

# Pestana International Holdings S.A.

## Consolidated Annual Report

31 December 2022



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# Consolidated management report for 2022



# 1 Message to stakeholders

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

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

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

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

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

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

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

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

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

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# Overview of the world economy





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

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

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

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

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

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

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

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

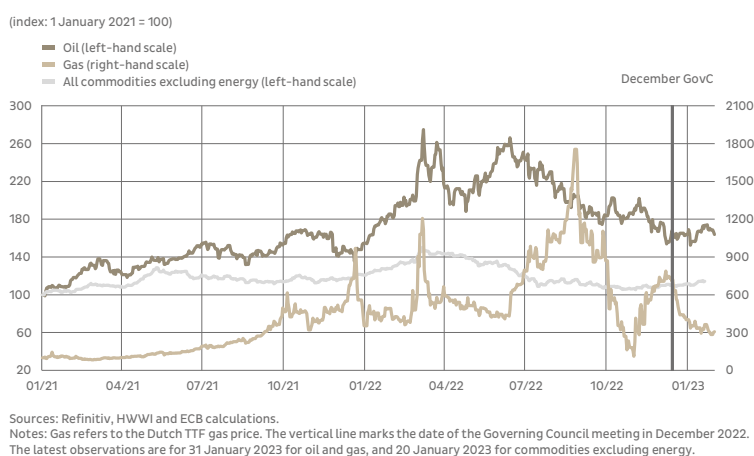
The need to accelerate production had a significant impact on the rise of raw material and energy prices, further heightened by the outbreak of war.



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

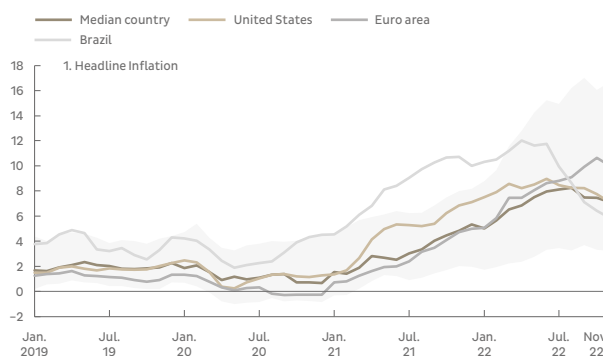
This publicised shortage of products was quickly reflected in widespread price rises on the market.

#### Commodity price developments



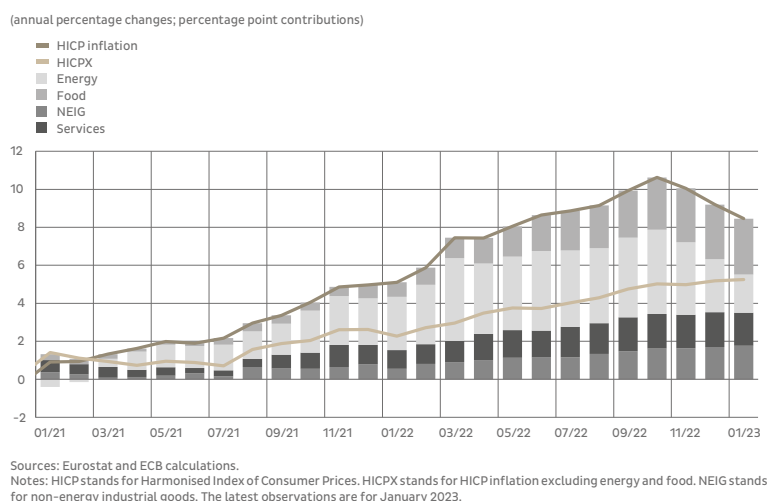
(Source: ECB 2023/01 Economic Bulletin)

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



(Source: IMF 2023/01 World economic outlook)

### Headline inflation and its main components



(Source: ECB 2023/01 Economic Bulletin)

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

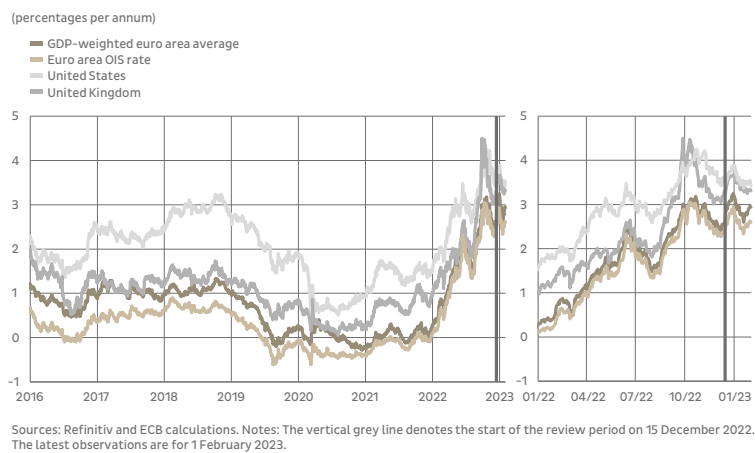
The restrictions on movement imposed during the previous two years disrupted important migration routes, which are impossible to restore in a short period of time. Enterprises concerned with lower added value activities normally carried out by these people have thus experienced many difficulties in recruiting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

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

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

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

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



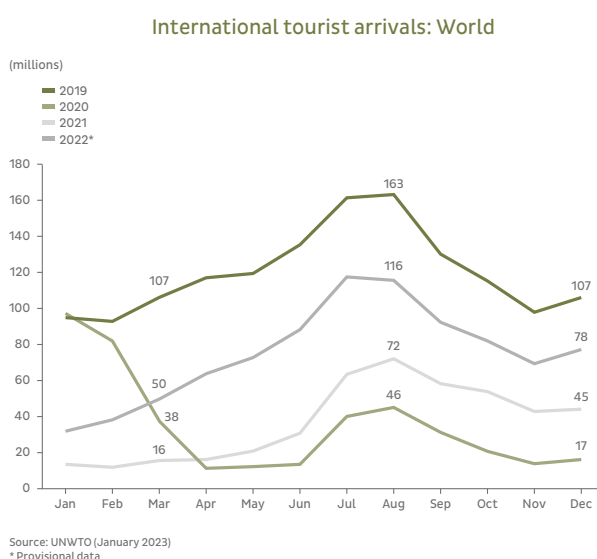
(Source: ECB 2023/01 Economic Bulletin)

# 3 Tourism



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

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

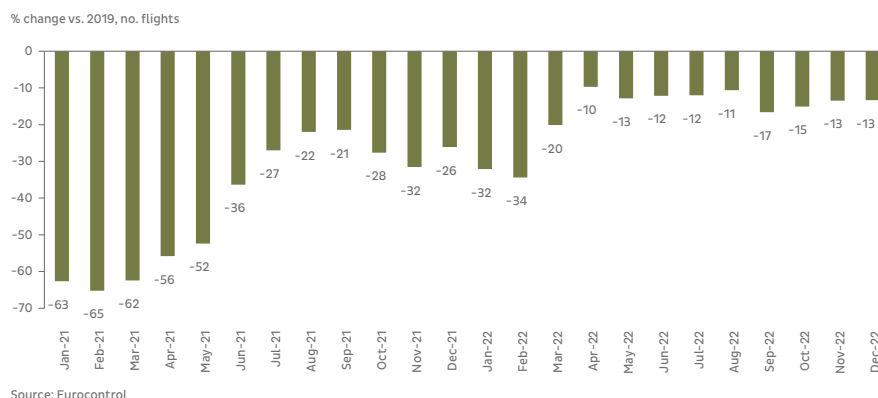


(Source: UNWTO 2023/01 World Tourism Barometer)

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



### Flight Volumes in European Network Area

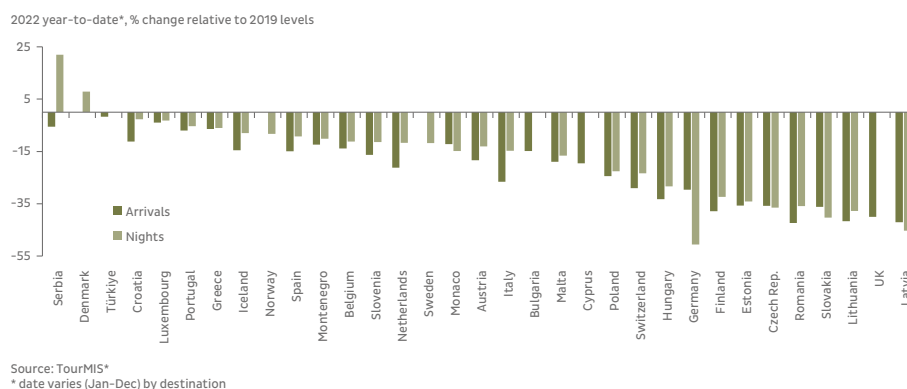


(Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

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

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

### Foreign Visits and Overnights to Select Destinations



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

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

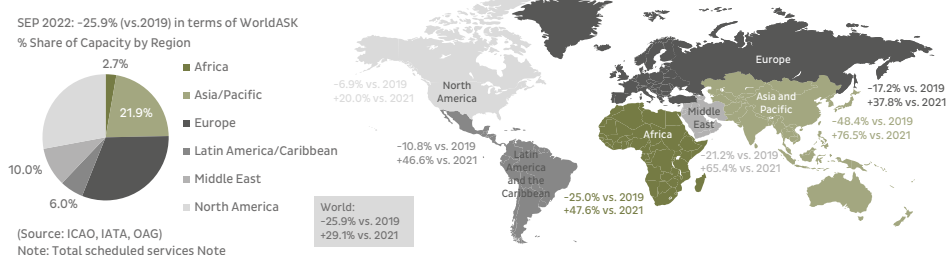
The accelerated digitalisation of processes during the pandemic favoured the development of digital marketing channels. The space left by traditional airlines was quickly occupied by low-cost airlines, with the additional dynamics that characterise them.

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

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

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

#### Capacity by Region (ICAO Statistical Regions)



(Source: ICAO 2022/11 Air Transport Monitor)

## GTS Visitor Growth Forecasts, % change year

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

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

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

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

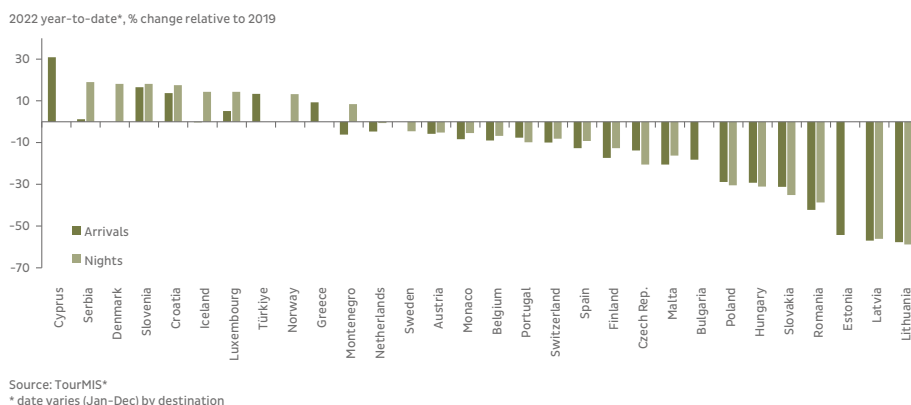
According to the ETC, Germans are the main source market for tourists to Europe, contributing about 20% of intra-European arrivals.

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

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

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

### German Visits and Overnights to Select Destinations

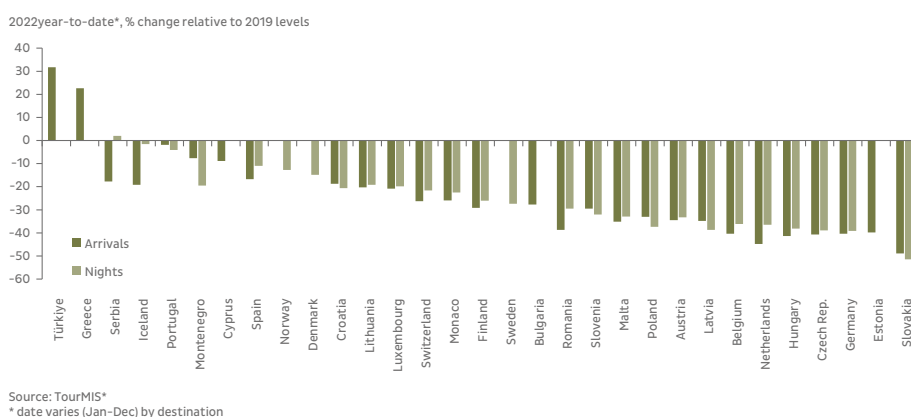


Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

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

This trend is expected to continue in 2023.

### British Visits and Overnights to Select Destinations

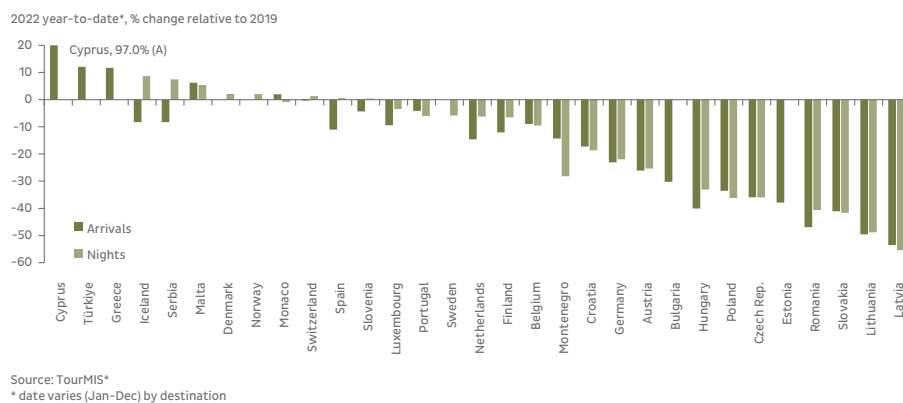


Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

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

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

### French Visits and Overnights to Select Destinations

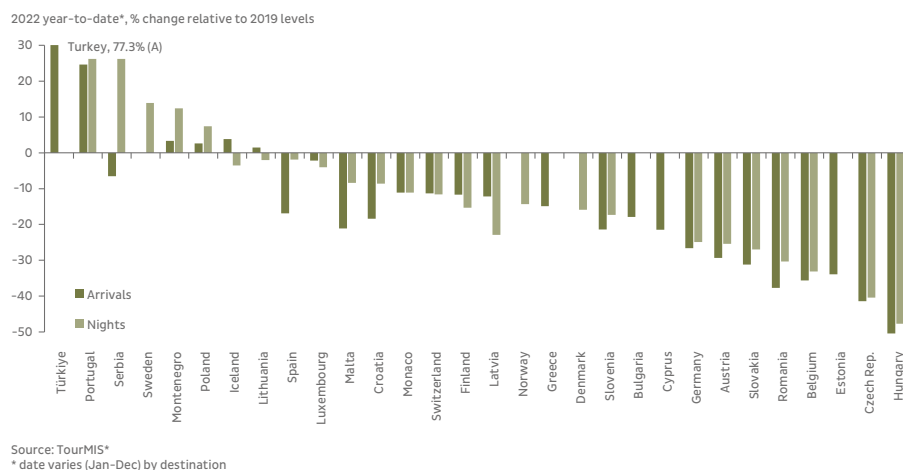


Source: ETC 2023/02 Trends & Prospects Quarterly Report Q4/2022)

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

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

### US Visits and Overnights to Select Destinations



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

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



## 4 Key figures



	2022	2021	Δ	Δ%	2019
Number of rooms as at 31 December	11.775	12.212	(437)	-3,6%	11.382
Revenue	453,1	295,4	157,7	53,3%	418,8
Gross Operating Profit (GOP)	178,6	89,6	89,0	99,3%	160,2
EBITDA	200,0	96,2	103,8	102,7%	161,8
Profit for the period	109,5	22,9	86,6	358,6%	79,4
Net total financial debt	195,3	373,9	(178,6)	-47,8%	309,6
Net debt *	383,3	555,4	(172,1)	-31,0%	504,4
Net debt/EBITDA	1,92	5,77	(3,86)	-66,9%	3,12
Net total financial debt/ EBITDA	0,98	3,89	(2,89)	-74,3%	1,91
Assets	1.508,4	1.333,0	175,0	12,8%	1.428,8
Equity	547,3	445,6	101,7	25,9%	482,7
Average Room Rate (ARR)	131,7	105,4	26,3	25,0%	103,1
% Occupation**	63,8%	47,8%	16,0%	33,4%	68,2%
Guest Satisfaction Index (GSI)	87,2%	87,3%	-0,1%	-0,1%	87,7%

\*\* Including IFRS 16 and excluding shareholder's loans

\*\* Adjusted for available inventory during confinement periods

# 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 106 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 1972 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 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 Paris and Manchester in the near future.

## 5.2. Corporate structure

Pestana Hotel Group includes 60 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 and the partnership with CR7, 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 CR7 Holding, S.A. – Pestana CR7's companies (Hospitality).

Pestana International Holdings S.A. is the holding company and its share capital is 100% owned by Dionísio Fernandes 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 its employees' training.
- ▮ Continue to provide top quality services to our guests generating demand for our products and services and provides 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 provides the Group's management real time information at a centralized point on any figures, operations, sales, investments or cashflows from any 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 allow 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 in 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 relevant dividends are requested by the shareholder, which means that the available cashflow can be either reinvested in the business or used to reduce leverage.

During the last years, the Group significantly developed its real estate business, benefitting from this sector's dynamic. The results obtained contributed to disperse risk and reduce the Group's dependence on the Hospitality business.

In 2022 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. On the other hand, support was maintained for projects of a social nature.

# 6 Investment



The main projects carried out in 2022 were the following:

- Opening of Pestana Douro resulting from the rehabilitation of a building acquired in 2018, in the Municipality of Oporto, for the construction of a new 165-room hotel that benefits from a privileged view over the Douro River. Although it was already available for use in 2021 its opening took place in April 2022;
- Opening of 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;
- 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. Investment has already been made in the amount of 4,4 million Euros, of which 2,8 million Euros occurred in 2022. The opening is scheduled for the first half of 2023;
- Continuation of the 4-star Pousada project with 39 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 construction work, refurbishment and maintenance of the hotel, as well as, all the equipment are from the responsibility of the Group. An investment of 2,9 million Euros has already been made. The opening is scheduled for the first half of 2023;
- Acquisition of a building next to the Pestana Vintage Porto hotel for the amount of 1,1 million Euros and signing of a promissory contract for the acquisition of another building in the same area for 0,8 million Euros, with the objective of continuing the expansion of this Pestana Collection unit. The public deed for the acquisition of the second building was signed in the beginning of 2023. In 2021, two buildings closer to the current hotel had already been acquired, on the same area, for the amount of 1,4 million Euros, which will allow for an additional 16 rooms with a total investment of 1,3 million Euros. The architectural project for these buildings has already started, as well as the process of acquiring licenses;
- Execution of a contractual position of an urban leasing agreement for a non-housing purposes between Enatur – Empresa Nacional de Turismo, S.A. and Pestana Hotel Group, in which Enatur concedes its contractual position in relation to a vacant building, Palácio de Valadares, located in Chiado, Lisbon. The contract will have a term of 30 years starting 7 months after the date of issuance of the license of a touristic use, which is estimated at 2,5 years, automatically renovated for 20 years. Furthermore, an adjacent building was acquired for 0,6 million Euros, which will also form part of the facilities of this new Pousada;
- Renovation of Pestana Delfim, in Algarve, focused on modernizing this unit and converting it to an all-inclusive hotel. The investment will be done into two phases. The first phase concerns the refurbishment of the rooms and is expected to be completed by the end of June 2023. The second phase is related to the renovation of the common areas, the improvement of existing spaces and the creation of new leisure areas, whose completion is scheduled for the first semester of 2024. During 2022 the investment made was of 1,9 million Euros;

- Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 beds and a total area of 60.000 m<sup>2</sup>. The licence for architecture and construction was obtained in 2022 and this hotel will be built with innovative and more environmentally sustainable techniques. Pestana Dunas will confine with Pestana Porto Santo on the west and the proximity will allow for concentration and optimization between operations. The construction will be carried out in phases, starting in 2023, with the construction of 198 rooms, reception and swimming pool. During 2022 the investment made was 8,6 millions Euros;
- Pestana CR7 Paris, located in France, a 210-key hotel in Paris' city centre (13th district) integrated in a commercial and office enterprise;
- Construction of an 18-hole golf course and Club House located on land North of Gramacho, whose completion is scheduled for 2024. The investment incurred in 2022 was 2,3 million Euros.

