivative financial instruments considered as held for trading (Note 25).

In 2021 and 2020, dividends were obtained from the Iberis Bluetech Fund, FCR EuVeca ("Fundo Bluetech").

35. Income tax

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

	2021	2020
Current income tax:		
Current period income tax	(1.328.755)	(1.750.515)
Adjustments in respect of prior year estimates	(162.490)	(123.565)
Impact of transition to IFRS 16 (Note 12)	(42.204)	2.532.587
	(1.533.449)	**658.507**
Deferred income tax (Note 12):		
Origin and reversal of temporary differences	2.418.543	14.492.974
Impact of transition to IFRS 16 (Note 12)	490.926	(3.395.067)
	2.909.469	**11.097.907**
	1.376.020	**11.756.414**

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

	2021	2020
Profit before tax	**21.497.986**	**(43.989.368)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(4.747.605)	10.060.185
Differences of taxes rates on income and deferred taxes	48.150	88.821
Income not subject to tax	5.549.013	3.970.556
Expenses not deductible for tax purposes	(2.850.982)	(2.862.333)
Utilization of tax losses	-	779.909
Adjustments in respect of prior year estimates	(162.490)	(123.565)
Perimeter exits	-	(163.226)
Investment and R&D incentives (Note 12)	4.433.790	2.111.532
Other taxation	(1.342.578)	(1.242.985)
	927.298	**12.618.894**

Pestana Hotel Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In 2020, due to the impact of the COVID-19 pandemic on the activity, losses were determined, having been constituted deferred tax assets in the total amount of 10.498.493 Euros, being that, in 2021, the amount of 3.429.620 Euros was already used, as well as a reversion in the amount of 122.329 Euros due to a tax insufficient of 2020 (Note 12).

Income not taxed for tax purposes essentially refers to capital gains obtained in the disposal of a joint venture and a reversal of impairment losses in 2021, as well as the sale of a subsidiary in 2020 (Note 39). Expenses not deductible for tax purposes refers mainly to the excess recorded for the determination of deemed cost. In 2020 it also included impairment losses.

The statutory corporate income tax rates applicable in the countries in which Pestana Hotel Group operates are as follows:

	2021	2020
Argentina	30%	30%
Brazil	34%	34%
Cape Verde	22%	22%
Germany	30%	30%
Luxembourg	24,94%	24,94%
Morocco	31%	31%
Mozambique	32%	32%
Netherlands	25%	25%
Portugal	14,7% – 31,5%	20% – 31,5%
São Tomé and Principe	25%	25%
South Africa	28%	28%
Spain	25%	25%
United Kingdom	19%	19%
United States	21% – 25,46%	21% – 34%
Uruguay	25%	25%

36. Dividends per share

In 2021, dividends in the amount of 150.000 Euros were paid to the shareholder. In 2020, dividends were only paid to Non-controlling interests, in the amount of 2.431.067 Euros (Note 21).

37. Contingencies

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

	2021	2020
Mortgages over lands and buildings	260.714.397	262.356.849
Bank guarantees	62.513.866	65.281.888

Contingent assets

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

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

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

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

Contingent liabilities

As at 31 December 2021, Pestana Hotel Group has ongoing claims, assessed as contingent liabilities of, approximately, 7.062.375 Euros (local currency: approximately 700.000 Euros and 40.000.000 Brazilian Reais). Contingent liabilities in Brazil mainly correspond to claims from past employees of greater compensation than paid by the subsidiary at the time they were laid off.

38. Consolidation perimeter

The Subsidiaries of Pestana Hotel Group as at 2021 are as follows:

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Afrotours, S.A.	São Tomé	Hospitality	31-12-2021	13.478.082	13.838.226	360.144	2.634.791	116.639	100,00%	100,00%
Amesteldijk Hotel Ontwkkeling B.V.	Netherlands	Hospitality	31-12-2021	17.582.080	44.110.231	26.528.151	3.628.430	924.982	100,00%	100,00%
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	Real Estate	31-12-2021	4.981.360	6.361.551	1.380.191	-	(28.681)	99,00%	100,00%
Argentur Inversiones Turisticas S.A.	Argentina	Hospitality	31-12-2021	589.263	786.343	197.080	6.018	(270.778)	100,00%	100,00%
Bazaruto, Lda.	Mozambique	Hospitality	31-12-2021	4.234.886	5.918.321	1.683.435	125.362	(265.963)	96,97%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	31-12-2021	37.233.797	48.433.651	11.199.854	5.034.275	(2.001.867)	100,00%	100,00%
Carlton Palácio – Soc. de Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	31-12-2021	48.956.240	139.421.990	90.465.750	9.164.764	2.135.524	99,00%	100,00%
Carolgud, S.A.	Uruguay	Hospitality	31-12-2021	471.337	498.616	27.279	-	(40.461)	100,00%	100,00%
Carvoeiro Golfe – Soc. de Mediação Imobiliária, Unipessoal Lda.	Portugal	Real Estate	31-12-2021	492.014	887.577	395.563	978.265	484.514	99,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2021	72.405.994	114.736.606	42.330.612	49.098.533	8.612.216	99,00%	100,00%
Cota Quarenta – Gestão e Adm. de Centros Comercias, S.A.	Portugal	Real Estate	31-12-2021	37.156.072	54.888.968	17.732.896	41.132.567	8.461.614	99,00%	100,00%
Desarollos Hoteleros Barcelona S.A.	Spain	Hospitality	31-12-2021	10.483.580	16.994.360	6.510.780	787.750	(303.533)	100,00%	100,00%
Djebel, S.A.	Portugal	Sub-Holding	31-12-2021	41.611.354	67.102.637	25.491.283	164.000	(4.257.823)	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	31-12-2021	7.164.308	29.893.508	22.729.200	23.208.771	(143.617)	99,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	31-12-2021	2.543.259	2.914.657	371.398	1.410.803	133.583	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf and Real Estate	31-12-2021	15.853.468	18.334.030	2.480.562	1.491.958	35.837	99,00%	100,00%
ESGAP – Empresa de Serviços de Gestão e Adm. Partilhados, S.A.	Portugal	Sub-Holding	31-12-2021	15.590.177	33.274.312	17.684.135	190.000	(391.671)	100,00%	100,00%
Global Mandalay, S.L.	Spain	Hospitality	31-12-2021	1.127.833	10.495.860	9.368.027	4.376.793	488.078	100,00%	100,00%
Grupo Pestana – S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2021	254.929.198	433.991.750	179.062.552	2.333.333	14.758.415	99,00%	99,00%
Grupo Pestana Pousadas – Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2021	46.431.547	60.351.741	13.920.194	20.445.604	386.716	99,00%	100,00%
Herdade da Abrunheira – Proj. Desenv. Turístico e Imobiliário, S.A.	Portugal	Real Estate	31-12-2021	6.698.076	6.720.807	22.731	-	(46.685)	99,00%	100,00%
Hotéis do Atlântico – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Sub-Holding	31-12-2021	80.476.786	139.692.576	59.215.790	1.378.738	(1.403.420)	100,00%	100,00%
Hotel Rauchstrasse 22, S.à.r.l.	Luxembourg	Hospitality	31-12-2021	10.694.353	17.932.275	7.237.922	1.143.389	490.651	96,04%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality / Real Estate	31-12-2021	7.206.062	11.832.753	4.626.691	15.710.806	3.289.982	99,00%	100,00%
Intervisa Viagens e Turismo, Unipessoal Lda.	Portugal	Distribution	31-12-2021	991.570	2.635.726	1.644.156	2.235.100	33.411	100,00%	100,00%
ITI – Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	31-12-2021	56.529.211	72.129.675	15.600.464	21.307.472	1.431.037	99,00%	100,00%
M. & J. Pestana – Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	148.466.821	376.718.907	228.252.086	36.971.062	536.487	99,00%	100,00%

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Mundo da Imaginação – Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2021	1.154.671	3.570.471	2.415.800	196.044	(399.505)	99,00%	100,00%
Natura XXI, Lda.	Portugal	Real Estate	31-12-2021	1.504.169	1.514.821	10.652	48.000	12.748	99,00%	100,00%
Pestana Berlin S.à.r.l.	Luxembourg	Hospitality	31-12-2021	1.119.411	2.246.376	1.126.965	1.807.774	(42.460)	100,00%	100,00%
Pestana Cidadela – Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2021	11.439.886	15.727.233	4.287.347	2.768.410	102.325	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	31-12-2021	400.439.496	518.757.719	118.318.223	43.121	12.461.903	100,00%	100,00%
Pestana Inversiones Unipessoal, Lda.	Portugal	Services	31-12-2021	11.459.805	11.554.495	94.690	120.000	511.575	100,00%	100,00%
Pestana Management – Serviços de Gestão, S.A.	Portugal	Services	31-12-2021	11.228.122	20.771.943	9.543.821	24.684.982	519.425	100,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hospitality	31-12-2021	1.181.633	2.420.714	1.239.081	4.223.341	77.042	75,00%	75,00%
Pestana Marrocos, S.à.r.l.	Morocco	Hospitality	31-12-2021	59.406	1.665.066	1.605.660	1.489.398	(280.404)	100,00%	100,00%
Pestana Miami, LLC	United States	Hospitality	31-12-2021	4.592.594	16.968.862	12.376.268	3.436.277	976.526	100,00%	100,00%
Pestana Newark LLC	United States	Hospitality	31-12-2021	329.399	345.628	16.229	-	(6.355)	100,00%	100,00%
Pestana NY East Side 39 LLC	United States	Hospitality	31-12-2021	17.718.150	45.049.779	27.331.629	2.538.684	(2.929.588)	100,00%	100,00%
Pestana Segurança – Serviços de Segurança e Vigilância, Unip., Lda.	Portugal	Services	31-12-2021	617.714	914.510	296.796	1.425.219	(32.543)	100,00%	100,00%
Pestana USA, Inc.	United States	Hospitality	31-12-2021	42.202.221	43.120.708	918.487	-	29.637	100,00%	100,00%
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	11.319.186	24.635.269	13.316.083	4.812.991	528.333	51,48%	52,00%
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality	31-12-2021	7.322.537	13.810.836	6.488.299	1.922.343	355.027	59,40%	60,00%
Rotas de África – Investimentos Turísticos e imobiliários, S.A.	Portugal	Services	31-12-2021	2.359.280	2.366.129	6.849	-	(12.903)	100,00%	100,00%
Rotas de África – Investimentos turísticos e imobiliário, Lda.	São Tomé	Hospitality	31-12-2021	1.183.947	1.201.662	17.715	-	(276.616)	100,00%	100,00%
Salvintur – Sociedade de Investimentos Turísticos, S.A.	Portugal	Sub-Holding	31-12-2021	24.617.922	45.382.354	20.764.432	212.500	1.359.794	100,00%	100,00%
Salvor – Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	95.777.463	228.801.116	133.023.653	36.392.894	2.530.421	99,00%	100,00%
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	Mozambique	Hospitality	31-12-2021	7.987.111	11.711.970	3.724.859	878.980	(82.550)	96,97%	96,97%
São Tomé Invest Unipessoal, Lda.	São Tomé	Hospitality	31-12-2021	632.485	889.640	257.155	332.141	22.284	100,00%	100,00%
Sociedade de Investimentos Hoteleiros D. João II, S.A.	Portugal	Hospitality / Timeshare	31-12-2021	1.359.032	3.621.228	2.262.196	398.728	27.076	99,00%	100,00%
Surinor, S.A.	Uruguay	Hospitality	31-12-2021	4.237.880	4.308.199	70.319	-	(34.935)	100,00%	100,00%
Wild Break 29 (PTY), Ltd	South Africa	Hospitality	31-12-2021	1.772.157	2.259.958	487.801	556.596	(229.117)	100,00%	100,00%