Pestana Hotel Group continued to follow its risk diversification strategy, such as in real estate business with the aim of making real estate 20% of the Group's activity in near future. The main investments in real estate projects carried out in 2022 were as follows:

- Continuation of the Madeira Acqua Residences, which will consist of 181 apartments for sale, of different types T1 to T4. This project resulted from the acquisition of the former Madeira Palácio hotel in 2021 with completion expected to 2024. In 2022, construction costs amounted to 10,4 million Euros;
- Continuation of the Valley Nature Resort project which is located in South of Gramacho, in Algarve. This project is located on a plot of land with 30,14 hectares where 77 independent units are being constructed for sale and tourist exploitation. The investment in 2022 was 3,5 million Euros. During the year, the first 6 units were delivered to customers and 28 promissory contracts were carried out, with total deposits of 6,9 million Euros.
- Continuation of The Fábrica, Apartments & Lofts project, located in the heart of Funchal, Madeira island, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development. Public deeds and respective deliveries to customers will be held in 2023;
- Start of the new real estate project, in Porto Covo, Sines, Portugal, which will consist of a set of 174 tourist apartments, all with private pools, in a closed condominium with services and a central nucleus with gardens and leisure spaces in the picturesque fishing village of Porto Covo, 400 meters from the beach and inserted in the Sudoeste Alentejano and Costa Vicentina Natural Park. In 2022 it was already about 90% of the apartments were already reserved;
- Continuation of Pestana Comporta Village, located 200 meters from Vila da Comporta, and 2 km from the beach where 75 units from T1 to T2 with swimming pool are being constructed. Due to the high demand for this type of development, all purchase promise contracts have already been executed, with total deposits amounting to 9,8 million Euros. During 2021, the Group began the construction of the model-unit and proceeded with the infrastructure project. In 2022 the licence was obtained and the construction of the infrastructures started. The construction is expected to be completed by the end of summer of 2024. In 2022 were spent 2,2 million Euros;
- Acquisition of a land in Porto Covo for 14,5 million Euros for development of a future real estate project.



# 7 Activity of Pestana Hotel Group



## 7.1. Profit and loss highlights

	<b>TOTAL 2022</b>	<b>Grupo Pestana SGPS</b>	<b>Djebel</b>	<b>Hotéis do Atlântico</b>	<b>Pestana Inversiones</b>	<b>Salvintur</b>	<b>Pestana CR7 Holding and other</b>	<b>TOTAL 2021</b>	<b>TOTAL 2019</b>
Rooms (total keys)	11,775	7,835	1,111	885	134	822	988	12,212	11,530
of which Rooms under management contract (keys)	628	625	0	0	0	3	0	628	1,143
Hotel units (total)	106	74	4	7	1	12	8	107	99
of which Units under management contract	8	7	0	0	0	1	0	8	5
(Amounts in millions of Euros)									
Revenue	453,1	363,8	14,4	49,7	2,9	14,3	8,0	295,4	418,8
GOP (a)	178,6	153,2	4,1	16,6	0,8	3,9	-	89,6	160,2
EBITDA (b)	200,0	173,3	2,1	18,0	0,9	3,0	2,7	96,2	161,8
Depreciation, amortization and investment subsidies	-50,2	-39,0	-1,6	-5,8	-0,0	-2,5	-1,3	-50,9	-53,5
EBIT	149,8	134,3	0,5	12,2	0,9	0,5	1,4	45,3	108,3
Interest net (includes fees)	-21,4	-17,1	0,4	-4,4	0,1	-0,1	-0,3	-22,9	-22,6
Income taxes (c)	-18,9	-18,2	0,1	-4,1	-0,4	-0,7	4,4	0,5	-5,5
Net income including non controlling interests share	109,5	99,0	1,0	3,7	0,6	-0,3	5,5	22,9	79,4
EBITDA margin (%)	44%	48%	14%	36%	29%	21%	N/A	33%	39%
EBIT margin (%)	33%	37%	3%	25%	N/A	3%	N/A	15%	26%
ROE (%)	16,8%	23,2%	1,9%	3,2%	7,9%	-0,7%	N/A	4,1%	13,2%
EPS	83,01	N/A	N/A	N/A	N/A	N/A	N/A	17,34	60,19
EBITDA / Net interests (..x)	9,3	10,2	-5,9	4,1	-16,1	21,9	7,9	4,2	7,2
Average cost of debt (%)	5,6%	6,0%	15,5%	5,8%	2,8%	3,2%	1,5%	4,1%	3,8%

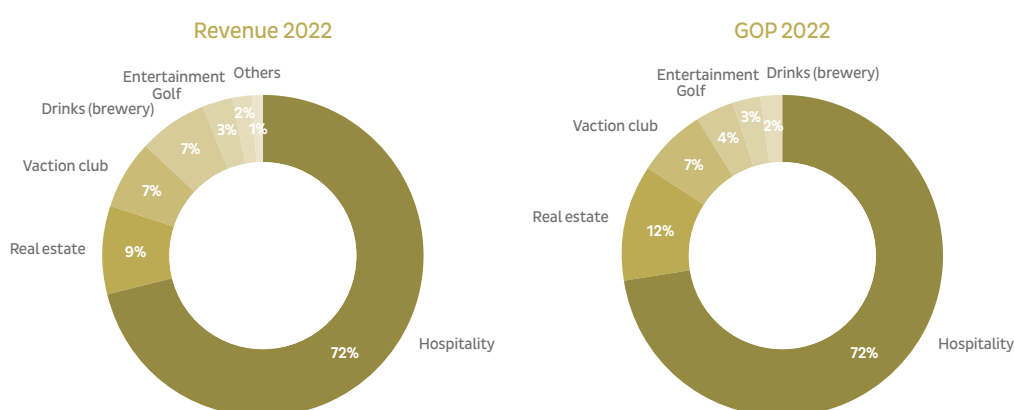
Notes:

(a) "Gross operating profit" – management accounts (uniform system of accounts) 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

In 2022, in the year that marks its 50th anniversary, Pestana Hotel Group had its best year in terms of results, reaching revenue of 453,1 million Euros for an EBITDA of 200 million Euros. This represents an increase of 53% in revenue and 108% in EBITDA comparing to 2021, as well as an increase of 8% and 24%, respectively, when compared to 2019. These results were mainly achieved by the return of the main touristic markets in the hospitality business since the pandemic restrictions were discontinued after the first quarter, as well as the opening of new hotel units. Even in a year of strong pressure from inflation, the increase in revenue made it possible to accommodate the rise in costs with energy, food and beverage and wages and benefits and thus achieve a G.O.P. (Gross operating profit) higher than in 2019.



The revenue and the G.O.P. from hospitality businesses are the main ones in the structure of the Group. However, Real estate business is growing its importance and the other business segments continued to show similar weightings.

In May 2022, Pestana Blue Alvor All Inclusive was sold. Pestana Hotel Group paid a fixed rent to maintain the operation of this hotel until November, which was the moment the Group delivered the hotel to its new owners. Revenue from this unit in 2022 reached 17 million Euros with a G.O.P. of 5,2 million Euros. Although relevant to the Group's results this year, this sale was only concluded because it was considered a very positive opportunity for the Group.

The EBITDA margin is 44% in 2022, showing the high profitability of the Group.

### A. Hospitality

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

After 2 years of restrictions, people felt eager to travel and leave home, which, at first, benefited more the resort-type units, but from the second half of 2022 onwards this effect was also felt in city units. This accentuated increase in demand was also reflected in the average price, which generally increased across the sector.

Unlike what happened in 2021, all of Pestana Hotel Group's hotel units were open throughout the year, not only increasing their occupancy rates and average price compared to the previous year, but also achieving higher revenue than recorded in 2019. Therefore, hotel revenue increased by 132% compared to the previous year and 2% compared to 2019, excluding the units inaugurated in 2022, 2021 and 2020.

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

In Portugal, the hospitality business showed great results comparing to 2019 since the G.O.P., excluding the hotel units that opened in 2020, 2021 and 2022, increased 7%. This result was mainly driven by the regions of Algarve and Madeira. In Algarve, the return of British tourists reactivated and revigorated the region once again and in Madeira this result was mainly due, not only to the comeback of British and German tourists, but also due to the low-cost flight offers from several operators, namely Ryanair. The Pousadas also had a good performance mainly because of the consolidation of operations of the three Pousadas that opened in 2021, Pousada de Vila Real de Santo António, Pousada do Porto and Pestana Churchill. Finally, the city destinations, Lisboa and Oporto also had a positive performance and just had G.O.P. levels 12% below 2019's, even excluding Pestana Douro Riverside that opened in April 2022.

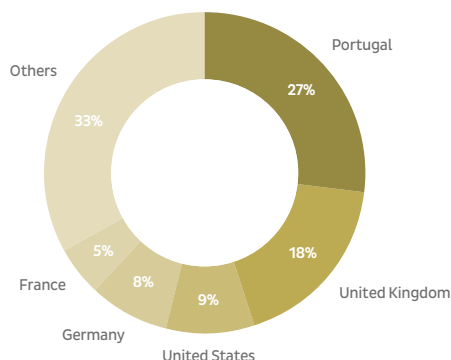
In Europe, with the end of travel restrictions, Pestana Hotel Group increased its G.O.P. by 24% compared to 2019 and every country improved its results. The main contributors were Pestana Plaza Mayor, Pestana Chelsea Bridge and Pestana Amsterdam Riverside. Every hotel unit of the Group in Europe was open all year and the Group benefited from both leisure tourists, as well as corporate segments with the progressive return of international work meetings and travels.

In America, the Group also performed very well and above 2019, since the G.O.P. increased on average 52%, excluding hotel units which opened meanwhile. This accentuated improvement was achieved due to the operation in the United States of America, as well as the Carnival celebrations in Brazil that despite having some restrictions and happening in April and not February, as usual, were the turning point for tourism in Brazil. Pestana Park Avenue in New York, which opened in 2020, also had a positive performance and the first full year without pandemic restrictions, despite the first few months still being partially affected. This hotel also benefited from the return of large scale events in the city, such as the US Open, New York Fashion Week, United Nations General Assembly and Comic-con.

Regarding the hotel units in Africa, these are mainly located in developing countries and, for that reason, are having more difficulty in their recuperation to 2019 levels. Despite that, 2022 clearly shows a tendency of improvement and the G.O.P. increased 135% comparing to 2021. The greatest contributors for this result were Pestana Trópico and Pestana São Tomé. This increase was even reinforced by the opening of the new hotel Pestana Tanger.

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 due to the pandemic.

Revenue 2022



### B. Real Estate

In 2022, the Real Estate business represents 9% of the Group's revenue. Pestana Hotel Group continued to follow its risk diversification strategy, not only in geographic terms, but also in different business segments, such as the residential and real estate business. The Group has several ongoing projects in its portfolio that will ensure good results in the next few years such as Madeira Acqua Residences, Silves Golf Resort, Pestana Comporta Village, Pestana Valley Nature Village, Fábrica, Apartments & Lofts, Porto Covo and Oasis 28, most of them already reserved by clients. 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. Additionally, Real estate G.O.P. includes 44 million Euros from ongoing projects that are already reserved and with advanced deposits. The deliveries will occur between 2024 and 2025.

In 2022, the main project with impact on results was Pestana Pine Village where 34 plots were sold for 13,8 million Euros. This project resulted from an acquisition of a urban land located in Brejos da Carregueira, one of the most attractive and requested areas at sea-side in Portugal.

Real estate revenue also includes the residence activity, which had an excellent activity similar to the hotel business, reaching revenue of around 17,5 million Euros, namely the tourist exploration contracts for Pestana Troia Eco-Resort and Pestana Gramacho and Pinta.

### C. Pestana Vacation Club

Vacation Club represents 7% of Pestana Hotel Group's revenue and continues to be supported by almost 30.000 families that have followed the Group for the past 30 years. The Group continues to develop Pestana Vacation Club 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.

In 2022, Vacation Club increased activity by 36%. This was mainly due to the reactivation of its main markets, such as the United Kingdom and Germany. Also, the hotel units were open a larger number of days than in the year before and there was the consumption of the weeks that the customers had already paid and were not able to enjoy because of the pandemic.

It is also noteworthy that new contracts for Pestana Vacation Club increased by 81% compared to last year, which will contribute to the expansion of the Vacation Club family and reinforce the quality of this product that Pestana Hotel Group offers.

#### D. Drinks (brewery)

The Drinks (brewery) business represents 7% of the Group's revenue in 2022, which is in line with the usual weight in the pre-pandemic years. In 2022, despite the first two months that were still much affected by the pandemic and its restrictions, from March onwards with the carnival celebrations and the increase in tourism in Madeira, revenue increased by 35%.

#### E. Golf

This activity continues to represent 3% of the Group's Revenue and G.O.P. having maintained a steady level in its activity and increased its revenue 1% compared to 2019. Pestana Hotel Group continues to operate the same golf courses, namely Alto Golf, Pinta, Gramacho, Silves and Vila Sol in Algarve and Beloura in Lisbon.

#### F. Entertainment

The Entertainment business represents 2% of the Group's activity and is composed by two Casinos, in Madeira and in São Tomé and Príncipe. The Casinos were also one of most affected markets due to the pandemic. However, in 2022 there was a positive evolution in this market and revenue increased by 75% and G.O.P by 148% comparing to last year's results. Casino da Madeira represents most of the weight of this segment, and is also the main responsible for this improvement.

## 7.2. Balance sheet highlights

(Amounts in millions of Euros)

	2022	% TOTAL	Grupo Pestana SGPS	Djebel	Hotéis do Atlântico	Pestana Inversiones	Salvintur	Other	2021	2019
<b>Net Assets</b>										
Investment (Fixed assets) (a)	935,5	90%	644,9	58,0	177,4	5,9	44,4	4,9	960,2	1.034,7
Deferred tax liabilities	-25,6	-2%	-16,3	-3,5	-1,6	-0,1	-3,9	-0,2	-14,3	-27,6
<b>Total adjusted fixed assets</b>	<b>909,9</b>	<b>87%</b>	<b>628,6</b>	<b>54,5</b>	<b>175,8</b>	<b>5,8</b>	<b>40,5</b>	<b>4,7</b>	<b>945,9</b>	<b>1.007,1</b>
Investment (Financial assets) (b)	63,2	6%	31,0	0,0	15,7	0,0	0,0	16,5	46,5	36,0
Other non-current assets (c)	21,1	2%	2,2	0,6	5,1	0,0	0,8	12,4	20,6	13,8
Current Assets – Current liabilities (d)	48,5	5%	53,2	0,3	-4,5	0,0	1,5	-2,0	89,9	39,8
<b>Total adjusted assets</b>	<b>1.042,7</b>	<b>100%</b>	<b>715,0</b>	<b>55,4</b>	<b>192,1</b>	<b>5,8</b>	<b>42,8</b>	<b>31,6</b>	<b>1.102,9</b>	<b>1.096,7</b>
<b>Funding origins</b>										
Equity (e)	565,3	54%	347,8	50,6	115,3	7,7	38,1	5,8	445,6	480,6
Collected deferred revenues (f)	132,9	13%	125,9	3,0	1,3	0,0	0,4	2,3	143,9	164,0
Deferred sales costs (g)	-46,0	-4%	-46,0	0,0	0,0	0,0	0,0	0,0	-49,5	-58,8
<b>Total non remunerated funding (adjusted equity)</b>	<b>652,2</b>	<b>63%</b>	<b>427,7</b>	<b>53,6</b>	<b>116,6</b>	<b>7,7</b>	<b>38,5</b>	<b>8,1</b>	<b>540,0</b>	<b>585,8</b>
Long term financial debt (h)	520,9	50%	386,8	0,0	93,3	0,0	7,4	33,4	541,0	527,0
Other non-current liabilities (i)	7,2	1%	3,1	4,1	0,0	0,0	0,0	0,0	7,5	6,5
<b>Total non-current funding</b>	<b>1.180,3</b>	<b>113%</b>	<b>817,6</b>	<b>57,7</b>	<b>209,9</b>	<b>7,7</b>	<b>45,9</b>	<b>41,5</b>	<b>1.088,5</b>	<b>1.119,3</b>
Short term financial debt (h)	86,7	8%	67,2	0,7	9,3	0,0	0,7	8,8	103,3	115,3
Cash and cash equivalents	-224,3	-22%	-169,8	-3,0	-27,1	-1,9	-3,8	-18,7	-88,9	-137,9
<b>Net current debt</b>	<b>-137,6</b>	<b>-13%</b>	<b>-102,6</b>	<b>-2,3</b>	<b>-17,8</b>	<b>-1,9</b>	<b>-3,1</b>	<b>-9,9</b>	<b>14,4</b>	<b>-22,6</b>
<b>Total funding origins</b>	<b>1.042,7</b>	<b>100%</b>	<b>715,0</b>	<b>55,4</b>	<b>192,1</b>	<b>5,8</b>	<b>42,8</b>	<b>31,6</b>	<b>1.102,9</b>	<b>1.096,7</b>
Net debt (j)	383,3		284,2	-2,3	75,5	-1,9	4,3	23,5	555,4	504,4
Net debt excluding IFRS 16	195,3		131,3	-2,3	48,4	-1,9	-3,7	23,5	373,9	309,6
EBITDA	200,0		173,3	2,1	18,0	0,9	3,0	2,7	96,2	161,8
Working capital	48,5		53,2	0,3	-4,5	0,0	1,5	-2,0	89,9	39,8
Net capex (k)	12,8		9,2	0,4	1,7	0,2	0,5	0,8	26,2	89,0
Capex under construction	40,2		34,6	0,0	0,5	4,9	0,2	0,0	31,6	89,2
Net debt / EBITDA ratio	1,92		1,64	N/A	4,20	N/A	N/A	8,68	5,77	3,12
Net debt / EBITDA excluding IFRS 16 ratio	0,98		0,8	-1,1	2,7	-2,2	-1,2	8,7	3,9	1,9
Net debt / Adjusted Equity ratio	0,59		0,66	N/A	0,65	N/A	N/A	2,90	1,01	0,84
Net debt / Total adjusted assets ratio (%)	37%		40%	N/A	39%	N/A	N/A	74%	50%	45%
Liquidity ratio (%) (Cash and cash equivalents) / (h+i)	36%		37%	63%	26%	N/A	47%	44%	14%	21%

(a) Includes Tangible fixed assets, Intangible assets and Investment properties and excludes Deferred sales costs of Pestana Vacation Club

(b) Includes Investments in joint ventures, associates and financial assets at fair value through profit or loss

(c) Includes Deferred tax assets, Derivatives and Trade and other receivables (excluding contract costs)

(d) Excludes Cash and cash equivalents, Borrowings, Lease liabilities and Deferred revenue

(e) Excluding shareholder's loans

(f) Collected sales of Pestana Vacation Club

(g) Deferred sales costs of Pestana Vacation Club and Options

(h) Includes Lease liabilities and excludes loans from shareholders

(i) Includes Provisions, Derivatives and Trade and other payables

(j) Long term financial debt plus Net current debt

(k) Additions net of Disposals



Pestana Hotel Group has a total adjusted assets of 1.042,7 million Euros and follows an ownership model which means that it owns most of its assets making it a capital-intensive Group. The Group has a highly specialized shared services center which allows for the opening of new units without virtually any additional costs to the Group's cost structure. This fact combined with the Group's highly effective and constant cost control policies and investment in new technologies and in the digital area of the hospitality business makes it possible for the Group to continue to grow organically.