The Joint ventures of Pestana Hotel Group as at 31 December 2021 are as follows:

	PESTANA CR7 – MADEIRA HOTEL INV. TURÍSTICOS, S.A.	PESTANA CR7 MANHATTAN 39 LLC	PESTANA CR7 MADRID, S.L.	PESTANA CR7 MANCHESTER, LTD.	PESTANA CR7 MARRAKECH S.À.R.L. – SERVIÇOS PARTILHADOS	SOLPOR – SOC. TURISMO DO PORTO SANTO, LDA.
Headquarters	Portugal	USA	Spain	UK	Morocco	Portugal
Activity	Hospitality	Hospitality	Hospitality	Hospitality	Hospitality	Real estate
% Owned	49,50%	51,00%	50,00%	50,00%	50,00%	49,50%
% Control	50,00%	50,00%	50,00%	50,00%	50,00%	50,00%
Total non-current assets	4.252.626	78.016.211	9.651.132	1.785.502	41.964	–
Total current assets						
Of which cash and cash equivalents	696.440	1.721.861	246.526	1.691.971	969.026	5.326
Others	199.919	337.429	468.975	2	1.392.772	929.291
Total assets	**5.148.985**	**80.075.501**	**10.366.633**	**3.477.475**	**2.403.761**	**934.617**
Total non-current liabilities						
Of which financial liabilities	1.256.321	35.974.049	3.535.714	–	–	–
Others	1.805.280	21.224.707	–	–	–	–
Total current liabilities						
Of which financial liabilities	225.806	3.033.557	646.096	–	–	–
Others	547.195	1.558.986	1.000.336	–	309.634	221
Total liabilities	**3.834.602**	**61.791.300**	**5.182.146**	**–**	**309.634**	**221**
Total equity	**1.314.383**	**18.284.201**	**5.184.487**	**3.477.475**	**2.094.127**	**934.395**
Revenue	1.012.444	2.192.120	3.121.112	–	–	–
Charges of depreciation and amortization	(190.082)	(766.987)	(168.281)	–	–	–
Others	(877.320)	(2.450.086)	(4.207.247)	(91.420)	(468.298)	(1.312)
Operating results	**(54.958)**	**(1.117.634)**	**(1.254.415)**	**(91.420)**	**(468.298)**	**(1.312)**
Financial expenses	(142.118)	(1.674.008)	(24.438)	–	–	–
Financial income	–	1.250	1	–	–	–
Income tax	28.975	1.713.280	303.673	–	–	–
Loss for the period	**(168.101)**	**(1.126.451)**	**(975.180)**	**(91.420)**	**(468.298)**	**(1.312)**
Dividends received from joint ventures	**–**	**–**	**–**	**–**	**–**	**–**

The Associates of Pestana Hotel Group as at 31 December 2021 are as follows:

	ALBAR – SOC. IMOBILIÁRIA DO BARLAVENTO, S.A.	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.	URP – URBAN REVIEW PROMOÇÃO IMOBILIÁRIA, S.A.
Headquarters	Portugal	Portugal	Portugal	Portugal
Activity	Real Estate	Real estate	Tech innovation	Real estate
% Owned	49,50%	46,43%	10,00%	30,00%
% Control	49,81%	49,00%	20,00%	30,00%
Total non-current assets	–	74.941.356	1.720.236	–
Total current assets	1.191.680	1.084.213	79.036	36.979.897
Total assets	**1.191.680**	**76.025.569**	**1.799.272**	**36.979.897**
Total non-current liabilities	–	16.086.209	595.879	14.011.169
Total current liabilities	2.739	4.439.391	253.803	18.393.462
Total liabilities	**2.739**	**20.525.600**	**849.682**	**32.404.631**
Total equity	**1.188.941**	**55.499.970**	**949.590**	**4.575.265**
Revenue	–	1.660.526	–	–
Profit / (loss) for the period	(2.161)	12.591	559.815	(364.518)
Dividends received from associates	–	–	–	–

The Subsidiaries of Pestana Hotel Group as at 2020 are as follows:

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Afrotours, S.A.	São Tomé	Hospitality	31-12-2020	13.761.443	14.283.399	521.956	1.726.190	(726.073)	100,00%	100,00%
Amesteldijk Hotel Ontwkkeling B.V.	Netherlands	Hospitality	31-12-2020	15.691.707	44.125.039	28.993.322	2.469.260	(2.083.822)	100,00%	100,00%
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	RealEstate	31-12-2020	4.900.591	6.360.453	1.459.862	–	(27.474)	99,00%	100,00%
Argentur Inversiones Turisticas S.A.	Argentina	Hospitality	31-12-2020	548.895	779.339	230.444	445.681	(85.859)	100,00%	100,00%
Bazaruto, Lda.	Mozambique	Hospitality	31-12-2020	3.418.211	4.858.425	1.440.214	75.193	(70.466)	96,97%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	31-12-2020	36.163.671	47.842.541	11.679.070	4.981.488	(2.872.061)	100,00%	100,00%
Carlton Palácio – Soc. de Const. Exploração Hoteleiras, S.A.	Portugal	Hospitality	31-12-2020	46.820.716	137.136.130	90.315.414	5.408.272	(4.608.915)	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hospitality	31-12-2020	468.585	481.422	12.836	–	(27.777)	100,00%	100,00%
Carvoeiro Golfe – Soc. de Mediação Imobiliária, Unip. Lda.	Portugal	Real Estate	31-12-2020	303.832	510.169	206.337	1.202.575	296.332	99,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2020	63.793.778	105.531.397	41.737.619	61.864.590	12.613.687	99,00%	100,00%
Cota Quarenta – Gestão e Adm. de Centros Comercias, S.A.	Portugal	Real Estate	31-12-2020	21.194.458	21.397.837	203.379	496.236	(87.126)	99,00%	100,00%
Desarollos Hoteleros Barcelona 2004 S.A.	Spain	Hospitality	31-12-2020	10.387.113	17.314.704	6.927.591	535.113	(548.378)	100,00%	100,00%
Djebel, S.A.	Portugal	Sub-Holding	31-12-2020	40.520.352	67.880.321	27.359.969	224.000	(29.346.385)	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Soc. Unip. Lda.	Portugal	Beverages	31-12-2020	7.307.926	28.563.501	21.255.575	19.354.143	(1.229.691)	99,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	31-12-2020	2.409.677	2.735.864	326.187	1.123.040	(31.121)	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf and Real Estate	31-12-2020	15.817.631	18.168.698	2.351.067	5.100.381	674.304	99,00%	100,00%
ESGAP – Empresa de Serv. de Gestão e Adm. Partilhados, S.A.	Portugal	Sub-Holding	31-12-2020	9.631.848	26.641.124	17.009.276	140.000	(395.743)	100,00%	100,00%
Global Mandalay, S.L.V.	Spain	Hospitality	31-12-2020	639.756	10.712.740	10.072.984	1.632.349	(770.814)	100,00%	100,00%
Grupo Pestana – S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2020	255.591.756	427.251.847	171.660.091	4.000.000	5.426.114	99,00%	99,00%
Grupo Pestana Pousadas – Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2020	47.031.362	59.846.539	12.815.177	12.020.128	(4.333.505)	99,00%	100,00%
Herdade da Abrunheira – Proj. Desenv. Turístico e Imob., S.A.	Portugal	Real Estate	31-12-2020	6.590.351	6.710.599	120.248	–	(35.255)	99,00%	100,00%
Hoteis do Atlântico – Soc. Imob. e de Gestão de Hotéis, S.A.	Portugal	Sub-Holding	31-12-2020	68.250.106	124.824.210	56.574.104	251.272	(2.171.382)	100,00%	100,00%
Hotel Rauchstrasse 22, S.A.R.L.	Luxembourg	Hospitality	31-12-2020	8.803.702	17.813.995	9.010.293	9.938	(836.228)	96,04%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality / Real Estate	31-12-2020	3.916.080	11.090.210	7.174.130	514.692	(628.844)	99,00%	100,00%
Intervisa Viagens e Turismo, Unipessoal Lda.	Portugal	Distribution	31-12-2020	958.159	1.228.259	270.100	977.575	82.532	100,00%	100,00%
ITI – Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	31-12-2020	55.053.341	68.489.334	13.435.993	8.603.076	(2.971.280)	99,00%	100,00%
M. & J. Pestana – Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	31-12-2020	147.930.334	357.717.552	209.787.218	25.060.079	(16.685.907)	99,00%	100,00%