The total non-remunerated funding equals 652,2 million Euros and represent 63% of the total adjusted assets, which reflects the strong of financial autonomy of the Group.

Pestana Hotel Group also maintained its prudent liquidity policies. The Group celebrated a new loan in the amount of 50 million Euros, which is mensurated at a fixed rate and also paid off early the amount of 43,5 million Euros of loans essentially at a variable rate with an higher cost. It is also noteworthy that only 23% of the total Group's borrowings are at a variable rate and, therefore, the generalized increase in interest rates did not and will not affect Pestana Hotel Group as much as the market, in general. Also, the Group's debt is concentrated in the medium/long-term and its service is aligned with the ability to generate funds.

Despite the investments made in CAPEX in new units and in the real estate area, the Group still managed to reduce its net debt by 31% compared to the previous year. The Debt/EBITDA ratio even including IFRS 16 is just 1,92 (excluding IFRS 16: approximately 1). Pestana Hotel Group also has lines of credit in the amount of 89,7 million Euros and working capital of 48,5 million Euros, demonstrating the excellent financial position and which justifies, among others, the maintenance of the risk profile at "investment" level but already with a positive outlook, according to the Ethifinance rating agency (previously known as "Axessor").

In November 2022, Pestana Hotel Group also reorganized its corporate structure and created a new joint venture with Cristiano Ronaldo dos Santos Aveiro, Pestana CR7 Holding, S.A. for the total amount of 25 million Euros. With the scaling gains this company was incorporated with the aim of centrally monitoring the companies in this partnership, namely Pestana CR7 Madeira Investimentos Turísticos, S.A., Pestana CR7 Marrakech S.à.r.l., Pestana CR7 Manchester, Ltd. and Pestana CR7 Madrid, S.L.. This way, Pestana Hotel Group sold its participation in these companies to Pestana CR7 Holding, S.A. for the amount of 7,4 million Euros with a capital gain of 0,8 million Euros.

In June 2022 Pestana Hotel Group also acquired 50% of Ponta de Lança – Sociedade Imobiliária, S.A., a real estate company located in Madeira, Funchal for the total amount of 6,5 million Euros. This company has a land in Madeira where a new real estate project will be constructed.

In July 2022 Pestana Hotel Group acquired 1.140.000 shares of URP – Urban Renew – Projetos Imobiliários SICAFI, S.A., which corresponds to a participation of 60% for the amount of 3,3 million Euros from Dionísio Fernandes Pestana. This company is now fully consolidated by Pestana Hotel Group and includes two real estate projects, namely Oasis 28 located in Saldanha, in one of the most accessible and dynamic areas of Lisbon and has a land in Porto Covo in Alentejo coast between Sines and Vila Nova de Milfontes for the development of a future real estate project.

In 2022, three subsidiaries of the Group subscribed 8.739 participation units in Iberis Bluetech Fund III, FCR for 9 million Euros. This fund's policy is to invest in Research and Development (R&D) companies and projects, making this investment eligible under Sistema de Incentivos Fiscais à Investigação e ao Desenvolvimento Empresarial de Portugal "SIFIDE II" (Portuguese tax incentives for Research and Development). The subsidiaries will present the respective application until May 2023, which is expected to be approved by Agência Nacional de Inovação, S.A..

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# Objectives and policies of Pestana Hotel Group regarding risk



**PESTANA**  
HOTEL GROUP

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 20 February 2023, Pestana CR7 Paris, S.A.S., owned by Pestana CR7 Holding, S.A., signed the agreement for the acquisition and construction of the property where the new Pestana CR7 Paris hotel will be located. The initial investment was 27,3 million Euros and, at the same time, a bank loan was celebrated by this joint venture company in the amount of 45,5 million Euros, of which 21 million Euros were already used to finance the initial investment.

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



# 10 The near future



**PESTANA**  
HOTEL GROUP

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

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

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

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



(Source: UNWTO 2023/01 World Tourism Barometer)

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

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

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

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

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

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

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

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

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



# 11 Recognitions



**PESTANA**  
HOTEL GROUP

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 honored us with throughout the development of our activities.

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

Finally, and we cannot stress this enough, we 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, 17 April 2023

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





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in Euros)	NOTES	2022	2021
<b>ASSETS</b>			
<b>Non-current</b>			
Tangible fixed assets	6	963.052.392	990.105.608
Intangible assets	7	2.931.095	2.004.120
Investment properties	8	5.111.319	6.146.757
Investment in joint ventures	9	34.018.420	23.699.639
Investment in associates	10	11.439.033	14.578.964
Financial assets at fair value through profit and loss	11	17.709.530	8.173.251
Deferred tax assets	12	15.104.654	14.355.682
Derivatives	14	2.238.842	–
Trade and other receivables	15	12.761.890	17.118.066
		<b>1.064.367.175</b>	<b>1.076.182.087</b>
<b>Current</b>			
Inventories	16	140.577.518	74.808.130
Trade and other receivables	15	78.504.239	89.743.633
Income tax receivable	17	574.084	3.455.334
Cash and cash equivalents	18	224.343.877	88.901.771
		<b>443.999.718</b>	<b>256.908.868</b>
<b>Total assets</b>		<b>1.508.366.893</b>	<b>1.333.090.955</b>
<b>EQUITY</b>			
Capital	19	220.000.000	238.000.000
Other reserves	20	5.077.608	(8.190.987)
Retained earnings	21	203.608.921	184.927.662
Profit for the period attributable to shareholders		106.896.784	22.441.204
Non-controlling interests	22	11.730.344	8.446.110
<b>Total equity</b>		<b>547.313.657</b>	<b>445.623.989</b>
<b>LIABILITIES</b>			
<b>Non-current</b>			
Provisions	23	7.155.545	7.132.433
Borrowings	24	354.436.072	373.570.297
Lease liabilities	25	166.418.877	167.476.992
Derivatives	14	–	358.128
Deferred tax liabilities	12	25.613.267	14.277.047
Deferred revenue	26	107.653.356	123.003.889
Advances from customers	15	42.447.509	5.498.410
Trade and other payables	27	33.471	59.367
		<b>703.758.097</b>	<b>691.376.563</b>
<b>Current</b>			
Provisions	23	1.617.053	1.545.545
Borrowings	24	83.088.527	89.240.714
Lease liabilities	25	21.597.353	14.058.003
Deferred revenue	26	25.258.356	20.885.461
Advances from customers	15	40.760.746	12.362.405
Trade and other payables	27	79.092.441	57.592.521
Income tax liabilities	17	5.880.663	405.754
		<b>257.295.139</b>	<b>196.090.403</b>
<b>Total liabilities</b>		<b>961.053.236</b>	<b>887.466.966</b>
<b>Total equity and liabilities</b>		<b>1.508.366.893</b>	<b>1.333.090.955</b>

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

## CONSOLIDATED INCOME STATEMENT

(Amounts expressed in Euros)	NOTES	Period	
		2022	2021
Revenue	28	453.136.598	295.421.144
Cost of goods sold	16	(55.117.087)	(79.029.834)
External services and supplies	29	(139.469.761)	(75.617.854)
Personnel expenses	30	(93.507.710)	(60.476.545)
Charges of depreciation and amortization	6;7;8	(53.577.444)	(52.922.560)
Reversals of losses of tangible assets	6;8	2.810.839	1.624.654
Reversal / (Impairment) of receivables	15	185.914	(133.017)
Impairment of inventories	16	(44.456)	(121.224)
Provisions	23	118.358	695.901
Other income	31	49.641.599	16.370.210
Other expenses	32	(13.858.853)	(8.715.772)
(Losses) / Gains on disposal of investments, equity method and financial assets at fair value through profit and loss	33	(1.811.085)	7.160.923
<b>Operating profit</b>		<b>148.506.912</b>	<b>44.256.026</b>
Financial expenses	34	(25.079.630)	(23.793.236)
Financial income	34	3.704.214	1.035.196
<b>Profit before tax</b>		<b>127.131.496</b>	<b>21.497.986</b>
Income tax	35	(17.663.235)	1.376.020
<b>Profit for the period</b>		<b>109.468.261</b>	<b>22.874.006</b>
<b>Profit for the period attributable to:</b>			
Shareholders of the group		106.896.784	22.441.204
Non-controlling interests		2.571.477	432.802
		<b>109.468.261</b>	<b>22.874.006</b>

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

EBITDA (Non-IFRS Measure)	42	200.046.920	96.190.552
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in Euros)	NOTES	Period	
		2022	2021
<b>Profit for the period</b>		<b>109.468.261</b>	<b>22.874.006</b>
<b>Items that may be recycled through profit and loss:</b>			
Foreign currency translation differences	20;21;22	8.678.870	5.158.489
Change in fair value of hedging derivatives	14	2.322.188	632.821
Tax impact in items booked directly in equity	12	(529.651)	-
<b>Other comprehensive income for the period – net of income tax</b>		<b>10.471.407</b>	<b>5.791.310</b>
<b>Total comprehensive income for the period</b>		<b>119.939.668</b>	<b>28.665.316</b>
<b>Comprehensive income attributable to:</b>			
Shareholders of the group		117.384.254	28.120.910
Non-controlling interests		2.555.414	544.406
		<b>119.939.668</b>	<b>28.665.316</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO SHAREHOLDERS						
		CAPITAL						
	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	PROFIT/LOSS FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
(Amounts expressed in Euros)								
AT 1 JANUARY 2022		166.625.238	71.374.762	(8.190.987)	184.927.662	22.441.204	8.446.110	445.623.989
Changes in the period								
Changes in the perimeter	20;21;22;39			827.513	(1.296.864)	–	469.351	–
Profit for the period application	20;21			2.193.556	20.247.648	(22.441.204)	–	–
Other changes recognized in equity	21;22			–	(259.469)	–	259.469	–
				3.021.069	18.691.315	(22.441.204)	728.820	–
Foreign currency translation differences	20;21;22			8.454.989	239.944	–	(16.063)	8.678.870
Change in fair value reserve – hedging derivatives (net of income tax)	20			1.792.537	–	–	–	1.792.537
Profit for the period				–	–	106.896.784	2.571.477	109.468.261
Comprehensive income				10.247.526	239.944	106.896.784	2.555.414	119.939.668
				13.268.595	18.933.980	84.455.580	3.284.234	119.939.668
Transactions with shareholders in the period								
Distributions	21	–	–	–	(250.000)	–	–	(250.000)
Transfers to Borrowings	19;24	–	(18.000.000)	–	–	–	–	(18.000.000)
		–	(18.000.000)	–	(250.000)	–	–	(18.250.000)
AT 31 DECEMBER 2022		166.625.238	53.374.762	5.077.608	203.608.921	106.896.784	11.730.344	547.313.657

		ATTRIBUTABLE TO SHAREHOLDERS						
		CAPITAL		OTHER RESERVES	RETAINED EARNINGS	PROFIT/LOSS FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
NOTES		SHARE CAPITAL	OTHER EQUITY INSTRUMENTS					
(Amounts expressed in Euros)								
<b>AT 1 JANUARY 2021</b>		166.625.238	71.374.762	(14.709.684)	216.490.913	(32.907.677)	10.235.121	417.108.673
<b>Changes in the period</b>								
Profit for the period application	20;21			504.776	(33.412.453)	32.907.677	-	-
Other changes recognized in equity	21;22			-	2.333.418	-	(2.333.418)	-
				<b>504.776</b>	<b>(31.079.035)</b>	<b>32.907.677</b>	<b>(2.333.418)</b>	<b>-</b>
Foreign currency translation differences	20;21;22			5.381.100	(334.216)	-	111.605	5.158.489
Change in fair value reserve – hedging derivatives (net of income tax)	20			632.821	-	-	-	632.821
Profit for the period				-	-	22.441.204	432.802	22.874.006
<b>Comprehensive income</b>				<b>6.013.921</b>	<b>(334.216)</b>	<b>22.441.204</b>	<b>544.407</b>	<b>28.665.316</b>
				<b>6.518.697</b>	<b>(31.413.251)</b>	<b>55.348.881</b>	<b>(1.789.011)</b>	<b>28.665.316</b>
<b>Transactions with shareholders in the period</b>								
Distributions	21	-	-	-	(150.000)	-	-	(150.000)
		-	-	-	(150.000)	-	-	(150.000)
<b>AT 31 DECEMBER 2021</b>		<b>166.625.238</b>	<b>71.374.762</b>	<b>(8.190.987)</b>	<b>184.927.662</b>	<b>22.441.204</b>	<b>8.446.110</b>	<b>445.623.989</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euros)	NOTES	Period ended 31 December	
		2022	2021
<b>Cash flow from operating activities</b>			
Receipts from customers		509.801.551	252.057.405
Payments to suppliers		(216.427.873)	(142.891.420)
Payments to personnel		(90.025.389)	(59.320.703)
<b>Cash generated from operations</b>		<b>203.348.289</b>	<b>49.845.282</b>
Income tax receipt / (paid)		589.941	(1.677.254)
Other (payments) / receipts		(1.851.087)	1.101.715
<b>Net cash flow from operating activities</b>		<b>202.087.143</b>	<b>49.269.743</b>
<b>Cash flow from investing activities</b>			
Receipts related to:			
Tangible assets		80.175.928	3.160.812
Investments in joint ventures	9;39	7.407.356	8.000.000
Changes in consolidation perimeter	18;39	6.962.815	-
Investment properties		1.588.203	612.233
Investments in financial assets at fair value through profit and loss	11	788.703	349.968
Interest income and similar		579.705	234.052
Investments in associates	10	268.173	441.000
Dividends		-	21.923
Payments related to:			
Tangible assets		(30.877.431)	(12.883.171)
Investments in joint ventures	9	(20.423.961)	(9.858.178)
Investments in financial assets at fair value through profit and loss	11	(9.672.150)	(1.138.090)
Acquisition of control	10	(4.014.859)	-
Investments in associates	10	-	(1.700.000)
Intangible assets		-	(614.045)
<b>Net cash from investing activities</b>		<b>32.782.482</b>	<b>(13.373.496)</b>
<b>Cash flow from financing activities</b>			
Receipts related to:			
Borrowings	24	75.507.321	76.911.085
Payments related to:			
Borrowings	24	(129.359.705)	(65.444.690)
Lease liabilities		(23.124.905)	(19.355.431)
Loan interest expenses and similar charges		(18.222.891)	(14.295.099)
Dividends	36	(250.000)	(150.000)
<b>Net cash from financing activities</b>		<b>(95.450.180)</b>	<b>(22.334.135)</b>
<b>Changes in cash and cash equivalents</b>		<b>139.419.445</b>	<b>13.562.112</b>
Effects of exchange differences		(200.926)	228.913
Cash and cash equivalents at beginning of the year	18	79.089.542	65.298.517
Cash and cash equivalents at end of the year	18	<b>218.308.061</b>	<b>79.089.542</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

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, Dionísio Fernandes 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 Paris and Manchester.

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 106 units of touristic lodging totalling 11.775 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of European hotel networks ranking and in the top 120 worldwide.

In the leisure area, Pestana Hotel Group currently holds, besides its 67 hotels (17 in Madeira, 10 in Algarve, 7 in Lisbon/Cascais/Sintra, 1 in the centre of Portugal, 5 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, 3 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 31 “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 five hotels resulting from the partnership between Pestana Hotel Group and Cristiano Ronaldo dos Santos Aveiro, namely Pestana CR7 Lisboa, Pestana CR7 Funchal, Pestana CR7 Madrid, Pestana CR7 Times Square and Pestana CR7 Marrakech.

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

(a) Management contract

(b) Franchised

(c) Leased contract / concession

(d) Opened in 2021

(e) Opened in 2022

These Consolidated financial statements were authorised for issue by the Board of Directors on 17 April 2023 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 2022. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and 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 2022 is as follows:

- **IAS 16** (amendment), 'Proceeds before intended use'. This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant, and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives. This amendment had no impact on the Group's Consolidated financial statements.
- **IAS 37** (amendment), 'Onerous Contracts – Cost of Fulfilling a Contract'. This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives. This amendment had no impact on the Group's Consolidated financial statements.
- **IFRS 3** (amendment), 'Reference to the Conceptual framework'. This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, forbidding to record contingent assets of the acquiree in a business combination. This amendment is applied prospectively and had no impact on the Group's Consolidated financial statements.
- **Annual Improvements 2018 – 2020**. The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41 and had no impact on the Group's Consolidated financial statements.

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

- **IAS 1** (amendment), 'Disclosure of accounting policies'. Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.
- **IAS 8** (amendment), "Disclosure of accounting estimates". This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s). The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

■ **IAS 12** (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'. IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are not in the scope of the initial recognition exemption for deferred taxes. This amendment is applied retrospectively. The Group will apply this amendment when it becomes effective with no relevant expected impact on the Group's Consolidated financial statements.

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

■ **IAS 1** (amendment), 'Non-current liabilities with covenants'. This amendment clarifies that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. It clarifies also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months. The Group will apply this amendment when it becomes effective with no expected impacts on the Group's Consolidated financial statements.

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

### 3. Main accounting policies

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

#### 3.1. Consolidation

##### 3.1.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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 and 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 and loss are in Note 11.

## 3.2. Foreign currency translation

### i) Functional and presentation currency

The Consolidated financial statements and related notes are presented in Euros, unless otherwise stated, the presentation currency of 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 financial income/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 different functional currency 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	31-12-2022	31-12-2021
ARS – Argentine Peso	189,1694	117,5000
BRL – Brazilian Real	5,6018	6,3166
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8872	0,8401
MAD – Moroccan Dirham	11,1558	10,5180
MZN – Metical	68,3900	72,5900
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,0675	1,1326
UYU – Uruguayan Peso	42,3063	50,4952
ZAR – Rand	18,0975	18,0677

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	2022	2021
ARS – Argentine Peso	137,6878	113,0338
BRL – Brazilian Real	5,4417	6,3780
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8527	0,8595
MAD – Moroccan Dirham	10,6843	10,6214
MZN – Metical	67,5501	77,5689
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,0534	1,1826
UYU – Uruguayan Peso	43,4245	51,4991
ZAR – South African Rand	17,1655	17,4717

### 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 8 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.

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 and software 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 is recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

### 3.7. Fair value of assets and liabilities

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

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

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. Derivatives

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

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

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

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

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

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

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

### 3.9. Financial assets

#### i. Classification

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

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

Financial assets can be classified as:

- (i) Financial assets at amortized cost: includes financial assets which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts;
- (ii) Financial assets through other comprehensive income: this category may include financial assets which qualify as debt instruments (contractual obligation to deliver cash flows) or as equity instruments (residual interest in an entity):
  - (a) In what concerns debt instruments this category includes financial assets whose contractual cash flows which correspond exclusively to the payment of the nominal value and interest and whose management's business model is contractual cash flow receipts or occasionally its sale;
  - (b) In what concerns equity instruments this category includes the percentage of interest held in an entity over which no control, joint control or significant influence is exercised and for which it has been irrevocably decided at the time of initial recognition to be designated as fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss: includes assets which do not fulfil the criteria for classification as financial assets at amortized cost or fair value through other comprehensive income whether they are debt or equity instruments.

Purchases and sales of investments in financial assets are recorded at the transaction date, which means, the date on which 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 the Consolidated income statement. Financial assets at fair value through other comprehensive income are subject to impairment.

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

## iii. Impairment

Pestana Hotel Group prospectively assesses estimated credit losses associated with financial assets that qualify as debt instruments classified at amortized cost.

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

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

#### iv. Write-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 the Consolidated income statement.

### 3.10. Inventories

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

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

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

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

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

### 3.11. Income tax

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

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.

### 3.12. Cash and cash equivalents

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

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

### 3.13. Capital

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

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

### 3.14. Provisions

Provisions are only recognized when 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.

### 3.15. Financial liabilities

Financial liabilities are classified into two categories:

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

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

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

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.

### 3.16. Borrowings

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

Borrowings are classified as current liabilities unless 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.

### 3.17. Leases

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

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

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

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

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

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

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

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

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

When 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.

### 3.18. 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 Consolidated 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 3.17) 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 from table games and gaming machines, is determined daily and recognized as revenue on a daily basis, for the difference between the bets placed and the prizes won less the estimated premiums payable and accrued gambling tax.

(vi) Management contracts

Management services represent fees received for managing hotels owned by third parties and managed by Pestana Hotel Group and 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 2022 and 2021, would lead to an increase/(decrease) in the Pestana Hotel Group results as follows:

Consolidated income statement				
	31-12-2022		31-12-2021	
	+10%	-10%	+10%	-10%
GBP	1.232.955	(1.506.944)	1.757.202	(2.147.691)
	1.232.955	(1.506.944)	1.757.202	(2.147.691)

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, which only represent 23% of the Group's loans.

Pestana Hotel Group contracts, when appropriate, cash-flows hedging derivatives (swaps) for its long term loans to mitigate the risk associated with 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 significant seasonality. However, this risk is minimized by the fact that Pestana Hotel Group has a significant variable cost structure, which allows for more flexibility.

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.

#### **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 2022 and 2021.

Considering Pestana Hotel Group's consolidated net financial debt as at 31 December 2022, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 490.000 Euros (31 December 2021: approximately 930.000 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.

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

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

The follow up of credit risk is made centrally by the finance department of 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 in general considered to be zero.

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

Rating	Bank deposits		Bank loans and Commercial paper	
	2022	2021	2022	2021
Aa1	175.954	-	-	-
Aa2	4.828.777	811.794	17.984.405	18.860.000
Aa3	11.565.208	311.771	-	-
A1	34.808.169	60.236	31.649.358	-
A2	3.450.562	30.737.708	13.905.136	136.253.608
A3	53.357.414	26.852.650	123.008.325	70.559.678
Baa1	-	832.705	-	6.428.572
Baa2	91.685.026	19.143.492	84.950.469	70.912.174
Baa3	7.558.705	-	23.826.621	-
Ba1	233.786	-	-	-
Ba2	551.387	-	-	-
Ba3	7.397.281	326.364	9.115.982	7.920.635
B1	-	3.899.985	-	6.212.690
B2	-	68.931	-	-
No classification	5.294.553	4.362.996	20.565.089	34.746.529
	<b>220.906.822</b>	<b>87.408.632</b>	<b>325.005.385</b>	<b>351.893.886</b>

### 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.

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 undiscounted contractual cash flows:

	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
<b>31 DECEMBER 2022</b>			
Borrowings:	75.340.740	279.888.086	124.426.175
- bank loans	33.337.380	131.543.420	109.124.585
- bond loans	-	89.000.000	-
- commercial paper	24.000.000	27.000.000	-
- bank overdrafts	6.035.816	-	-
- undiscounted interests payable until maturity	11.967.544	32.344.666	15.301.589
Lease liabilities	21.019.386	71.246.861	448.111.052
Trade and other payables - non group	78.724.590	33.471	-
<b>31 DECEMBER 2021</b>			
Borrowings:	104.393.035	253.129.709	165.481.527
- 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	-	-
- undiscounted interests payable until maturity	16.242.876	30.019.446	12.556.160
Lease liabilities	26.650.644	99.003.454	526.738.744
Trade and other payables - non group	57.345.133	59.367	-
Derivatives financial instruments	25.822	332.306	-

## 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 Consolidated 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 2022 and 2021 were as follows:

	31-12-2022	31-12-2021
Total borrowings, excluding shareholder's loans	419.524.599	462.811.011
Total lease liabilities	188.016.230	181.534.995
Less: cash and cash equivalents	224.343.877	88.901.771
<b>Net debt</b>	<b>383.196.952</b>	<b>555.444.235</b>
Shareholder loans	18.000.000	-
Equity	547.313.657	445.623.989
<b>Total capital</b>	<b>948.510.609</b>	<b>1.001.068.224</b>
<b>Gearing</b>	<b>40%</b>	<b>55%</b>

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:

	31-12-2022	31-12-2021
Total borrowings, excluding shareholder's loans	419.524.599	462.811.011
Total lease liabilities	188.016.230	181.534.995
Less: cash and cash equivalents	224.343.877	88.901.771
<b>Net debt</b>	<b>383.196.952</b>	<b>555.444.235</b>
Shareholder loans	18.000.000	-
Equity adjusted	666.057.702	574.675.975
<b>Total capital</b>	<b>1.067.254.654</b>	<b>1.130.120.210</b>
<b>Gearing</b>	<b>36%</b>	<b>49%</b>

### 4.3. Accounting for derivative financial instruments

As at 31 December 2022 and 2021, 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 its power over the investee ("de facto" control).

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

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

### 5.2. Tangible fixed assets

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

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

### 5.3. Leases

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

#### 5.4. Impairment of non-financial assets

The determination of whether a potential impairment loss exists may be triggered by the occurrence of various events, many of which are beyond 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 2022 the movements occurred in Tangible fixed assets are as follows:

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>1 JANUARY 2022</b>								
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)
<b>Net book value</b>	<b>195.349.954</b>	<b>686.624.674</b>	<b>69.964.946</b>	<b>1.264.489</b>	<b>1.138.799</b>	<b>4.117.567</b>	<b>31.645.179</b>	<b>990.105.608</b>
<b>Changes in 2022</b>								
Additions	1.650.917	24.479.139	5.665.844	639.622	560.205	2.047.469	12.880.334	47.923.530
Disposals – acquisition cost	(5.060.138)	(27.701.851)	(3.968.175)	(135.732)	(218.140)	(242.368)	(2.338.325)	(39.664.729)
Disposals – accumulated depreciation	-	2.187.348	1.070.707	135.731	202.808	215.835	-	3.812.429
Write-offs – acquisition cost	-	(51.912)	(98.052)	(12.805)	(949)	(638)	-	(164.356)
Write-offs – accumulated depreciation	-	27.697	52.298	11.649	810	363	-	92.817
Write-offs – accumulated impairment	-	24.215	45.754	-	139	275	-	70.383
Transfers – acquisition cost	-	2.314.967	748.199	-	-	-	(3.063.166)	-
Depreciation	(770.632)	(39.888.039)	(9.858.177)	(815.019)	(557.437)	(960.713)	-	(52.850.017)
Foreign currency translation – acquisition cost	3.253.751	10.075.879	403.676	20.367	486.290	13.672	1.026.757	15.280.392
Foreign currency translation – acc. depreciation	(84.801)	(3.486.580)	(234.222)	(19.877)	(465.420)	(9.115)	-	(4.300.015)
Foreign currency translation – acc. impairment	(32.988)	-	(22.587)	-	(8.914)	-	-	(64.489)
Impairment – charge	-	(432.105)	-	-	-	-	-	(432.105)
Impairment – reversal	-	3.242.944	-	-	-	-	-	3.242.944
	<b>(1.043.891)</b>	<b>(29.208.298)</b>	<b>(6.194.735)</b>	<b>(176.064)</b>	<b>(608)</b>	<b>1.064.780</b>	<b>8.505.600</b>	<b>(27.053.216)</b>
<b>31 DECEMBER 2022</b>								
Acquisition cost	197.959.075	1.302.439.657	299.307.762	10.429.529	29.772.347	16.211.518	40.150.779	1.896.270.667
Accumulated depreciation	(3.082.876)	(642.117.000)	(235.496.970)	(9.341.104)	(28.618.141)	(11.029.171)	-	(929.685.262)
Accumulated impairment	(570.136)	(2.906.281)	(40.581)	-	(16.015)	-	-	(3.533.013)
<b>Net book value</b>	<b>194.306.063</b>	<b>657.416.376</b>	<b>63.770.211</b>	<b>1.088.425</b>	<b>1.138.191</b>	<b>5.182.347</b>	<b>40.150.779</b>	<b>963.052.392</b>

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

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>1 JANUARY 2021</b>								
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)
<b>Net book value</b>	<b>192.898.108</b>	<b>676.118.386</b>	<b>74.571.321</b>	<b>1.452.887</b>	<b>1.144.155</b>	<b>3.741.475</b>	<b>57.438.773</b>	<b>1.007.365.105</b>
<b>Changes in 2021</b>								
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 16)	110.681	515.014	-	-	-	-	-	625.695
Transfer to Inventories - acquisition cost (Note 16)	-	(602.237)	-	-	-	-	-	(602.237)
Transfer to Inventories - acc. deprec. (Note 16)	-	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
	<b>2.451.846</b>	<b>10.506.288</b>	<b>(4.606.375)</b>	<b>(188.398)</b>	<b>(5.356)</b>	<b>376.092</b>	<b>(25.793.594)</b>	<b>(17.259.497)</b>
<b>31 DECEMBER 2021</b>								
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)
<b>Net book value</b>	<b>195.349.954</b>	<b>686.624.674</b>	<b>69.964.946</b>	<b>1.264.489</b>	<b>1.138.799</b>	<b>4.117.567</b>	<b>31.645.179</b>	<b>990.105.608</b>

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

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
<b>1 JANUARY 2022</b>					
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)
<b>Net book value</b>	<b>13.898.065</b>	<b>133.494.450</b>	<b>142.371</b>	<b>748.975</b>	<b>148.283.861</b>
<b>Changes in 2022</b>					
Additions	1.650.917	18.506.056	784.753	397.875	21.339.601
Write-offs – acquisition cost	–	(27.697)	–	(12.805)	(40.502)
Write-offs – accumulated depreciation	–	27.697	–	11.648	39.345
Foreign currency translation – acquisition cost	640.087	(489.814)	–	–	150.273
Foreign currency translation – acc. depreciation	(84.801)	69.356	–	–	(15.445)
Depreciation	(770.633)	(13.388.777)	(295.196)	(685.702)	(15.140.308)
Impairment – charge	–	(432.105)	–	–	(432.105)
Impairment – reversal	–	2.417.944	–	–	2.417.944
	<b>1.435.570</b>	<b>6.682.660</b>	<b>489.557</b>	<b>(288.984)</b>	<b>8.318.803</b>
<b>31 DECEMBER 2022</b>					
Acquisition cost	18.416.512	257.338.853	1.715.790	4.350.534	281.821.689
Accumulated depreciation	(3.082.877)	(115.721.687)	(1.083.862)	(3.890.543)	(123.778.969)
Accumulated impairment	–	(1.440.056)	–	–	(1.440.056)
<b>Net book value</b>	<b>15.333.635</b>	<b>140.177.110</b>	<b>631.928</b>	<b>459.991</b>	<b>156.602.664</b>



	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
<b>1 JANUARY 2021</b>					
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)
<b>Net book value</b>	<b>14.507.181</b>	<b>133.007.784</b>	<b>130.003</b>	<b>854.776</b>	<b>148.499.744</b>
<b>Changes in 2021</b>					
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 – charge	–	1.628.846	–	–	1.628.846
	<b>(609.116)</b>	<b>486.666</b>	<b>12.368</b>	<b>(105.801)</b>	<b>(215.883)</b>
<b>31 DECEMBER 2021</b>					
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)
<b>Net book value</b>	<b>13.898.065</b>	<b>133.494.450</b>	<b>142.371</b>	<b>748.975</b>	<b>148.283.861</b>

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

The main additions in 2022 refer to:

- Acquisition of glass bottles for the beverage industry in the amount of approximately 1.700.000 Euros;
- Renovation of a wing of Pestana Cidadela de Cascais for the construction of 7 additional rooms and a parking lot in the amount of 1.685.000 Euros;
- Renovation of Pestana Casino Park in the amount of 900.000 Euros;
- Renovation of 17 rooms of Pestana D. João II Villas in the amount of 820.000 Euros;
- Renovation of Pestana Porto Santo in the amount of 630.000 Euros;
- Acquisition of a biomass boiler for the beverage business, an equipment intended for the production of steam and hot water using industrial waste to support energy generation. The amount spent in 2022 was 540.000 Euros;
- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.3) amounted to approximately 1.980.000 Euros;
- Construction of a building adjacent to Pestana Bahia Lodge to function as a support of this hotel unit in the amount of 415.000 Euros;
- The remaining additions refer mainly to other renovations, remodelations and the acquisition of equipment necessary to the normal operation of the Group's hotel units.

The main additions in 2021 refer to:

- Completion of Pestana Fisherman Village – Câmara de Lobos Boutique hotel, a new luxury four-star hotel located in the emblematic historic center of Câmara de Lobos. The hotel has 42 rooms and started its activity in August 2021, located in two buildings, fully refurbished, maintaining its original architectural features of the old Municipal building of Beautiful Tower. The total investment was 2.280.000 Euros, of which 1.062.000 Euros in 2021. For this asset, the Group entered into a 50-year lease agreement with the owner of the property that implies the payment of an annual fixed rent;
- Completion of the construction of Pousada do Porto – Rua das Flores, a 4-star tourist development of 4 in the historic center of Oporto with 84 rooms and suites, resulting from the refurbishment of a building acquired in 2018 for 8.000.000 Euros, and which was in a high state of degradation. Including the acquisition cost, a total of 15.300.000 Euros was invested, of which 610.000 Euros occurred in 2021. This unit opened in October 2021;
- The Pestana Douro hotel refers to the rehabilitation of a building acquired in 2018 in Oporto for a new 165-key hotel with a privileged view over the Douro river located in the old floral soap factory next to Pestana Palácio do Freixo. This project was completed in April of 2021 and opened in April 2022. The Group's total investment was approximately 15.990.000 Euros, of which 214.000 Euros occurred in 2021;
- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.3) amounted to approximately 1.330.000 Euros in 2021;
- The remaining additions refer to renovations and improvements as well as acquisition of equipment necessary for the normal operation of the Group's units.

#### Right of use asset additions

Right of use assets refer, mainly, to buildings and other constructions as presented in Note 25.

In 2022 Right of use asset additions refer to:

- In 8 April 2022, Pestana Hotel Group celebrated a new contract with Enatur – Empresa Nacional de Turismo, S.A. for the concession of a vacant building, Palácio de Valadares, in Chiado, Lisbon, to explore a new Pousada. The contract was celebrated for 30 years, with an automatic renovation for 20 years, starting 7 months after the date of the use licence, which is estimated at 2,5 years. This contract has a fixed payment, annually updated according to the rent index, and a variable payments based on total sales. The Right of use asset and the lease liability at the commencement date was 14.066.707 Euros;
- In 21 July 2022 a new amendment to the concession contract of Pestana Cidadela de Cascais that allowed the expansion of this unit to another 7 rooms was celebrated. The total rooms explored by the Group after this increase is 134 rooms, as well as 25 parking spots. Following this amendment to the contract, the impact on the Right of use asset and lease liability was 1.988.303 Euros;
- 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 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 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.

### Disposals

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

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

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).

### 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.

### Transfers from 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.

### Assets under construction

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

	2022	2021
Pestana Dunas (Madeira)	8.561.640	8.399.072
Quinta da Amoreira (Algarve)	6.345.437	6.345.437
Pestana Montevideo (Uruguay)	4.943.007	3.983.188
North of Gramacho land (Algarve)	4.602.701	2.278.136
Hotel in Rua Augusta (Lisbon)	4.354.552	1.567.454
Pousada de Alfama (Lisbon)	2.869.559	755.704
Pestana Vintage Porto expansion (Oporto)	2.558.766	1.416.941
Pestana Delfim remodelation (Algarve)	1.949.096	–
Golf course project (Algarve)	1.199.852	1.199.852
Pousada do Chiado – Palácio de Valadares (Lisbon)	592.780	–
Praia Formosa (Madeira)	404.649	2.170.628
Others	1.768.740	3.528.767
	<b>40.150.779</b>	<b>31.645.179</b>

Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 beds and a total area of 60.000 m<sup>2</sup>. The licence for architecture and construction was obtained in 2022 and will be built with innovative and more environmentally sustainable techniques. Pestana Dunas will confine with Pestana Porto Santo on the west and the proximity will allow for concentration and optimization between operations. The construction will be carried out in phases, starting in 2023, with the construction of 198 rooms, reception and swimming pool, with an estimated investment of 19.200.000 Euros for this phase.

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

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 16). In 2022, the construction for an 18-hole golf course and a club house began and it is expected to be concluded in 2024 with total investment of 2.900.000 Euros.

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

Pousada de Alfama concerns the construction of a new 4-star Pousada on Rua São Tomé, in Alfama, Lisbon, with 42 rooms. This unit has an underlying lease contract signed in 2019 for a 27-year period. The total expected investment amounts to 3.000.000 Euros and is expected to open in the first semester of 2023.

Pestana Vintage Porto expansion refers to the acquisition of a building next to the Pestana Vintage Porto hotel for the amount of 1.137.150 Euros and signing of a promissory contract for the acquisition of another building in the same area for 815.480 Euros, with the objective of continuing the expansion of this Pestana Collection unit. The public deed for the acquisition of the second building was signed in the beginning of 2023. In 2021, two buildings closer to the current hotel had already been acquired, on the same area, for the amount of 1.416.941 Euros, which will allow for an increase of 16 rooms with a total investment of around 1.300.000 Euros. The architectural project for these buildings has already started, as well as the process of acquiring licenses.

The renovation project of Pestana Delfim, in Algarve, is focused on modernizing this unit and to convert to an all-inclusive hotel. The total investment is expected to be 10.00.000 Euros divided into two phases. The first phase concerns the refurbishment of the rooms and is expected to be completed by the end of June 2023. The second phase is related to the renovation of the common areas, the improvement of existing spaces and the creation of new leisure areas, whose completion is scheduled for the first semester of 2024.

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

Pousada Chiado – Palácio de Valadares relates to the acquisition of a store which will be part of the new hotel unit under “Pousada” brand, located in Chiado, Lisbon. This acquisition was following the new contract, explained above, celebrated between Enatur – Empresa Nacional de Turismo, S.A. and Pestana Hotel Group for 30 years, with an automatic renovation of 20 years.

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

### 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 2022 is 5.188.821 Euros (2021: 6.775.118 Euros), and their useful life corresponds to their economic life or to the concession term, whichever is shorter.

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

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

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

### Foreign currency translation

This caption in 2022 is mainly explained by i) the appreciation of the Brazilian Real against the Euro, increasing Brazilian fixed assets in the total amount of 6.737.000 Euros (2021: increasing of 454.000 Euros); ii) the appreciation of the US Dollar against the Euro increasing American fixed assets in the total amount of 3.328.000 Euros (2021: increase of 4.335.000 Euros); iii) the appreciation of the Mozambican metical against the Euro increasing Mozambican fixed assets in the total amount of 734.000 Euros (2021: increase of 2.527.000 Euros).