Name	HEADQUARTERS	ACTIVITY	REFERENCE DATE	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Mundo da Imaginação – Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2020	1.445.145	4.041.562	2.596.417	181.642	(901.654)	99,00%	100,00%
Natura XXI, Lda.	Portugal	RealEstate	31-12-2020	1.491.422	1.513.608	22.188	98.927	28.462	99,00%	100,00%
Pestana Berlim S.A.R.L.	Luxembourg	Hospitality	31-12-2020	1.161.872	1.574.218	412.346	1.987.303	(181.746)	100,00%	100,00%
Pestana Cidadela – Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2020	11.337.561	17.172.019	5.834.458	666.259	(1.237.104)	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	31-12-2020	387.389.605	498.557.030	111.167.425	209.885	(14.110.110)	100,00%	100,00%
Pestana Inversiones Unipessoal, Lda.	Portugal	Services	31-12-2020	10.948.229	13.290.188	2.341.959	–	(5.638.261)	100,00%	100,00%
Pestana Management – Serviços de Gestão, S.A.	Portugal	Services	31-12-2020	4.875.124	14.834.691	9.959.567	16.797.422	(7.597.675)	100,00%	100,00%
Pestana Management UK, Limited	UnitedKingdom	Hospitality	31-12-2020	474.860	936.365	461.505	2.584.650	(552.216)	75,00%	75,00%
Pestana Marrocos, S.A.R.L.	Morocco	Hospitality	31-12-2020	331.108	1.536.120	1.205.012	1.130.609	(157.769)	100,00%	100,00%
Pestana Miami, LLC	UnitedStates	Hospitality	31-12-2020	2.891.044	14.371.637	11.480.593	1.362.546	(1.065.828)	100,00%	100,00%
Pestana Newark LLC	UnitedStates	Hospitality	31-12-2020	212.972	315.703	102.731	–	3.234	100,00%	100,00%
Pestana NY East Side 39 LLC	UnitedStates	Hospitality	31-12-2020	14.885.301	40.177.177	25.291.876	250.608	(2.982.893)	100,00%	100,00%
Pestana Segurança – Serv. de Seg. e Vigilância, Unip. Lda.	Portugal	Services	31-12-2020	300.257	733.638	433.381	1.293.898	42.479	100,00%	100,00%
Pestana USA, Inc.	UnitedStates	Hospitality	31-12-2020	29.738.496	30.513.002	774.506	–	347.769	100,00%	100,00%
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	31-12-2020	10.790.853	23.575.600	12.784.747	1.977.455	(541.812)	51,48%	52,00%
Porto Carlton – Soc. de Constr. e Exploração Hoteleira, S.A.	Portugal	Hospitality	31-12-2020	6.967.510	13.606.319	6.638.809	1.000.018	(660.648)	59,40%	60,00%
Rotas de África – Investimentos Turísticos e Imobiliários, S.A.	Portugal	Services	31-12-2020	2.229.183	2.231.013	1.830	6.674	26	100,00%	100,00%
Rotas de África – Investimentos Turísticos e Imobiliário, Lda.	SãoTomé	Hospitality	31-12-2020	1.304.074	1.369.625	65.551	329.913	(366.472)	100,00%	100,00%
Salvintur – Sociedade de Investimentos Turísticos, S.A.	Portugal	Sub-Holding	31-12-2020	20.187.253	40.924.800	20.737.547	245.000	(2.203.980)	100,00%	100,00%
Salvor – Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	31-12-2020	93.247.042	235.015.773	141.768.731	16.663.078	(6.850.428)	99,00%	100,00%
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	Mozambique	Hospitality	31-12-2020	6.396.287	9.355.166	2.958.879	897.824	(826.350)	96,97%	96,97%
São Tomé Invest Unipessoal, Lda.	SãoTomé	Hospitality	31-12-2020	610.201	962.661	352.460	626.238	(117.125)	100,00%	100,00%
Sociedade de Investimentos Hoteleiros D. João II, S.A.	Portugal	Hospitality / Timeshare	31-12-2020	1.331.956	3.826.799	2.494.843	323.929	(105.072)	99,00%	100,00%
Surinor, S.A.	Uruguay	Hospitality	31-12-2020	4.016.673	4.025.721	9.048	–	(85.335)	100,00%	100,00%
Wild Break 29 (PTY), Ltd	SouthAfrica	Hospitality	31-12-2020	1.860.113	2.307.022	446.909	582.197	(356.499)	100,00%	100,00%

The Joint ventures of Pestana Hotel Group as at 31 December 2020 are as follows:

	PESTANA CR7 – LISBOA HOTEL INV. TURÍSTICOS, S.A.	PESTANA CR7 – MADEIRA HOTEL INV. TURÍSTICOS, S.A.	PESTANA CR7 MANHATTAN 39 LLC	PESTANA CR7 MADRID, S.L.	PESTANA CR7 MANCHESTER, LTD.	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.
Headquarters	Portugal	Portugal	USA	Spain	UK	Portugal
Activity	Hospitality	Hospitality	Hospitality	Hospitality	Hospitality	Multi-segment
% Owned	49,50%	49,50%	51,00%	50,00%	50,00%	49,50%
% Control	50,00%	50,00%	50,00%	50,00%	50,00%	50,00%
Total non-current assets	12.814.500	4.442.234	66.543.520	8.183.997	–	–
Total current assets						
Of which cash and cash equivalents	64.206	12.024	2.238.340	2.269.607	–	8.426
Others	593.070	138.801	83.538	142.867	2	929.291
Total assets	**13.471.777**	**4.593.059**	**68.865.399**	**10.596.470**	**2**	**937.717**
Total non-current liabilities						
Of which financial liabilities	6.315.499	1.365.702	30.887.641	3.511.245	–	–
Others	–	1.877.343	18.962.985	–	–	–
Total current liabilities						
Of which financial liabilities	267.891	140.910	2.754.973	652.468	–	–
Others	382.202	226.621	784.984	273.092	–	2.009
Total liabilities	**6.965.592**	**3.610.575**	**53.390.583**	**4.436.804**	**–**	**2.009**
Total equity	**6.506.185**	**982.484**	**15.474.816**	**6.159.666**	**2**	**935.708**
Revenue	471.444	338.851	–	–	–	–
Charges of depreciation and amortization	(415.804)	(195.546)	–	–	–	–
Others	(759.774)	(424.313)	(431.562)	(355.152)	–	(2.183)
Operating results	**(704.134)**	**(281.008)**	**(431.562)**	**(355.152)**	**–**	**(2.183)**
Financial expenses	(146.249)	(127.177)	(6.936)	(3.876)	–	–
Financial income	–	–	7.298	–	–	–
Income tax	176.423	(105.588)	180.981	75.773	–	–
Loss for the period	**(673.959)**	**(513.773)**	**(250.219)**	**(283.255)**	**–**	**(2.183)**
Dividends received from joint ventures	**–**	**–**	**–**	**–**	**–**	**–**