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

### 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.

In 2022 and 2021 all impaired assets were analyzed as well as those that with external or internal indicators of impairment based on the following hierarchy: market indicators, external assessments and internal assessments. When appropriate, internal evaluations were carried out in accordance with the discounted cash flow method, which reflects the best expectation at the time of the activity's evolution for the next 5 years, considering a growth rate in perpetuity of about 2% and using discount rates between 5,5% and 23% reflecting the risk and return expected by stakeholders.

Based on this approach, in 2022 the impairment losses on Pestana Quinta do Arco Nature & Rose Garden, Pestana Ilha Dourada and Madeira Magic were reversed in the amounts of 2.218.404 Euros, 199.540 Euros and 825.000 Euros, respectively. In 2022, there was also an impairment loss on Pestana Colombos of 432.105 Euros, which contract is due in 2023. In 2021 the impairment loss on Pestana Quinta do Arco Natures & Rose Garden hotel's building, in Madeira, in the amount of 1.628.846 Euros was reversed.

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

## 7. Intangible assets

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

	WEBSITE AND SOFTWARE
<b>1 JANUARY 2022</b>	
Acquisition cost	6.204.460
Accumulated amortization	(4.200.340)
Accumulated impairment	-
<b>Net book value</b>	<b>2.004.120</b>
<b>Changes in 2022</b>	
Additions	1.672.138
Disposals - acquisition cost	(1.096.393)
Disposals - accumulated amortization	1.006.391
Foreign currency translation - acquisition cost	18.316
Foreign currency translation - accumulated amortization	(18.316)
Amortization	(655.161)
	<b>926.975</b>
<b>31 DECEMBER 2022</b>	
Acquisition cost	6.798.521
Accumulated amortization	(3.867.426)
Accumulated impairment	-
<b>Net book value</b>	<b>2.931.095</b>



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

	WEBSITE AND SOFTWARE
<b>1 JANUARY 2021</b>	
Acquisition cost	5,540.159
Accumulated amortization	(3,617.340)
Accumulated impairment	–
<b>Net book value</b>	<b>1,922.819</b>
<b>Changes in 2021</b>	
Additions	614.044
Foreign currency translation – acquisition cost	50.257
Foreign currency translation – accumulated amortization	(50.257)
Amortization	(532.743)
	<b>81.301</b>
<b>31 DECEMBER 2021</b>	
Acquisition cost	6,204.460
Accumulated amortization	(4,200.340)
Accumulated impairment	–
<b>Net book value</b>	<b>2,004.120</b>

In 2022 and 2021 the Group invested in new software, as well as in the renewal of its existing software, so that it can continue its processes' automatization, as well as in reinforcing cybersecurity procedures.

The most significant investments relate to technological transformation needed for the new commercial reality of the Group, such as the investment in Salesforce Service Cloud which will support the Group's activities in B2C (business-to-consumer) and B2B (business-to-business), as well as continuing to push for digital channels.

The Group also has a new on-going Data Strategy project, which revises the architecture of Business Intelligence with a new Modern Data Warehouse solution in Microsoft Azure, which includes a single report for all systems' data, namely Opera, F&B, ReviewPro, STR, Salesforce, Loyalty Program and SAP.

## 8. Investment properties

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

	31-12-2022	31-12-2021
<b>1 JANUARY</b>		
Acquisition cost	9.153.103	9.966.593
Accumulated depreciation	(2.947.785)	(3.008.831)
Accumulated impairment	(58.561)	(54.369)
<b>Net book value</b>	<b>6.146.757</b>	<b>6.903.393</b>
<b>Changes</b>		
Disposals – acquisition cost	(963.172)	(813.490)
Disposals – accumulated depreciation	–	149.790
Depreciation	(72.266)	(88.744)
Impairment – charge	–	(4.192)
	<b>(1.035.438)</b>	<b>(756.636)</b>
<b>31 DECEMBER</b>		
Acquisition cost	8.189.931	9.153.103
Accumulated depreciation	(3.020.051)	(2.947.785)
Accumulated impairment	(58.561)	(58.561)
<b>Net book value</b>	<b>5.111.319</b>	<b>6.146.757</b>

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

	31-12-2022	31-12-2021
Commercial properties leased to third parties, Algarve	2.632.728	2.702.744
Funchal land, Madeira	2.342.455	2.342.455
Angra dos Reis land, Brazil	–	962.901
Others	136.136	138.657
	<b>5.111.319</b>	<b>6.146.757</b>

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

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

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

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

	31-12-2022	31-12-2021
Rents obtained	231.992	201.756
Operating expenses	(43.569)	(42.993)
Amortizations	(72.266)	(88.744)
	<b>116.157</b>	<b>70.019</b>

## 9. Investments in joint ventures

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

	2022	2021
<b>1 JANUARY</b>	23.699.639	15.552.877
Incorporations	12.500.000	-
Acquisitions	6.500.000	-
Share capital increases	1.423.961	4.534.611
Foreign currency translations (USD, GBP and MAD)	734.033	948.626
Losses from equity accounting (Note 33)	(4.262.093)	(1.035.042)
Loans granted	-	5.073.567
Accessory contributions granted	-	250.000
Perimeter exits (Note 39)	(6.577.120)	(1.625.000)
<b>31 DECEMBER</b>	<b>34.018.420</b>	<b>23.699.639</b>

On 26 July 2022 a new joint venture company between Pestana Hotel Group and Cristiano Ronaldo dos Santos Aveiro was incorporated within the scope of the corporate reorganization project. With the scaling gains this company was incorporated with the aim of centrally monitoring the companies in this partnership in Funchal, Madrid, Marrakech and Manchester, as well as the newly incorporated Pestana CR7 Paris, SAS. The capital paid up in this new subholding, Pestana CR7 Holding, S.A., was 12.500.000 Euros. Afterwards, on 23 November 2022, Pestana Hotel Group sold its investments in Pestana CR7 Madeira, Pestana CR7 Madrid, Pestana CR7 Manchester and Pestana CR7 Marrakech for a total amount of 7.407.356 Euros (Note 39), including the Accessory capital contributions traded at their nominal value of 3.437.500 Euros, with a gain on disposal of 830.236 Euros (Note 33).

On 30 June 2022, Pestana Hotel Group acquired 50% of Ponta de Lança – Sociedade Imobiliária, S.A., a real estate company located in Funchal, Madeira. This participation was acquired for the total amount of 6.500.000 Euros, which includes Accessory capital contributions traded at their nominal value of 2.228.144 Euros. This participation was acquired from Cristiano Ronaldo dos Santos Aveiro (10%) for 1.300.000 Euros and from an unrelated party (40%) for 5.200.000 Euros. Cristiano Ronaldo dos Santos Aveiro holds the other 50% of this company.

In 2022, there was a Share capital increase of 1.423.961 Euros (1.500.000 USD) in Pestana CR7 Manhattan in order to allow this company to fulfil its short term liabilities. The foreign currency translation of this investment in 2022 was positive in 877.967 Euros (2021: 899.692 Euros).

On 30 June 2021, a loan was granted 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, for the new hotel Pestana CR7 Times Square which 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 operation of a new 4-star hotel in Marrakech, in the amount of 1.271.019 Euros, which opened in March of 2022.

Accessory contributions were granted to Pestana CR7 – Lisboa Hotel Invest. Turísticos, S.A. in the amount of 250.000 Euros in 2021.

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 was received in 2022.

In January 2022, Pestana CR7 Madeira, S.A. merged the hotel business in Portugal resulting from the partnership between Cristiano Ronaldo dos Santos Aveiro and Pestana Hotel Group, acquiring the right to use asset of CR7 Lisboa Lifestyle, with effects 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.

On December 2015, a Joint Venture Framework Agreement had been signed between Pestana Hotel Group and Cristiano Ronaldo dos Santos Aveiro with the aim of promoting, developing and exploring several hotel units. In April 2016 Pestana CR7 – Madeira, S.A. was incorporated. Also, in 2016 Pestana CR7 Manhattan 39, LLC was incorporated, in 2019, Pestana CR7 Madrid, S.L., in 2020, Pestana CR7 Manchester, Ltd., in 2021, Pestana CR7 Marrakech and later Pestana CR7 Paris were equally incorporated. All those companies are jointly owned by Pestana Hotel Group promoting the partnership “Pestana CR7” in Madeira, Lisbon, New York, Madrid, 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.

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

Entity	% OWNED	EQUITY METHOD			ACCESSORY CONTRIBUTIONS			LOANS GRANTED			TOTAL INVESTMENT
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT	IMPAIRMENT LOSS	TOTAL	
Pestana CR7 Manhattan 39, LLC	51,00%	10.095.504	-	10.095.504	-	-	-	5.620.609	-	5.620.609	15.716.113
Pestana CR7 Holding, S.A.	50,00%	9.143.284	-	9.143.284	-	-	-	-	-	-	9.143.284
Ponta de Lança, S.A.	50,00%	4.263.328	-	4.263.328	2.228.144	-	2.228.144	-	-	-	6.491.472
Solpor – Soc. Turismo Porto Santo Lda.	50,00%	2.237.551	-	2.237.551	430.000	-	430.000	-	-	-	2.667.551
		<b>25.739.667</b>	<b>-</b>	<b>25.739.667</b>	<b>2.658.144</b>	<b>-</b>	<b>2.658.144</b>	<b>5.620.609</b>	<b>-</b>	<b>5.620.609</b>	<b>34.018.420</b>

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

Entity	% OWNED	EQUITY METHOD			ACCESSORY CONTRIBUTIONS			LOANS GRANTED			TOTAL INVESTMENT
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT	IMPAIRMENT LOSS	TOTAL	
Pestana CR7 Manhattan 39, LLC	51,00%	9.342.623	-	9.342.623	-	-	-	5.297.545	-	5.297.545	14.640.168
Pestana CR7 Madrid, S.L.	50,00%	-	-	-	3.000.000	-	3.000.000	-	-	-	3.000.000
Solpor – Soc. Turismo do Porto Santo Lda.	50,00%	2.238.213	-	2.238.213	430.000	-	430.000	-	-	-	2.668.213
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
		<b>14.534.594</b>	<b>-</b>	<b>14.534.594</b>	<b>3.867.500</b>	<b>-</b>	<b>3.867.500</b>	<b>5.297.545</b>	<b>-</b>	<b>5.297.545</b>	<b>23.699.639</b>

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

	PESTANA CR7 MANHATTAN 39, LLC	PESTANA CR7 HOLDING, S.A.	PONTA DE LANÇA, S.A.	SOLPOR – SOC. TURISMO PORTO SANTO LDA.
<b>Opening net assets 1 January (local currency)</b>	<b>20.708.687</b>	<b>–</b>	<b>–</b>	<b>74.395</b>
Profit for the period	(2.582.898)	(6.718.876)	(17.056)	(1.325)
Change in perimeter	–	–	(155.510)	–
Share capital increase	3.000.000	25.000.000	–	–
Other comprehensive income	–	5.443	–	–
<b>Closing net assets 31 December (local currency)</b>	<b>21.125.789</b>	<b>18.286.567</b>	<b>(172.566)</b>	<b>73.070</b>
<b>Closing net assets 31 December (EUR)</b>	<b>19.795.106</b>	<b>18.286.567</b>	<b>(172.566)</b>	<b>73.070</b>
Group's share in %	51,00%	50,00%	50,00%	50,00%
Group's share in value	10.095.504	9.143.284	(86.283)	36.536
Adjustment of purchase price allocation	–	–	4.349.611	2.201.015
<b>Carrying amount 31 December</b>	<b>10.095.504</b>	<b>9.143.284</b>	<b>4.263.328</b>	<b>2.237.551</b>

The reconciliation between the net assets, excluding Accessory contributions and loans granted, and the carrying amount of the Investments in joint ventures in 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.
<b>Opening net assets 1 January (local currency)</b>	<b>18.984.505</b>	<b>75.708</b>	<b>159.666</b>	<b>2</b>	<b>–</b>	<b>107.484</b>
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
<b>Closing net assets 31 December (local currency)</b>	<b>20.708.687</b>	<b>74.395</b>	<b>(815.513)</b>	<b>2.921.427</b>	<b>22.026.023</b>	<b>439.383</b>
<b>Closing net assets 31 December (Euros)</b>	<b>18.284.201</b>	<b>74.395</b>	<b>(815.513)</b>	<b>3.477.475</b>	<b>2.094.127</b>	<b>439.383</b>
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	–	–	–	–
Consolidated adjustments	–	–	1.439.829	–	–	–
<b>Carrying amount 31 December</b>	<b>9.342.623</b>	<b>2.238.213</b>	<b>–</b>	<b>1.738.738</b>	<b>995.329</b>	<b>219.691</b>

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



## 10. Investments in associates

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

	31-12-2022	31-12-2021
<b>1 JANUARY</b>	14.578.964	13.275.530
Perimeter changes	(3.419.136)	-
Repayment of loans granted	(268.173)	(441.000)
Gains/(losses) from equity accounting (Note 33)	547.378	44.434
Loans granted	-	1.700.000
<b>31 DECEMBER</b>	<b>11.439.033</b>	<b>14.578.964</b>

On 27 July 2022, Pestana Hotel Group acquired 1.140.000 shares of URP – Urban Renew – Projetos imobiliários SICAFI, S.A., corresponding to a 60% participation, for the amount of 3.290.724 Euros from Dionísio Fernandes Pestana (Note 40). This transaction resulted in a gain of 412.880 Euros (Note 39). From that date onwards, URP – Urban Renew – Projetos imobiliários SICAFI, S.A. was fully consolidated.

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

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

A loan was granted in December 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.

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

Entity	% OWNED	EQUITY METHOD			LOANS GRANTED			TOTAL INVESTMENT	GOODWILL INCLUDED
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL		
Enatur – Empresa Nacional de Turismo, S.A.	49,00%	10.805.613	–	10.805.613	138.420	–	138.420	10.944.033	3.837.382
Lean Company Ventures II, S.A.	10,00%	–	–	–	495.000	–	495.000	495.000	–
Soehotur, S.A.	25,00%	596.403	(596.403)	–	172.521	(172.521)	–	–	–
Fantasy Land, Ltd.	33,33%	150.068	(150.068)	–	–	–	–	–	–
		<b>11.552.084</b>	<b>(746.471)</b>	<b>10.805.613</b>	<b>805.940</b>	<b>(172.521)</b>	<b>633.420</b>	<b>11.439.033</b>	<b>3.837.382</b>

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

Entity	% OWNED	EQUITY METHOD			ACCESSORY CONTRIBUTIONS			LOANS GRANTED			TOTAL INVESTMENT	GOODWILL INCLUDED
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL		
Enatur – Empresa Nacional de Turismo, S.A.	49,00%	10.371.573	–	10.371.573	–	–	–	406.593	–	406.593	10.778.166	3.837.382
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)	–	–	–	–	–	–	–	–	–
		<b>12.658.957</b>	<b>(746.471)</b>	<b>11.912.486</b>	<b>64.885</b>	<b>–</b>	<b>64.885</b>	<b>2.774.114</b>	<b>(172.521)</b>	<b>2.601.593</b>	<b>14.578.964</b>	<b>3.837.382</b>

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

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.
<b>Opening net assets 1 January</b>	<b>55.499.970</b>	<b>949.590</b>
Profit for the period	885.797	(154.503)
Other comprehensive income	(1.645.261)	–
<b>Closing net assets 31 December</b>	<b>54.740.506</b>	<b>795.087</b>
Group's share in %	49,00%	20,00%
Group's share in value	26.822.848	159.017
Goodwill	3.837.382	–
Conversion to IFRS	(19.854.617)	(159.017)
<b>Carrying amount 31 December</b>	<b>10.805.613</b>	<b>–</b>

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.
<b>Opening net assets 1 January</b>	<b>57.500.706</b>	<b>4.939.783</b>	<b>389.775</b>	<b>1.131.102</b>
Profit for the period	12.591	(364.518)	559.815	(2.161)
Other comprehensive income	(2.013.328)	–	–	–
<b>Closing net assets 31 December</b>	<b>55.499.970</b>	<b>4.575.265</b>	<b>949.590</b>	<b>1.128.941</b>
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)
<b>Carrying amount 31 December</b>	<b>10.371.573</b>	<b>1.254.331</b>	<b>–</b>	<b>286.582</b>

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

## 11. Financial assets at fair value through profit and loss

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

	31-12-2022	31-12-2021
<b>1 JANUARY</b>	8.173.251	5.946.142
Acquisitions	9.672.150	1.138.090
Changes in fair value (Note 33)	660.514	1.437.820
Foreign currency translation	(7.682)	1.167
Capital reimbursement	(788.703)	(349.968)
<b>31 DECEMBER</b>	<b>17.709.530</b>	<b>8.173.251</b>

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

Also in 2022 Participation Units (UP's) of Faber Tech II, FCR and Aldea Tech fund I-A, F.C.R. were subscribed for 459.402 Euros and 211.578 Euros respectively, having also undertaken the commitment to subscribe for another 750.000 UP's in Faber Tech II, FCR.

In 2022 changes in fair value corresponds to the valuation of the participation units based on the fund's quote of Iberis Bluetech Fund, FCR, EuVECA in the amount of 775.136 Euros (2021: 711.761 Euros), Faber Tech II, FCR in the amount of 44.606 Euros (2021: 848.764 Euros) and Aldea Tech fund I-A, F.C.R. of 105.737 Euros. The Iberis Bluetech Fund III had a devaluation of 264.965 in 2022. In 2021, 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 2022 and 2021 the Bluetech Fund, FCR, EuVECA made capital distributions without any redemption of participation units to its investors in the amounts of 788.703 Euros and 349.968 Euros, respectively, through a capital reduction.

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

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.

As at 31 December 2022 and 2021 the Financial assets at fair value through profit and loss have the following detail:

Entity	% OWNED	31-12-2022	31-12-2021
Iberis Bluetech Fund III, FCR	n.a.	8.736.205	–
Iberis Bluetech Fund, FCR, EuVECA	n.a.	6.018.033	6.031.600
Faber Tech II, FCR	n.a.	2.024.220	1.520.212
Aldea Tech fund I-A, F.C.R.	n.a.	783.957	466.642
Others	n.a.	147.115	154.797
		<b>17.709.530</b>	<b>8.173.251</b>

## 12. Deferred tax assets and liabilities

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

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

	31-12-2022	31-12-2021
Impact on income statement		
Deferred tax assets	(11.424.972)	(1.641.862)
Deferred tax liabilities	1.868.415	4.551.331
	<b>(9.556.557)</b>	<b>2.909.469</b>
Impact on equity, excluding foreign currency translation		
Deferred tax assets	(529.651)	–
Deferred tax liabilities	–	–
	<b>(529.651)</b>	<b>–</b>
	<b>(10.086.208)</b>	<b>2.909.469</b>

In 31 December 2022 and 2021, the tax rate applied to measure the main deferred taxes are as follows: Portugal is comprised between 14,7% and 25,6%; 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)	IMPAIRMENT LOSSES	NET FINANCING CHARGES	LOYALTY PROGRAM (PPG)	OTHERS	TOTAL
<b>1 JANUARY 2022</b>	22.702.384	7.890.766	2.131.209	1.543.206	1.453.228	1.199.164	1.390.955	1.335.503	399.205	1.638.486	41.684.106
Constitution through income statement	3.523.520	78.636	-	-	-	-	-	-	192.417	351.049	4.145.622
Reversal through income statement	(4.817.953)	(7.890.766)	(155.346)	(427.407)	(153.251)	(50.984)	(739.384)	(1.335.503)	-	-	(15.570.594)
Foreign currency translation	827.313	-	44.798	-	180.939	150.115	-	-	-	286.998	1.490.163
<b>Changes on period</b>	<b>(467.120)</b>	<b>(7.812.130)</b>	<b>(110.548)</b>	<b>(427.407)</b>	<b>27.688</b>	<b>99.131</b>	<b>(739.384)</b>	<b>(1.335.503)</b>	<b>192.417</b>	<b>638.047</b>	<b>(9.934.810)</b>
	<b>22.235.264</b>	<b>78.636</b>	<b>2.020.661</b>	<b>1.115.799</b>	<b>1.480.916</b>	<b>1.298.295</b>	<b>651.571</b>	<b>-</b>	<b>591.622</b>	<b>2.276.533</b>	<b>31.749.297</b>
Offset of Deferred tax liabilities	(8.208.283)	(78.636)	(970.289)	(1.115.799)	(1.480.916)	(1.298.295)	(651.571)	-	(591.622)	(2.249.232)	(16.644.643)
<b>31 DECEMBER 2022</b>	<b>14.026.981</b>	<b>-</b>	<b>1.050.372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27.301</b>	<b>15.104.654</b>

	CARRY FORWARD TAX LOSSES	INVESTMENT AND R&D INCENTIVES	LEASES	SUBSIDIARY'S CAPITAL INCREASE INCENTIVE	LITIGATIONS IN PROGRESS	DEEMED COST (IFRS 1)	IMPAIRMENT LOSSES	NET FINANCING CHARGES	LOYALTY PROGRAM (PPG)	OTHERS	TOTAL
<b>1 JANUARY 2021</b>	25.168.527	6.696.989	1.677.776	1.768.987	1.546.416	1.237.682	1.789.136	720.730	689.012	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)	(397.396)	-	(289.807)	(156.448)	(5.810.521)
Foreign currency translation	196.419	-	19.619	-	10.460	10.066	(785)	-	-	52.126	287.905
<b>Changes on period</b>	<b>(2.466.143)</b>	<b>1.193.777</b>	<b>453.433</b>	<b>(225.781)</b>	<b>(93.188)</b>	<b>(38.518)</b>	<b>(398.181)</b>	<b>614.773</b>	<b>(289.807)</b>	<b>(104.322)</b>	<b>(1.353.957)</b>
	<b>22.702.384</b>	<b>7.890.766</b>	<b>2.131.208</b>	<b>1.543.206</b>	<b>1.453.228</b>	<b>1.199.164</b>	<b>1.390.955</b>	<b>1.335.503</b>	<b>399.205</b>	<b>1.638.486</b>	<b>41.684.106</b>
Offset of Deferred tax liabilities	(10.608.674)	(7.626.333)	(898.825)	(1.543.206)	(1.453.228)	(1.199.164)	(1.390.955)	(1.335.503)	(399.205)	(873.331)	(27.328.424)
<b>31 DECEMBER 2021</b>	<b>12.093.710</b>	<b>264.433</b>	<b>1.232.384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765.155</b>	<b>14.355.682</b>

### Carry forward tax losses

As of 31 December 2022 with the recovery of activity after the COVID-19 pandemic, all remaining deferred taxes of Portuguese tax losses generated in 2020 were deducted in the amount of 3.276.229 Euros and 985.077 Euros were reversed from European companies. The remaining reversals are related to activity growth in Miami, Morocco and Argentina. On the other hand, tax losses were recorded, essentially, in Luxembourg, Brazil and USA, in the amount of 2.129.664 Euros, 762.930 Euros and 480.777 Euros, respectively.

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.

Tax losses in Portugal, Brazil and in the United States 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.

### Investment and research & development (R&D) incentives

As of 31 December 2022, the remaining amount referring to deferred tax assets relating to the Portuguese incentives for investment (RFAI) and R&D (SIFIDE) acquired in previous years were fully recovered with all deferred taxes having been reversed in the amount of 7.890.766 Euros. This includes 335.266 Euros not deducted from the 2019 and 2020 Pestana Alvor Blue incentive due to insufficient taxable profit. As a result of the sale of Pestana Alvor Blue, which had been considered as a relevant investment for Investment incentive RFAI between 2017 and 2020, the amount of 3.022.369 Euros must be repaid to the Portuguese tax authority since the minimum period for holding the asset for 5 years was not met. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros (Note 17).

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

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



### Net financing charges

In 2021 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 614.773 Euros. In 2022, all net financing costs were deducted and, consequently, all related deferred tax assets in the amount of 1.335.503 Euros were reversed.

### Foreign currency translation

Foreign currency translation in 2022 mainly refer to the significant appreciation of the Brazilian Real against the Euro, increasing the Brazilian Deferred tax assets in the total net amount of 1.062.191 Euros (Note 3.2. iv).

### Impact of transition to IFRS 16

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

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

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

	DEEMED COST (IFRS 1)	DIFFERENCES IN DEPRECIATION RATE	CHANGES IN FAIR VALUE	OTHERS	TOTAL
<b>1 JANUARY 2022</b>	38.681.125	768.171	–	2.156.176	41.605.472
Constitution through capital	–	–	529.651	–	529.651
Constitution through income statement	–	44.001	–	–	44.001
Reversal through income statement	(1.674.068)	–	–	(238.348)	(1.912.416)
Foreign currency translation	1.946.983	15.799	–	28.420	1.991.202
<b>Changes on period</b>	<b>272.915</b>	<b>59.800</b>	<b>529.651</b>	<b>(209.928)</b>	<b>652.438</b>
	<b>38.954.040</b>	<b>827.971</b>	<b>529.651</b>	<b>1.946.248</b>	<b>42.257.910</b>
Offset of Deferred tax assets	(16.644.643)	–	–	–	(16.644.643)
<b>31 DECEMBER 2022</b>	<b>22.309.397</b>	<b>827.971</b>	<b>529.651</b>	<b>1.946.248</b>	<b>25.613.267</b>

	DEEMED COST (IFRS 1) ON TANGIBLE ASSETS	DIFFERENCES IN DEPRECIATION RATE	OTHERS	TOTAL
<b>1 JANUARY 2021</b>	39.579.836	3.306.398	2.705.499	45.591.733
IFRS 16 Impact	–	(2.755.456)	–	(2.275.456)
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
<b>Changes on period</b>	<b>(898.711)</b>	<b>(2.538.227)</b>	<b>(549.323)</b>	<b>(3.986.261)</b>
	<b>38.681.125</b>	<b>768.171</b>	<b>2.156.176</b>	<b>41.605.472</b>
Offset of Deferred tax assets	(26.517.918)	(361.201)	(449.305)	(27.328.424)
<b>31 DECEMBER 2021</b>	<b>12.163.207</b>	<b>406.970</b>	<b>1.706.870</b>	<b>14.277.047</b>

#### 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 2022 foreign currency translation mainly refers to the variance of the of the Brazilian Real against the Euro, increasing the Brazilian deferred tax liabilities in the total net amount of 1.598.906 Euros. 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 (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:

	AMORTIZED COST	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME	OTHER NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>31 DECEMBER 2022</b>					
<b>Financial assets</b>					
Cash and cash equivalents	224.343.877	-	-	-	224.343.877
Trade and other receivables	74.998.789	-	-	16.267.340	91.266.129
Derivatives	-	-	2.238.842	-	2.238.842
Financial assets at fair value through profit and loss	-	17.709.530	-	-	17.709.530
	<b>299.342.666</b>	<b>17.709.530</b>	<b>2.238.842</b>	<b>16.267.340</b>	<b>335.558.378</b>
<b>Financial liabilities</b>					
Borrowings	437.524.599	-	-	-	437.524.599
Advances from customers	-	-	-	83.208.255	83.208.255
Trade and other payables	64.920.444	-	-	14.205.468	79.125.912
	<b>502.445.043</b>	<b>-</b>	<b>-</b>	<b>97.413.723</b>	<b>599.858.766</b>
<b>31 DECEMBER 2021</b>					
<b>Financial assets</b>					
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 and loss	-	8.173.251	-	-	8.173.251
	<b>180.954.757</b>	<b>8.173.251</b>	<b>-</b>	<b>14.808.713</b>	<b>203.936.721</b>
<b>Financial liabilities</b>					
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
	<b>509.739.919</b>	<b>25.822</b>	<b>332.306</b>	<b>28.583.795</b>	<b>538.681.842</b>

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 3.7 and are as follows:

	31-12-2022			31-12-2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial assets</b>						
Financial assets at fair value through profit and loss	-	17.709.530	-	-	8.173.251	-
Derivatives	-	2.238.842	-	-	-	-
	-	<b>19.948.372</b>	-	-	<b>8.173.251</b>	-
<b>Financial liabilities</b>						
Derivatives	-	-	-	-	358.128	-
	-	-	-	-	<b>358.128</b>	-

## 14. Derivatives

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

	31-12-2022		31-12-2021	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate swaps – non-current	2.238.842	-	-	358.128
	<b>2.238.842</b>	-	-	<b>358.128</b>

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 31-12-2022	FAIR VALUE AT 31-12-2021	VARIATION
Pestana International Holdings S.A.	Hedging	17.921.875	28-05-2024	Quartely	Sonia 3M / 1,29%	1.405.973	(108.058)	1.514.031
M&J Pestana – Soc. de Turismo da Madeira, S.A.	Hedging	5.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	581.006	–	581.006
Hóteis Atlântico – Soc. Imob. Gestão de Hóteis S.A.	Hedging	20.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	197.122	–	197.122
Hotel Rauchstrasse 22, S.à.r.l. (i)	Trading	11.500.000	16-06-2025	Semiannual	Eur 6M / 2,10%	54.741	(224.248)	278.989
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (ii)	Proportion hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,82%	–	(25.822)	25.822
						<b>2.238.842</b>	<b>(358.128)</b>	<b>2.596.970</b>

(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 was 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 2022 and 2021 were as follows:

	2022	2021
<b>1 JANUARY</b>		
Hedging derivatives – fair value changes (Note 20)	(358.128)	(1.176.734)
Trading derivatives – fair value changes (Note 34)	2.322.188	632.821
	274.782	185.786
<b>31 DECEMBER</b>	<b>2.238.842</b>	<b>(358.128)</b>

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

	2022	2021
<b>1 JANUARY</b>		
Hedging derivatives – fair value changes	1.740.324	1.107.503
Deferred tax (Note 12)	2.322.188	632.821
	(529.651)	–
<b>31 DECEMBER</b>	<b>3.532.861</b>	<b>1.740.324</b>

In 2022, two new hedging derivatives were contracted to cover the increase in interest rates with nominal amounts of 5.000.000 Euros and 20.000.000 Euros. These hedging derivatives have a maturity of 5 years and a yield of 2,36% plus Euribor 6M.

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.

## 15. Trade and other receivables and Advances from customers

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

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables (i)	28.679.554	–	28.679.554	48.959.150	–	48.959.150
Other receivables (ii)	12.207.580	2.481.570	14.689.150	13.646.709	6.284.058	19.930.767
Prepayments (iii)	5.987.020	10.280.320	16.267.340	3.974.705	10.834.008	14.808.713
Accrued income (iv)	19.363.103	–	19.363.103	10.614.429	–	10.614.429
Taxes receivable (v)	12.266.982	–	12.266.982	12.548.640	–	12.548.640
	<b>78.504.239</b>	<b>12.761.890</b>	<b>91.266.129</b>	<b>89.743.633</b>	<b>17.118.066</b>	<b>106.861.699</b>
Advances from customers (vi)	(40.760.746)	(42.447.509)	(83.208.255)	(12.362.405)	(5.498.410)	(17.860.815)

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

### (i) Trade receivables

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables – group (Note 40)	3.239.157	–	3.239.157	2.634.205	–	2.634.205
Trade receivables – others	25.440.397	–	25.440.397	46.324.945	–	46.324.945
Doubtful debtors	6.710.354	–	6.710.354	7.187.364	–	7.187.364
	<b>35.389.908</b>	<b>–</b>	<b>35.389.908</b>	<b>56.146.514</b>	<b>–</b>	<b>56.146.514</b>
Impairment of trade receivables	(6.710.354)	–	(6.710.354)	(7.187.364)	–	(7.187.364)
	<b>28.679.554</b>	<b>–</b>	<b>28.679.554</b>	<b>48.959.150</b>	<b>–</b>	<b>48.959.150</b>

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

Impairment of Trade receivables – movements of the year:

	2022	2021
<b>1 JANUARY</b>		
Reversals	7.187.364	8.842.868
Utilizations	(299.836)	(22.234)
Foreign currency translation	(228.087)	(1.676.064)
	50.913	42.794
<b>31 DECEMBER</b>	<b>6.710.354</b>	<b>7.187.364</b>

(ii) Other receivables

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Other debtors	12.603.979	655.186	13.259.165	13.905.611	4.460.900	18.366.511
Other debtors – group (Note 40)	19.901	1.826.384	1.846.285	65.326	1.823.158	1.888.484
Personnel	25.486	–	25.486	7.893	–	7.893
Impairment	(441.786)	–	(441.786)	(332.121)	–	(332.121)
	<b>12.207.580</b>	<b>2.481.570</b>	<b>14.689.150</b>	<b>13.646.709</b>	<b>6.284.058</b>	<b>19.930.767</b>

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

As at 31 December 2022 and 2021, the caption Other debtors – group includes the receivable amount of 1.830.921 Euros and 1.865.640 Euros, respectively, from the sub-lease resulting from the derecognition of the Right of use asset concerning the sub concession agreement signed in 2016 for the private use of Pestana CR7 Funchal hotel until 2044, with Pestana CR7 – Madeira, S.A. (Note 3.17).

Impairment of Other receivables – movements of the year:

	2022	2021
<b>1 JANUARY</b>		
Increases	332.121	193.236
Utilizations	113.922	155.251
Foreign currency translation	(4.520)	(20.201)
	263	3.835
<b>31 DECEMBER</b>	<b>441.786</b>	<b>332.121</b>

The ageing of balances without impairment is as follows:

	2022	2021
0 to 6 months	26.187.669	56.870.021
6 to 12 months	7.159.134	4.310.270
12 to 18 months	3.483.616	1.391.736
18 to 24 months	1.273.592	1.165.870
more than 24 months	5.264.693	5.152.020
	<b>43.368.704</b>	<b>68.889.917</b>



As at 31 December 2022 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 2.502.119 Euros (2021: 2.143.591 Euros) (Note 23). The remaining amount mainly refers to pledges granted to suppliers which are safeguarded by their open balances.

The ageing of balances with impairment is as follows:

	2022	2021
0 to 6 months	408.073	465.728
6 to 12 months	888.557	1.003.634
12 to 18 months	483.400	512.389
18 to 24 months	184.637	455.405
more than 24 months	5.187.473	5.528.354
	<b>7.152.140</b>	<b>7.965.510</b>

Impairment losses are calculated as described in Note 3.9. iii). 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 never necessary to use this coverage, nor recognize any relevant impairment in these values.

(iii) Prepayments

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contract costs	1.337.144	9.023.107	10.360.251	706.801	10.834.008	11.540.809
Maintenance services	2.253.287	–	2.253.287	1.238.342	–	1.238.342
Insurance	364.709	–	364.709	361.221	–	361.221
Rentals	8.887	–	8.887	18.007	–	18.007
Other services	2.022.993	1.257.213	3.280.206	1.650.334	–	1.650.334
	<b>5.987.020</b>	<b>10.280.320</b>	<b>16.267.340</b>	<b>3.974.705</b>	<b>10.834.008</b>	<b>14.808.713</b>

As at 31 December 2022 and 2021 the balance of Contract costs relates exclusively to commissions paid related to sales of Pestana Vacations Club – Options contracts (Note 3.20 ii).

(iv) Accrued income

As of 31 December 2022 and 2021, this caption essentially refers to the amounts that will be received upon the completion of the deeds of the housing units already delivered to owners, in the amount of 16.631.755 Euros and 8.949.133 Euros, respectively.

(v) Taxes receivable

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

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

(vi) Advances from customers

Refers, mainly, to the amounts received along the construction works, amounting in total to 69.078.503 Euros (31 December 2021: 9.584.984 Euros) and maintenance fees charged in advance under timeshare contracts amounting to 9.424.337 Euros (31 December 2021: 5.169.126 Euros). The residual amount in 31 December 2022 and 2021 are mainly related to reservations made by tour operators, groups and individual customers.

## 16. Inventories

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

	2022	2021
Goods	1.365.043	871.320
Raw and subsidiary materials	3.846.762	2.641.970
Finished goods	1.717.185	1.412.855
Work in progress	134.017.949	70.415.854
	<b>140.946.939</b>	<b>75.341.999</b>
Impairment of inventories	(369.421)	(533.869)
	<b>140.577.518</b>	<b>74.808.130</b>

Finished goods and Work in progress are as follows:

	2022	2021
Madeira Acqua Residences (Madeira, Portugal)	27.767.281	17.836.099
Oasis 28 (Lisbon, Portugal) (Note 39)	26.281.413	-
Porto Covinho (Sines, Portugal)	14.666.025	-
Silves Golf Resort project (Algarve, Portugal)	11.951.080	11.819.919
Fábrica, Apartaments & Lofts (Madeira, Portugal)	8.806.883	4.802.950
North of Gramacho land (Algarve, Portugal)	7.959.006	7.959.006
The Valley – Nature Resort (Algarve, Portugal)	7.941.234	4.450.856
Pestana Comporta Village Residences (Tróia, Portugal)	7.862.318	5.660.869
Porto Covo (Sines, Portugal) (Note 39)	6.360.276	-
Abrunheira project (Portalegre, Portugal)	6.349.235	6.349.235
Tróia Eco-Resort project (Tróia, Portugal)	2.664.375	2.466.427
Quinta das Maravilhas (Madeira, Portugal)	2.654.250	2.654.250
Beverages and packaging	1.233.702	958.870
Bazaruto Villas (Mozambique)	1.179.197	1.110.970
Alvor land (Algarve, Portugal) (Note 39)	1.062.579	-
Pine Village (Comporta, Portugal)	279.278	4.527.453
Others	717.002	1.241.805
	<b>135.735.134</b>	<b>71.828.709</b>

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

Oasis 28 arises from the change in the consolidation method of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. (Note 39). This development benefits from an excellent location in Saldanha, in one of the most accessible and dynamic areas of Lisbon, close to shops, restaurants, gardens and transports. It consists of 59 exclusive apartments from studio to 4-bedroom, all with outdoor area, whether balcony, terrace or garden. Its construction is fully completed and the delivered to customers as well as public deeds will take place in 2023 as soon as the licence for use is issued.

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

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

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

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

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

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

The units will be delivered to customers at the end of 2024. The estimated total investment is 19.900.000 Euros, including the acquisition cost of the land.

Porto Covo arises from the change in the consolidation method of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. (Note 39) and corresponds to a land for the development of a future real estate project in Porto Covo, Sines, Portugal. This project will consist of a set of 174 tourist apartments, all with private pools, in a closed condominium with services and a central nucleus with gardens and leisure spaces in the picturesque fishing village of Porto Covo, 400 meters from the beach and inserted in the Sudoeste Alentejano and Costa Vicentina Natural Park. On 31 December 2022 it was already about 90% of the apartments were already reserved.

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

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

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

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.

The Alvor land, arises from the acquisition of 50,19% of the share capital of Albar – Sociedade Imobiliária do Barlavento, S.A. (Note 39). A request clarification has already been submitted to the Municipality of Portimão, regarding the possibility of building a rural tourist development with 2.000 m<sup>2</sup> of construction and 60 accommodation units.

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

In 2022, the Cost of goods sold and materials consumed amounted to 55.117.087 Euros (31 December 2021: 79.029.834 Euros).