The Associates of Pestana Hotel Group as at 31 December 2020 are as follows:

	ALBAR – SOC. IMOBILIÁRIA DO BARLAVENTO, S.A.	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.	URP – URBAN REVIEW PROMOÇÃO IMOBILIÁRIA, S.A.
Headquarters	Portugal	Portugal	Portugal	Portugal
Activity	Real Estate	Real estate	Tech innovation	Real estate
% Owned	49,50%	46,43%	10,00%	30,00%
% Control	49,81%	49,00%	20,00%	30,00%
Total non-current assets	–	78.208.902	946.833	–
Total current assets	1.195.397	2.108.421	37.253	22.417.525
Total assets	**1.195.397**	**80.317.322**	**984.086**	**22.417.525**
Total non-current liabilities	–	20.075.437	–	8.506.000
Total current liabilities	4.295	2.741.180	2.168	8.971.742
Total liabilities	**4.295**	**22.816.616**	**2.168**	**17.477.742**
Total equity	**1.191.102**	**57.500.706**	**981.918**	**4.939.783**
Revenue	–	1.348.008	–	–
Profit / (loss) for the period	(8.764)	(372.211)	38.082	(2.921.410)
Dividends received from associates	–	–	–	–

39. Changes in the perimeter

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

In 31 December 2020 Pestana Hotel Group sold the shares representing 47,73% of the capital of SDM – Sociedade de Desenvolvimento da Madeira, S.A.'s share capital, for 6.813.058 Euros which generated a gain in the amount of 6.246.025 Euros. The sales price was determined by an external entity accredited for this purpose and will be received in two tranches of equal amount until 30 June 2022 and 30 June 2023. As a result of this transaction, the Group also ceased to own any participation in SDEM – Sociedade de Desenvolvimento Empresarial da Madeira, Sociedade Unipessoal, S.A.

Pestana Hotel Group decided to proceed with the liquidation of Fundo Imóveis Brisa – Fundo de Investimento Imobiliário Fechado which occurred on 6 November 2020 due to its high maintenance costs. The impact on the Group's consolidated results was negative in the amount of 17.919 Euros.

The financial position of the former subsidiaries that exited the consolidation perimeter in 2020 with reference to the exit date is presented as follows:

	SDM – SOC. DESENVOLVIMENTO DA MADEIRA, S.A.	SDEM – SOC. DESENVOLVIMENTO EMPRESARIAL DA MADEIRA, UNIP. S.A.	IMÓVEIS BRISA – FUNDO DE INVESTIMENTO IMOBILIÁRIO FECHADO	TOTAL
Sales price	**6.813.058**	**–**	**–**	**6.813.058**
ASSETS				
Tangible fixed assets	1.485.044	–	–	1.485.044
Financial assets at fair value through profit and loss	5.589	–	–	5.589
Trade and other receivables	3.663.548	2.405	–	3.665.953
Income tax receivable	92.987	4.313	–	97.300
Cash and cash equivalents	5.238.314	167.136	30.985	5.436.435
Total Assets at fair value	**10.485.482**	**173.854**	**30.985**	**10.690.321**
LIABILITIES				
Deferred tax liabilities	–	–	987	987
Deferred revenue	3.397.400	–	2.500	3.399.900
Trade and other payables	3.735.143	319.663	9.579	4.064.385
Income tax liabilities	160.800	–	–	160.800
Total Liabilities at fair value	**7.293.343**	**319.663**	**13.066**	**7.626.072**
Pestana Hotel Group interests	**784.804**	**(217.770)**	**17.919**	**584.953**
Non-controlling interests	**2.407.335**	**71.961**	**–**	**2.479.296**
Net assets	**3.192.139**	**(145.809)**	**17.919**	**3.064.249**
% sold	**47,73%**	**47,73%**	**100,00%**	**–**
Gains / (losses) on disposal (Note 33)	**6.028.254**	**217.771**	**(17.919)**	**6.228.106**

The Income statement of the company which left the consolidation perimeter in 2020 between 1 January and the exit date is as follows:

	SDM – SOC. DESENVOLVIMENTO DA MADEIRA, S.A.	SDEM – SOC. DESENVOLVIMENTO EMPRESARIAL DA MADEIRA, UNIP. S.A.	IMÓVEIS BRISA – FUNDO DE INVESTIMENTO IMOBILIÁRIO FECHADO	TOTAL
Revenue	7.910.297	–	500	7.910.797
External services and supplies	(1.821.930)	(15.696)	–	(1.837.626)
Personnel expenses	(1.198.835)	(78.074)	(67.374)	(1.344.283)
Charges of depreciation and amortization	(77.206)	–	–	(77.206)
Impairment losses of tangible assets	–	–	(2.767.000)	(2.767.000)
Impairment of receivables	(2.322)	–	500	(1.822)
Impairment of inventories	–	–	(950)	(950)
Other income	61.937	4.627	445	67.009
Other expenses	(1.646.864)	(2.098)	(4.331)	(1.653.293)
Operating profit	**3.225.077**	**(91.241)**	**(2.838.210)**	**295.626**
Financial expenses	(83)	–	(330)	(413)
Financial income	2.671	64	–	2.735
Profit before tax	**3.227.665**	**(91.177)**	**(2.838.540)**	**297.948**
Income tax	(163.226)	–	–	(163.226)
Profit for the period	**3.064.439**	**(91.177)**	**(2.838.540)**	**134.722**
Profit for the period attributable to:				
Shareholders of the group	1.460.178	(30.850)	(2.838.540)	(1.409.212)
Non-controlling interests	1.604.261	(60.327)	–	1.543.934
	3.064.439	**(91.177)**	**(2.838.540)**	**134.722**
EBITDA	3.279.097	(91.241)	(71.210)	3.116.646

Additionally, on 27 November 2020 Pestana Hotel Group made a capital contribution of 1 GBP for the incorporation of the company Pestana CR7 Manchester Limited, which corresponds to 50% of the share capital of this company (Note 9).

40. Related parties

As at 31 December 2021 and 2020 Pestana Hotel Group is owned and controlled by Mr. Dionísio Pestana, who owns 99,99% of the capital.

Board of Directors' remuneration

Pestana Hotel Group's Board of Directors as well as the members of the Board of Directors of the Pestana Hotel Group's subsidiaries were considered, in accordance with IAS 24, as the only key management personnel of the Group. The remuneration paid is detailed in Note 30.

Transactions and balances with related parties

During the year of 2021 Pestana Hotel Group carried out the following transactions with those entities:

	DIVIDENDS PAID	SERVICES OBTAINED	SALE OF INVENTORIES	SERVICES RENDERED	INTEREST EARNED	ACQUISITION OF FINANCIAL INVESTMENTS	DISPOSAL OF FINANCIAL INVESTMENTS
Shareholder	**150.000**	**–**	**–**	**–**	**–**	**–**	**–**
Dionísio Fernandes Pestana	150.000	–	–	–	–	–	–
Joint ventures	**–**	**76.460**	**17.372**	**940.259**	**251.106**	**–**	**–**
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	–	76.460	17.372	370.547	103.320	–	–
Pestana CR7 Manhattan 39 LLC	–	–	–	569.712	147.786	–	–
Associates	**–**	**1.652.169**	**–**	**5.442.871**	**10.280**	**–**	**–**
Enatur – Empresa Nacional de Turismo, S.A.	–	1.652.169	–	21.616	8.013	–	–
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	–	–	–	5.421.255	2.267	–	–
Other related parties	**–**	**130.044**	**–**	**159.670**	**–**	**608.276**	**8.338.711**
CR7 Lifestyle Lisboa, S.A.	–	130.044	–	159.670	–	–	–
Quanlux Unipessoal, Lda.	–	–	–	–	–	608.276	–
CR7 Lifestyle Unipessoal, S.A.	–	–	–	–	–	–	8.338.711
Key management personnel	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	150.000	**1.858.673**	**17.372**	**6.542.800**	**261.386**	**608.276**	**8.338.711**

During the year of 2020 Pestana Hotel Group carried out the following transactions with those entities:

	SERVICES OBTAINED	SERVICES RENDERED	INTEREST EARNED
Joint ventures	**137.501**	**848.496**	**172.093**
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	66.308	259.030	105.248
Pestana CR7 – Lisboa Hotel Investimentos Turísticos, S.A.	64.667	208.347	–
Pestana CR7 Manhattan 39 LLC	6.526	381.119	66.845
Associates	**31.473**	**1.681.065**	**14.947**
Albar – Sociedade Imobiliária do Barlavento, S.A.	–	4.500	–
Enatur – Empresa Nacional de Turismo, S.A.	31.473	28.576	14.947
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	–	1.647.989	–
Key management personnel	–	–	–
	168.974	**2.529.561**	**187.040**

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

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
Joint ventures	**1.334.327**	**1.823.158**	**–**	**3.157.485**	**241.447**
Pestana CR7 – Madeira Inv. Turísticos, S.A.	170.962	1.823.158	–	1.994.120	2.989
Pestana CR7 Manhattan 39 LLC	898.914	–	–	898.914	237.380
Pestana CR7 Madrid, S.L.	264.451	–	–	264.451	1.077
Pestana CR7 Manchester, Ltd.	–	–	–	–	1
Associates	**1.365.204**	**–**	**(1.238.270)**	**126.934**	**5.941**
Enatur – Empresa Nacional de Turismo, S.A.	–	–	–	–	5.941
URP – Urban Renew – Projetos Imob. SICAFI, S.A.	126.911	–	–	126.911	–
Albar – Soc. Imobiliária do Barlavento, S.A.	23	–	–	23	–
Soehotur, S.A.	1.238.270	–	(1.238.270)	–	–
Other related parties	**60.361**	**–**	**–**	**60.361**	**8.508**
CR7 Lifestyle Lisboa, S.A.	60.361	–	–	60.361	8.508
Key management personnel	–	–	–	–	–
	2.759.892	**1.823.158**	**(1.238.270)**	**3.344.780**	**255.896**