Impairment of Inventories – movements of the year:

	2022	2021
<b>1 JANUARY</b>		
Increases	533.869	423.982
Utilizations	44.456	121.224
Foreign currency translation	(209.211)	(11.381)
	307	44
<b>31 DECEMBER</b>	<b>369.421</b>	<b>533.869</b>

## 17. Income tax

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

	31-12-2021		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Current income tax	574.084	5.880.663	3.455.334	405.754
	<b>574.084</b>	<b>5.880.663</b>	<b>3.455.334</b>	<b>405.754</b>

The balance of Current income tax is detailed as follows:

	2022	2021
Advance payments	550.852	873.381
Withholding taxes	23.232	9.869
Corporate income tax receivable	-	81.702
Impact of transition to IFRS 16 (Notes 12 and 35)	-	2.490.383
<b>Corporate Income tax receivable</b>	<b>574.084</b>	<b>3.455.334</b>
Advance payments	1.364.625	638.739
Withholding taxes	779.637	284.261
Current income tax estimate (Note 35)	(7.692.699)	(1.328.755)
Compensatory interest (Note 12 and 35)	(332.226)	-
<b>Corporate Income tax payable</b>	<b>(5.880.663)</b>	<b>(405.754)</b>

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. The remaining companies, not included in tax business groups, are taxed individually, based on their respective taxable income and applicable tax rates.

## 18. Cash and cash equivalents

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

	31-12-2022	31-12-2021
Cash	3.437.055	1.493.139
Bank deposits	220.906.822	87.408.632
	<b>224.343.877</b>	<b>88.901.771</b>

Cash and cash equivalents of the companies that entered the consolidation perimeter with reference to the entry date amounted to 6.962.815 Euros (Note 39).

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

	31-12-2022	31-12-2021
Cash	3.437.055	1.493.139
Bank overdrafts	(6.035.816)	(9.812.229)
Bank deposits	220.906.822	87.408.632
	<b>218.308.061</b>	<b>79.089.542</b>

Balances in foreign currency are included in Bank deposits and are mainly composed by 17.883.062 USD and 9.484.255 GBP (31 December 2021: 7.513.056 USD and 2.513.937 GBP).

## 19. Capital

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

	2022	2021
Share capital (i)	166.625.238	166.625.238
Other equity instruments (ii):		
Other capital contributions not remunerated nor with reimbursement date	53.374.762	71.374.762
	<b>220.000.000</b>	<b>238.000.000</b>

### (i) Share capital

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

	NUMBER OF SHARES	CAPITAL
<b>Shareholders</b>		
Dionísio Fernandes Pestana	1,319,176	166.625.111
José Alexandre Lebre Theotónio	1	127
	<b>1,319,177</b>	<b>166.625,238</b>

(ii) Other equity instruments

In 2022, considering the Group's expectation of a one-off reimbursement, there was a transfer to current Borrowings in the amount of 18.000.000 Euros (Note 24).

These capital contributions are not remunerated and do not have an established reimbursement date, having been granted to Pestana Hotel Group by its shareholder, Dionísio Fernandes Pestana. These capital contributions cannot be reimbursed when the total equity falls below the sum of the share capital and legal reserve and unless the shareholders approve such repayment in an general meeting resolution. It is not expected that its refund will occur.

## 20. Other reserves

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

	LEGAL RESERVE (i)	FAIR VALUE RESERVE C.F.H. (ii)	CUMULATIVE TRANSLATION ADJUSTMENTS (iii)	TOTAL
<b>1 JANUARY 2021</b>	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
<b>31 DECEMBER 2021</b>	<b>45.403.716</b>	<b>1.740.324</b>	<b>(55.335.027)</b>	<b>(8.190.987)</b>
Profit for the period application	2.193.556	-	-	2.193.556
Changes in the perimeter	-	-	827.513	827.513
Change in fair value reserve - hedging derivatives (net of tax)	-	1.792.537	-	1.792.537
Foreign currency translation	-	-	8.454.989	8,454,989
<b>31 DECEMBER 2022</b>	<b>47.597.272</b>	<b>3.532.861</b>	<b>(46.052.525)</b>	<b>5.077.608</b>

(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 14). This reserve also includes the deferred tax impact related to the changes in fair value that are not tax deductible, at the reporting date.

(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 2022 and 2021:

	2022	2021
BRL – Brazilian Real	(31.812.663)	(37.808.847)
ARS – Argentinian Peso	(9.555.361)	(8.999.995)
MZN – Mozambican Metical	(6.928.591)	(7.307.994)
UYU – Uruguayan Peso	(1.479.457)	(2.408.133)
GBP – Pound sterling	(82.595)	25.438
ZAR – South African Rand	519.132	519.245
USD – US Dollar	3.366.257	718.396
Others	(79.247)	(73.139)
	<b>(46.052.525)</b>	<b>(55.335.027)</b>

## 21. Retained earnings

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

	TOTAL
<b>1 JANUARY 2021</b>	<b>216.490.913</b>
Loss for the period application	(33.412.453)
Dividends Note (36)	(150.000)
Foreign currency translation	(334.216)
Other changes recognized in equity (Note 22)	2.333.418
<b>31 DECEMBER 2021</b>	<b>184.927.662</b>
Changes in the perimeter (Note 39)	(1.296.864)
Profit for the period application	20.247.648
Other changes recognized in equity (Note 22)	(259.469)
Dividends (Note 36)	(250.000)
Foreign currency translation	239.944
<b>31 DECEMBER 2022</b>	<b>203.608.921</b>



## 22. Non-controlling interests

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

	2022	2021
<b>1 JANUARY</b>	<b>8.446.110</b>	<b>10.235.121</b>
Profit for the period	2.571.477	432.802
Changes in the perimeter	469.351	-
Foreign currency translation	(16.063)	111.605
Other changes recognized in equity (Note 21)	259.469	(2.333.418)
<b>31 DECEMBER</b>	<b>11.730.344</b>	<b>8.446.110</b>

Changes in the perimeter in 2022 result from the acquisition of 1.140.000 shares of URP – Urban Renew – Projetos imobiliários SICAFI, S.A., corresponding to 60% participation. From that date onwards, URP – Urban Renew – Projetos imobiliários SICAFI, S.A. was fully consolidated but with 10% of non-controlling interests. Changes in the perimeter correspond to non-controlling interests on the date control was acquired (Note 39).

Non-controlling interests relate to the following investments:

	31-12-2022		31-12-2021	
	% HELD	VALUE	% HELD	VALUE
Pestana S.G.P.S. Sub-group (Portugal) (i)	n.a.	10.703.767	n.a.	8.392.090
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	10,00%	441.824	n.a.	-
Hotéis do Atlântico Sub-group (Europe and North America) (i)	n.a.	855.357	n.a.	302.060
Pestana Inversiones Sub-group (Latin America) (i)	n.a.	15	n.a.	14
Salvintur Sub-group (Africa) (i)	n.a.	(270.619)	n.a.	(248.054)
		<b>11.730.344</b>		<b>8.446.110</b>

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

## 23. Provisions

As at 31 December 2022 and 2021 the movements in Provisions were as follows:

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
<b>1 JANUARY 2022</b>	7.088.119	166.287	1.423.572	8.677.978
Increases	12.679	-	-	12.679
Decreases	-	(67.707)	(63.330)	(131.037)
Utilizations	(1.197.575)	(20.463)	(30.108)	(1.248.146)
Interest charges (Note 34)	1.117.009	-	-	1.117.009
Interest income (Note 34)	(969.264)	-	-	(969.264)
Foreign currency translation	1.313.379	-	-	1.313.379
Changes on period	276.228	(88.170)	(93.438)	94.620
<b>31 DECEMBER 2022</b>	<b>7.364.347</b>	<b>78.117</b>	<b>1.330.134</b>	<b>8.772.598</b>
Current balance	530.933	45.648	1.040.472	1.617.053
Non-current balance	6.833.414	32.469	289.662	7.155.545
	<b>7.364.347</b>	<b>78.117</b>	<b>1.330.134</b>	<b>8.772.598</b>

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
<b>1 JANUARY 2021</b>	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)
<b>31 DECEMBER 2021</b>	<b>7.088.119</b>	<b>166.287</b>	<b>1.423.572</b>	<b>8.677.978</b>
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
	<b>7.088.119</b>	<b>166.287</b>	<b>1.423.572</b>	<b>8.677.978</b>

In 2022, court deposits were made for provisioned lawsuits in the current balance in the total amount of 2.502.119 Euros (2021: 2.143.591 Euros) (Note 15). 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.

As at 31 December 2022, the Brazilian subsidiary Brasturinvest, S.A. is an involved party in several processes in the total amount of 4.452.639 Euros (31 December 2021: 4.218.886 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. It is also noteworthy that in 2022 there was a change in Brazilian law regarding the interest rate to be considered which resulted in a reversion of the existing processes that the subsidiary is involved in the amount of 969.264 Euros.

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.

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.

(ii) Customer guarantees

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

(iii) Other provisions

Following a promissory sale contract celebrated in 2011 in which the client committed to buying a lodging unit in the Pestana Tróia Eco-Resort and after several attempts the deed was not realized, therefore 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 2022, 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 2022 and 2021, the remaining Other provisions result from ordinary and inherent business risks.

(iv) Foreign currency translation

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

## 24. Borrowings

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

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bank loans	33.337.380	240.668.005	274.005.385	64.413.810	250.257.854	314.671.664
Bond loans	-	89.000.000	89.000.000	13.479.675	89.000.000	102.479.675
Commercial paper	24.000.000	27.000.000	51.000.000	444.444	36.777.778	37.222.222
Shareholder loans	18.000.000	-	18.000.000	-	-	-
Bank overdrafts	6.035.816	-	6.035.816	9.812.229	-	9.812.229
	<b>81.373.196</b>	<b>356.668.005</b>	<b>438.041.201</b>	<b>88.150.158</b>	<b>376.035.632</b>	<b>464.185.790</b>
Interests payable - accrual	2.210.820	-	2.210.820	1.735.965	-	1.735.965
Interests paid - deferral	(495.489)	(2.231.933)	(2.727.422)	(645.409)	(2.465.335)	(3.110.744)
	<b>83.088.527</b>	<b>354.436.072</b>	<b>437.524.599</b>	<b>89.240.714</b>	<b>373.570.297</b>	<b>462.811.011</b>

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

	2023	2024	2025	2026	2027	FOLLOWING YEARS	TOTAL
<b>Bank loans</b>							
Euro	31.085.554	26.739.708	21.090.565	33.821.101	30.430.288	99.533.151	242.700.367
American dollar	941.524	1.076.840	1.211.031	1.598.666	1.598.666	9.591.434	16.018.161
British pound	1.310.302	1.310.302	1.310.302	11.355.951	-	-	15.286.857
	<b>33.337.380</b>	<b>29.126.850</b>	<b>23.611.898</b>	<b>46.775.718</b>	<b>32.028.954</b>	<b>109.124.585</b>	<b>274.005.385</b>
<b>Bond loans</b>							
Euro	-	-	60.000.000	-	29.000.000	-	89.000.000
	<b>-</b>	<b>-</b>	<b>60.000.000</b>	<b>-</b>	<b>29.000.000</b>	<b>-</b>	<b>89.000.000</b>
<b>Commercial paper</b>							
Euro	24.000.000	2.000.000	2.000.000	2.000.000	21.000.000	-	51.000.000
	<b>24.000.000</b>	<b>2.000.000</b>	<b>2.000.000</b>	<b>2.000.000</b>	<b>21.000.000</b>	<b>-</b>	<b>51.000.000</b>
	<b>57.337.380</b>	<b>31.126.850</b>	<b>85.611.898</b>	<b>48.775.718</b>	<b>82.028.954</b>	<b>109.124.585</b>	<b>414.005.385</b>

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

The Group's borrowings at the end of the reporting period are subject to interest rate changes in the following dates:

	2022
1 <sup>st</sup> Quarter	62.540.511
2 <sup>nd</sup> Quarter	31.514.955
3 <sup>th</sup> Quarter	141.192
4 <sup>th</sup> Quarter	6.937.376
	<b>101.134.034</b>

As at 31 December 2022 77% of the total borrowings are contracted at fixed rate and the remaining are mainly subject to variable interest rate of 12M, 6M, 3M and 1M Euribor and Libor plus spread. As at 31 December 2022 Borrowings with fixed interest rate with a total nominal amount of 336.907.167 Euros have a fair value of 293.973.495 Euros. However, these borrowing cannot be transacted by the Group.

## Bank loans

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

As at 31 December 2022 the caption Bank loans includes 3.800.000 Euros in Non-current from the change in control of the subsidiary URP Urban Renew – Projetos Imobiliários – SICAFI, S.A. which began to be consolidated using the full method as of June 2022. The bank loans of this subsidiary at the entry date were in the amount of 11.619.945 Euros (Note 39).

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

Also in 2022, Pestana Hotel Group paid off early bank loans in the total amount of 43.499.733 Euros, namely variable interest rates loans with a higher financial cost.

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

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 Praia Formosa (Note 6). The loan of 20.000.000 Euros would be paid in accordance with the actual pace of sales of Madeira Palácio Residences, which was fully amortized in 2022. The real estate leasing would be amortized in quarterly payments of capital and interest, with a capital grace period of 36 months and term in 2027. The Pestana Hotel Group paid off early the amount of 12.500.000 Euros in 2022 and had already paid 6.800.000 Euros at commencement date. As it was not a right of use asset under IFRS 16, the real estate leasing was presented as a bank loan.

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.

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

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).

### Bond loans

All bond loans have a fixed interest rate.

Pestana Hotel Group has fully repaid the bond loan due on 15 July 2022 in the amount of 13.479.675 Euros. In 2021, the Group had also 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 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.

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.

### Commercial paper

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

In 2022, Pestana Hotel Group contracted two new commercial paper programs in the amount of 20.000.000 Euros and 5.000.000 Euros with 1.000.000 Euros having already been paid. Furthermore, the Group repaid 8.000.000 Euros in relation to the program for 10.000.000 Euros whose maturity would be in 2027 and also fully repaid the program whose amortization plan had an annual reimbursement of 444.444 Euros.

### Shareholder loans

Shareholder loans corresponds to the Group's expectation of reimbursement of capital contributions (Note 19).

### 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.

## Unused contracted credit lines

Pestana Hotel Group holds, as at 31 December 2022, a set of unused contracted credit lines in Financial Institutions, with a total amount of 89.700.000 Euros related to authorized credit lines and overdrafts.

## 25. Lease liabilities

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

	31-12-2022	31-12-2021
Current	21.597.353	14.058.003
Non-current:		
1 to 5 years	66.627.925	62.532.412
More than 5 years	99.790.952	104.944.580
	<b>188.016.230</b>	<b>181.534.995</b>

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

- ▮ 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 do Chiado – Palácio de Valadares
- Pousada de Lisboa
- Pousada de Vila Real de Santo António
- Pousada de Viseu
- Pousadas de Portugal (Network)
- Vila Sol – Pestana Golf & Resort

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

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

## 26. Deferred revenue

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

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Pestana Vacations Club (i)	17.887.631	70.631.272	88.518.903	15.895.232	80.970.272	96.865.504
Pestana Vacations Club – Options (ii)	2.987.850	27.237.291	30.225.141	1.180.064	31.006.418	32.186.482
Government grants (iii)	824.665	7.389.630	8.214.295	815.624	7.738.098	8.553.722
Customer loyalty program (“PGC”) (iv)	2.400.541	–	2.400.541	692.682	709.183	1.401.865
Other deferred income (v)	1.157.669	2.395.163	3.552.832	2.301.859	2.579.918	4.881.777
	<b>25.258.356</b>	<b>107.653.356</b>	<b>132.911.712</b>	<b>20.885.461</b>	<b>123.003.889</b>	<b>143.889.350</b>

(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 2023 and 2039.

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

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

	2022	2021
<b>1 JANUARY</b>	96.865.504	103.770.296
Increases/Reductions	9.187.445	3.213.981
Consumption	(16.989.276)	(10.152.240)
Foreign exchange translations	(544.770)	33.467
Movement	(8.346.601)	(6.904.792)
<b>31 DECEMBER</b>	<b>88.518.903</b>	<b>96.865.504</b>

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

(ii) Pestana Vacation Club – Options

This item refers to the sale of the timeshare program Options. 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 2022 and 2021 was as follows:

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

Increases/reductions relate to new contracts and cancellations.

(iii) Government grants

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

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

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

(iv) 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 2022 and 2021 the detail of Trade and other payables is as follows:

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
<b>Trade payables</b>						
Suppliers	31.071.698	–	31.071.698	23.324.746	–	23.324.746
<b>Other payables</b>						
Suppliers of property, plant and equipment	2.291.569	–	2.291.569	1.637.541	–	1.637.541
Other payables	2.050.873	33.471	2.084.344	1.243.846	59.367	1.303.213
Other payables – group (Note 40)	367.851	–	367.851	247.388	–	247.388
<b>Taxes payable (i)</b>	6.230.466	–	6.230.466	4.412.734	–	4.412.734
<b>Accrued expenses</b>						
Wages and corresponding taxes	14.205.468	–	14.205.468	10.722.980	–	10.722.980
Construction works	3.750.039	–	3.750.039	1.666.857	–	1.666.857
Property taxes	1.429.771	–	1.429.771	2.080.160	–	2.080.160
Others (ii)	17.694.706	–	17.694.706	12.256.269	–	12.256.269
	<b>79.092.441</b>	<b>33.471</b>	<b>79.125.912</b>	<b>57.592.521</b>	<b>59.367</b>	<b>57.651.888</b>

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

### (i) Taxes payable

	31-12-2022			31-12-2021		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Personnel income tax withheld	1.057.180	–	1.057.180	827.982	–	827.982
Value added tax	2.380.368	–	2.380.368	1.412.024	–	1.412.024
Social security contributions	1.763.858	–	1.763.858	1.881.927	–	1.881.927
Others	1.029.060	–	1.029.060	290.801	–	290.801
	<b>6.230.466</b>	<b>–</b>	<b>6.230.466</b>	<b>4.412.734</b>	<b>–</b>	<b>4.412.734</b>

### (ii) Other accrued expenses

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

## 28. Revenue

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

	2022	2021
Hospitality business (i)	325.776.089	139.230.469
Real estate (ii)	38.881.729	98.116.707
Vacation club (iii)	31.345.873	23.046.756
Beverages (industry) (iv)	30.804.664	22.790.456
Golf	11.411.436	6.541.935
Entertainment	9.701.320	5.537.289
Others	5.215.487	157.532
	<b>453.136.598</b>	<b>295.421.144</b>

### (i) Hospitality business

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

After 2 years of restrictions, people felt eager to travel and leave home, which, at first, benefited more the resort-type units, but from the second half of 2022 this effect was also felt in the city units. This accentuated increase in demand was also reflected in the average price, which generally increased across the sector.

Unlike what happened in 2021, all of Pestana Hotel Group's units were open throughout the year, thus not only increasing their occupancy rates and average price compared to the previous year, but also achieving higher revenue than in 2019. Thus, hotel revenue increased by 132% compared to the previous year and 2% compared to 2019, excluding the units inaugurated between 2020 and 2022.

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

Hospitality revenue in Portugal increased by 135% and 4% when compared to 2021 and 2019, respectively, excluding new hotel units that opened meanwhile. The regions that most contributed to this result were Algarve and Madeira. In Algarve the comeback of British tourists reinvigorated the region. In Madeira the positive result was mainly due to the low-cost flight offer from several operators, namely Ryanair, which attracted more domestic tourists, as well as from United Kingdom and Germany markets. The Pousadas also had a positive performance, highlighting the consolidation of operations of the three Pousadas that opened in 2021, Pousada de Vila Real de Santo António, Pousada do Porto and Pestana Churchill. Finally, the city destinations, Lisbon and Oporto almost achieved the revenue of 2019, excluding the activity of Pestana Douro Riverside that opened in April of 2022.