The balances arising from transactions with related parties as at 31 December 2020 were as follows:

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
Joint ventures	**803.387**	**1.887.947**	**–**	**2.691.334**	**87.200**
Pestana CR7 – Madeira Inv.Turísticos, S.A.	104.431	1.887.947	–	1.992.378	3.241
Solpor – Soc. de Turismo do Porto Santo Lda.	1.085	–	–	1.085	–
Pestana CR7 – Lisboa Hotel Inv. Turísticos, S.A.	101.883	–	–	101.883	11.049
Pestana CR7 Manhattan 39 LLC	372.869	–	–	372.869	35.025
Pestana CR7 Madrid, S.L.	223.119	–	–	223.119	37.885
Associates	**2.365.151**	**–**	**(1.178.108)**	**1.187.043**	**–**
Albar – Soc. Imob. do Barlavento, S.A.	103	–	–	103	–
Enatur – Empresa Nacional de Turismo, S.A.	79.836	–	–	79.836	–
URP – Urban Renew – Proj. imob. SICAFI, S.A.	1.107.104	–	–	1.107.104	–
Soehotur, S.A.	1.178.108	–	(1.178.108)	–	–
Key management personnel	–	–	–	–	–
	3.168.538	**1.887.947**	**(1.178.108)**	**3.878.377**	**87.200**

41. Note to the Consolidated cash flow statement

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

		Cash flows		Cash free transactions					
	2020	RECEIPTS	PAYMENTS	INCREASES / DECREASES	TRANSFERS	RENT CONCESSIONS	EFFECTS OF EXCHANGE DIFFERENCES	ACCRUAL / DEFERRAL	2021
Bank loans	293.333.336	32.911.085	(33.479.921)	18.916.127	(527.267)	–	3.354.839	(782.445)	**313.725.755**
Lease liabilities	180.049.111	–	(19.355.431)	12.281.410	–	(1.438.089)	999.357	8.998.637	**181.534.995**
Bond loans	100.685.489	29.000.000	(29.020.325)	–	–	–	–	1.492.012	**102.157.176**
Commercial paper	25.357.305	15.000.000	(2.944.444)	–	–	–	–	(297.010)	**37.115.851**
Cash flow from financing activities	**599.425.241**	**76.911.085**	**(84.800.121)**	**31.197.537**	**(527.267)**	**(1.438.089)**	**4.354.196**	**9.411.194**	**634.533.777**

42. Other informations

EBITDA (Non-IFRS measure) refers to the Profit for the period excluding financial results, income taxes, gambling tax, depreciation, amortization, impairment losses of tangible/intangible assets and Investment government grants, including dividends and other low value items.

	NOTES	2021	2020
Profit for the period		**22.874.006**	**(32.232.954)**
Financial results	34	22.758.040	20.485.105
Dividends	34	21.923	36.560
Income tax	35	(1.376.020)	(11.756.414)
Gambling tax paid by Casino		910.069	1.112.523
Charges of depreciation and amortization	6;7;8	52.922.560	52.519.285
Investment government grants	31	(486.326)	(600.229)
Reversals and impairment losses of tangible assets	6;8	(1.624.654)	3.263.106
Others		190.954	913.040
EBITDA		**96.190.552**	**33.740.022**

43. Subsequent events

On January 31, 2022, Pestana Hotel Group contracted a loan of 50 million Euros, to be repaid in 60 quarterly installments, starting the first period of payment of interest and capital in May 2022. The loan has a 15-year maturity date with fixed interest rate and the funds received are intended to meet current liabilities, as well as to support the investment projects that the Group has in progress.

Recent geopolitical events in Ukraine culminating in the military invasion by Russia on 24 February 2022 and the current war situation are affecting global markets, in particular supply and logistics chains, energy prices and the perspectives for inflation and interest rates. Although the impacts of this situation have not been presently relevant, Pestana Hotel Group is monitoring the evolution of the conflict and the consequences arising from it.

On 30 April 2022 the Group celebrated a promissory contract for the sale of the building where Pestana Bahia is located for the amount of 87.500.000 Brazilian Reais (corresponding to 16.555.000 Euros). An advance payment of 8.750.000 Brazilian Reais will be made on 6 May 2022.

Luxembourg, 3 May 2022

wDionísio Fernandes Pestana

Director

Chiara Louise Deceglie

Director

Hermanus Roelof Willem Troskie

Director

José Alexandre Lebre Theotónio

Director

Rodrigo de Freitas Branco

Director

pwc

Audit report

To the Shareholders of
Pestana International Holdings S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Pestana International Holdings S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 13 May 2022

Electronically signed by:
Mickaël Le Bras

Mickaël Le Bras

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