In Europe, with the end of travel restrictions and country specific restrictions, every one of the Group's units had a positive performance in 2022 and come close to 2019 and in some cases even surpassed them resulting in an increase in revenue of 10% compared to 2019. The main contributors to this increase were Pestana Plaza Mayor, in Spain, and Pestana Amsterdam, in the Netherlands. Every hotel unit of the Group in Europe was open all year in 2022 and benefited greatly from both leisure and corporate segments with the first signs of return of international work meetings and travels.

The United States of America also had a good performance since the revenue of Pestana Miami increased 18% compared to 2019. Pestana Park Avenue, which opened in 2020, also had a positive performance and the first full year without pandemic restrictions, despite the first few months still being partially affected. Pestana Park Avenue also benefited from the return of large scale events in the city, such as the US Open, New York Fashion Week, United Nations General Assembly and Comic-con, which contributed significantly for this excellent result.

In South America, the hotel units of the Group started to recover from the pandemic, both in Argentina and in Brazil, mainly motivated by the carnival celebrations, which had a big affluence of tourism from that period onwards. Despite the fact that the carnival celebrations were still held with some restrictions, such as having them in April and not February as usual, this was the turning point for tourism in Brazil.

In Africa, the Group's hotel units are mainly located in developing countries and, for that reason, had a slower return to 2019's values and only started to improve their results in the second semester. Despite not achieving the results from 2019, revenue increased 103% when compared to 2021, which clearly shows the accentuated tendency of touristic improvement across the world even in developing countries. The greatest contributions for this increase were Pestana Trópico in Cape Verde and Pestana São Tomé in São Tomé and Príncipe, as well as the opening of the new hotel unit in Morocco, Pestana Tanger.

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

Country	Hospitality business	
	2022	2021
Portugal	26,7%	43,0%
United Kingdom	17,8%	14,4%
United States	8,6%	6,2%
Germany	8,3%	6,2%
France	4,6%	4,5%
Brazil	4,6%	3,6%
Spain	4,3%	4,0%
Netherlands	2,7%	2,8%
Ireland	2,2%	1,3%
Switzerland	1,6%	1,4%
Italy	1,4%	1,0%
Belgium	1,3%	1,3%
Poland	1,3%	0,7%
Canada	1,0%	0,3%
Argentina	0,8%	0,1%
Sweden	0,7%	0,6%
Denmark	0,7%	0,6%
Others	11,4%	8,0%
	<b>100%</b>	<b>100%</b>

## (ii) Real estate

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

The real estate business continued to present excellent results in 2022 with a total revenue of approximately 39.000.000 Euros.

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

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

Regarding Silves Golfe Resort, this is a touristic project composed by 2 4-star resorts and 1 apart-hotel. The Group is developing phase 1 of this project which will include 175 units with a total investment of 16.000.000 Euros. In 2022 and 2021, apartments were sold for the amount 1.833.760 and 1.080.000 Euros, respectively.

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

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

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

Real estate includes revenue recognized according to the measurement of performance obligation satisfaction based on the percentage of completion method, which corresponds to the proportion of incurred costs to the total estimated contract costs. The main project in 2021 concerns the requalification of the building Oasis 28 on Avenida Casal Ribeiro, in Lisbon, with 60 apartments, which generated revenue of 5.421.255 Euros. This project is owned by URP – Urban Renew – Projetos imobiliários SICAFI, S.A., which belongs to the consolidation perimeter since July 2022 (Note 39).

Consequently, in 2022 and 2021 the amount recognized in revenue with respect to construction contracts amounted to 214.499 Euros and 5.883.240 Euros, respectively, with costs of 124.437 Euros and 5.583.263 Euros, respectively. As at 31 December 2022 and 2021, accumulated recognized revenue from these contracts in progress amounted to 265.113 Euros and 7.154.384 Euros, respectively, and the accumulated costs amounted to 209.966 Euros and 6.835.897 Euros, respectively. For all Construction contracts in progress it was possible to make a reliable estimate of their outcome.

Real estate revenue also includes the residence activity, namely the tourist exploration contracts for Pestana Troia Eco-Resort, which in 2022 represented accommodation revenue in the amount of 5.136.267 Euros (2021: 4.245.027 Euros), the tourist exploration of Pestana Gramacho and Pinta which continued to show good results with revenue of 6.406.972 Euros (2021: 4.597.203 Euros), as well as other residence units in the amount of 3.544.159 Euros (2021: 2.577.859 Euros). The remaining amount essentially refers to real estate management of 2.430.266 Euros (2021: 2.435.087 Euros) and gardening and maintenance services.

#### (iii) Pestana Vacation Club

Similar to the hospitality business, Pestana Vacation Club increased its activity in 36% mainly due to the reactivation of its main markets, namely United Kingdom and Germany. In 2022, the units were open a larger number of days than in the year before, as well as there was a consumption of those weeks that the customers had already paid and were not able to enjoy because of the pandemic. At that time, Pestana Hotel Group allowed customers to enjoy those weeks for the remaining of their contract and the amount of that impact was 2.800.000 Euros.

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



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

Country	Vacation club	
	2022	2021
United Kingdom	59,5%	52,9%
Germany	10,9%	11,0%
Portugal	7,8%	10,0%
Finland	7,7%	6,9%
Sweden	2,8%	2,8%
Brazil	2,5%	5,2%
Others	8,8%	11,2%
	<b>100%</b>	<b>100%</b>

(iv) Beverages (industry)

In 2022, the commercial activity returned to its normal values and the sales increased by 35%. The Portuguese market was the main reason for this increase. Despite, the first two months that were still much affected by the pandemic and its restrictions, from march onwards with the carnival celebrations and the increase in tourism in Madeira, the sales of the Group in this sector increased substantially.

## 29. External services and supplies

The detail of External services and supplies is as follow:

	2022	2021
Professional fees	31.131.740	16.303.155
Cleaning	27.044.207	13.037.231
Commissions	17.701.333	7.025.179
Energy	17.620.313	9.866.033
Maintenance	9.296.606	5.924.222
Advertising	8.176.319	4.640.302
Subcontracts	5.117.577	3.890.016
Property management exploration counterpart	4.641.214	3.572.798
Rents	7.020.228	2.990.595
Travelling and transport expenses	2.334.300	1.283.116
Insurance	1.806.539	1.653.402
Others	7.579.385	5.431.805
	<b>139.469.761</b>	<b>75.617.854</b>

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

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

The 2022 Group auditor's consolidated audit fees for all subsidiaries amounted to 194.877 Euros. Audit services performed on the remaining companies included in the consolidation perimeter by other auditors amounted to 123.649 Euros. There were no other service fees charged by the Group auditor. Fees for other services provided by related parties of the other auditors amounted to 22.500 Euros.

### 30. Personnel expenses

The detail of Personnel expenses is as follows:

	2022	2021
<b>Board of Directors (including subsidiaries)</b>		
Wages and salaries	2.110.454	2.184.123
Social security contributions	684.384	535.733
	<b>2.794.838</b>	<b>2.719.856</b>
<b>Staff</b>		
Wages and salaries	72.897.564	44.196.072
Social security contributions	14.634.076	9.782.062
Others	3.181.232	3.778.555
	<b>90.712.872</b>	<b>57.756.689</b>
	<b>93.507.710</b>	<b>60.476.545</b>

The average number of employees of Pestana Hotel Group in 2022 was 3.983 (2021: 3.268). The average number of Board directors of Pestana Hotel Group's subsidiaries in 2022 was 39 (2021: 39). The increase in activity, the increase in average wages and the transfer of people who worked in the hotel business to other businesses during the pandemic explain the variation that occurred in Personnel expenses.

In 2022 and 2021 Personnel Expenses includes 4.558.459 Euros and 1.605.500 Euros, respectively, of profit sharing expenses.

In 2021 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.

## 31. Other income

The detail of Other income is presented as follows:

	2022	2021
Gains on disposal of assets / investment properties	41.933.304	1.917.650
Supplementary income	3.443.950	4.503.265
Foreign currency exchange gains	1.464.355	1.648.099
Operating government grants	1.013.041	4.886.486
Investment government grants (Note 26)	468.686	486.326
Rent concessions	-	1.438.089
Others	1.318.263	1.490.295
	<b>49.641.599</b>	<b>16.370.210</b>

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

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

In 2021, 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 (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).

In 2022, 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, namely Germany in the amount of 576.095 Euros (2021: 1.493.447 Euros) and the Netherlands in the amount of 142.171 Euros (2.121.092 Euros). In 2021 it also included 508.256 Euros from Portugal, 487.089 Euros from USA, 218.500 Euros from Spain, 47.008 Euros from the UK and 11.094 Euros from Argentina.

Supplementary income refers to the exchange of services and recharges to joint ventures and companies that are not included in the perimeter.

Rent concessions refers to total or partial reductions in the value of fixed rents (Note 25).

## 32. Other expenses

The detail of Other expenses is as follows:

	2022	2021
Taxes	7.251.658	5.559.837
Credit card commissions	2.999.871	1.093.406
Foreign currency exchange losses	1.097.615	264.090
Losses on inventories	183.513	212.113
Donations	178.275	201.820
Disposal of investment properties	-	55.362
Others	2.147.921	1.329.144
	<b>13.858.853</b>	<b>8.715.772</b>

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

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

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

	2022	2021
Disposal of joint venture's Pestana CR7's (Madeira, Marrakech, Madrid, Manchester) (Note 39)	830.236	-
Aquisition of URP - Urban Renew - Projetos imobiliários SICAFI, S.A. (Note 39)	412.880	-
Disposal of joint venture Pestana CR7 - Lisboa Hotel Inv. Tur., S.A. (Note 39)	-	6.713.711
Gains/(losses) from equity method in Joint ventures (Note 9):		
Solpor, Lda.	(662)	(657)
Ponta de lança, S.A.	(8.528)	-
Pestana CR7 Holding, S.A.	(3.356.716)	-
Pestana CR7 Manhattan 39 LLC	(1.225.983)	(539.412)
Pestana CR7 Manchester, Ltd.	(14.356)	(45.710)
Pestana CR7 Marrakech S.à.r.l.	9.001	(285.379)
Pestana CR7 Madrid, S.L.	147.833	(79.833)
Pestana CR7 - Madeira Hotel Investimentos Turísticos, S.A.	187.318	(84.051)
Gains/(losses) from equity method in Associates (Note 10):		
Enatur - Empresa Nacional de Turismo, S.A.	434.040	6.170
Albar - Sociedade Imobiliária do Barlavento, S.A.	113.338	(1.076)
URP - Urban Renew - Projetos imobiliários SICAFI, S.A.	-	39.340
Gains/(losses) in Financial assets at fair value through profit or loss (Note 11):	660.514	1.437.820
	<b>(1.811.085)</b>	<b>7.160.923</b>

## 34. Financial expenses and income

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

	2022	2021
<b>Financial expenses</b>		
Interest expenses	12.400.740	10.799.885
Lease liabilities' interest	8.096.560	8.998.637
Commissions and guarantee fees	1.818.236	1.517.959
Taxes	749.730	377.833
Interest rate swaps	634.355	412.437
Foreign currency exchange losses	263.000	1.214.341
Provisions interest charges (Note 23)	1.117.009	472.144
	<b>25.079.630</b>	<b>23.793.236</b>
<b>Financial income</b>		
Foreign currency exchange gains	913.735	191.885
Interest income	850.941	245.869
Provision interest income (Note 23)	969.264	-
Derivatives fair value (Note 14)	274.782	185.786
Interest rate swaps	253.644	11.763
Guarantee fees	121.780	108.996
Dividends	-	21.923
Others	320.068	268.975
	<b>3.704.214</b>	<b>1.035.196</b>

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

In 2022 there was a law change in Brazil regarding the interest to be considered of the existing provisions. This resulted in an increase in the interest income (Note 23).

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

## 35. Income tax

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

	2022	2021
<b>Current income tax:</b>		
Current period income tax	7.692.699	1.328.755
Compensatory interest	332.226	-
Adjustments in respect of prior year estimates	81.753	162.490
Impact of transition to IFRS 16 (Note 12)	-	42.204
	<b>8.106.678</b>	<b>1.533.449</b>
<b>Deferred income tax (Note 12):</b>		
Origin and reversal of temporary differences	9.556.557	(2.418.543)
Impact of transition to IFRS 16 (Note 12)	-	(490.926)
	<b>9.556.557</b>	<b>(2.909.469)</b>
	<b>17.663.235</b>	<b>(1.376.020)</b>

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

	2022	2021
<b>Profit before tax</b>	<b>127.131.496</b>	<b>21.497.986</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	26.600.694	4.747.605
Adjustments in respect of prior year estimates	81.753	162.490
Differences of taxes rates on income and deferred taxes	60.867	(48.150)
Income not subject to tax	(10.274.790)	(5.549.013)
Expenses not deductible for tax purposes	1.650.655	2.850.982
Investment and R&D incentives (RFAI and SIFIDE)	(4.994.383)	(4.433.790)
Compensatory interests	332.226	-
Portuguese state and municipal surcharge	3.975.826	1.107.513
Other taxation	230.387	235.065
	<b>17.663.235</b>	<b>(927.298)</b>

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

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

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

Investment and R&D incentives include the reversal of the incentives acquired in previous years in the amount of 3.022.369 Euros as a result of the sale of Pestana Alvor Blue, which had been considered as a relevant investment for Investment incentive (RFAI) between 2017 and 2020. This amount must be repaid to the Portuguese tax authority since the minimum period for holding the asset for 5 years was not met. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros.

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

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

	2022	2021
Argentina	29%	30%
Brazil	34%	34%
Cape Verde	22%	22%
Germany	30%	30%
Luxembourg	24,94%	24,94%
Morocco	31%	31%
Mozambique	32%	32%
Netherlands	25,8%	25%
Portugal	14,7% - 31,5%	14,7% - 31,5%
São Tomé and Príncipe	25%	25%
South Africa	27%	28%
Spain	25%	25%
United Kingdom	19%	19%
United States	21% - 25,46%	21% - 25,46%
Uruguay	25%	25%

## 36. Dividends per share

In 2022 and 2021, dividends per share were paid to the shareholders in the total amount of 250.000 Euros and 150.000 Euros, respectively.

## 37. Contingencies

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

	2022	2021
Mortgages over lands and buildings	233.006.729	260.714.397
Bank guarantees	64.387.918	62.513.866

### 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.

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

#### Contingent liabilities

As at 31 December 2022, Pestana Hotel Group has ongoing claims, assessed as contingent liabilities of, approximately, 9.200.000 Euros (local currency: approximately 250.000 Euros and 50.000.000 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 31 December 2022 are as follows (all amounts with reference to this date):

Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Afrotours, S.A.	São Tomé	Hospitality	13.012.766	13.514.042	501.275	3.856.146	634.684	100,00%	100,00%
Albar – Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real Estate	1.182.850	1.208.440	25.590	–	(11.457)	100,00%	100,00%
Amesteldijk Hotel Ontwkeling B.V.	Netherlands	Hospitality	19.020.250	46.171.089	27.150.840	9.982.457	1.438.170	100,00%	100,00%
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	Real Estate	4.997.647	6.385.185	1.387.538	–	(16.549)	99,00%	100,00%
Argentur Inversiones Turísticas S.A.	Argentina	Hospitality	836.074	1.238.011	401.938	2.945.747	645.817	100,00%	100,00%
Bazaruto, Lda.	Mozambique	Hospitality	4.524.081	6.291.587	1.767.505	235.680	(299.784)	96,97%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	43.629.503	55.941.928	12.312.515	14.023.309	1.823.101	100,00%	100,00%
Carlton Palácio – Soc. de Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	43.978.882	134.055.287	90.076.405	36.792.741	5.522.642	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hospitality	588.768	621.233	32.465	–	(39.482)	100,00%	100,00%
Carvoeiro Golfe – Sociedade de Mediação Imobiliária, Unipessoal Lda.	Portugal	Real Estate	605.924	14.890.989	14.285.065	1.868.094	598.424	99,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf / Real Estate	59.218.214	113.033.982	53.815.768	64.197.902	7.812.220	99,00%	100,00%
Cota Quarenta – Gestão e Administração de Centros Comercias, S.A.	Portugal	Real Estate	22.036.220	27.703.128	5.666.908	2.573.497	(119.852)	99,00%	100,00%
Desarollos Hoteleros Barcelona S.A.	Spain	Hospitality	10.515.627	16.906.547	6.390.921	3.058.933	232.047	100,00%	100,00%
Djebel, S.A.	Portugal	Sub-Holding	44.002.407	67.895.015	23.892.608	144.000	359.553	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	7.150.096	30.808.725	23.658.629	31.696.495	(14.212)	99,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	2.820.905	3.205.943	385.038	2.642.409	577.645	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf / Real Estate	16.351.573	18.717.536	2.365.963	2.765.404	498.105	99,00%	100,00%
ESGAP – Empresa de Serv. Gestão e Adm. Partilhados, S.A.	Portugal	Sub-Holding	15.206.357	33.275.588	18.069.231	240.000	(383.820)	100,00%	100,00%
Global Mandalay, S.L.	Spain	Hospitality	2.293.020	10.926.602	8.633.582	7.518.084	1.304.943	100,00%	100,00%
Grupo Pestana – S.G.P.S., S.A.	Portugal	Sub-Holding	275.937.075	386.736.875	110.799.800	7.700.000	46.007.877	99,00%	99,00%
Grupo Pestana Pousadas – Investimentos Turísticos, S.A.	Portugal	Hospitality	47.456.914	62.852.540	15.395.626	40.649.170	2.733.554	99,00%	100,00%
Herdade da Abrunheira – Projectos de Desenv. Turístico e Imob., S.A.	Portugal	Real Estate	6.655.783	6.666.586	10.803	–	(42.294)	99,00%	100,00%
Hotéis do Atlântico – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Sub-Holding	80.964.911	155.563.016	74.598.105	4.791.296	29.130	100,00%	100,00%
Hotel Rauchstrasse 22, S.à.r.l.	Luxembourg	Hospitality	12.087.466	17.830.155	5.742.688	2.084.506	1.393.114	96,04%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality / Real Estate	1.429.181	4.521.020	3.091.839	3.526.959	629.181	99,00%	100,00%
Intervisa Viagens e Turismo, Unipessoal Lda.	Portugal	Distribution	2.287.228	9.793.111	7.505.883	6.539.320	1.857.083	100,00%	100,00%
ITI – Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	65.835.429	79.238.244	13.402.815	38.877.733	9.284.399	99,00%	100,00%
M. & J. Pestana – Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	143.684.300	402.984.087	259.299.786	75.925.102	18.069.135	99,00%	100,00%

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**Name**

Mundo da Imaginação – Projectos de Animação Turística, S.A.  
Natura XXI, Lda.  
Pestana Berlin S.à.r.l.  
Pestana Cidadela – Investimentos Turísticos, S.A.  
Pestana International Holdings S.A.  
Pestana Inversiones Unipessoal, Lda.  
Pestana Management – Serviços de Gestão, S.A.  
Pestana Management UK, Limited  
Pestana Marrocos, S.à.r.l.  
Pestana Miami, LLC  
Pestana Newark LLC  
Pestana NY East Side 39 LLC  
Pestana Segurança – Serv. de Seg. e Vigilância, Unipessoal, Lda.  
Pestana USA, Inc.  
Ponta da Cruz – Sociedade Imobiliária e de Gestão de Hotéis, S.A.  
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.  
Rotas de África – Investimentos Turísticos e imobiliários, S.A.  
Rotas de África – Investimentos turísticos e imobiliário, Lda.  
Salvintur Soc. de Investimento Turísticos, S.A.  
Salvor – Sociedade de Investimento Hoteleiro, S.A.  
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.  
São Tomé Invest Unipessoal, Lda.  
Sociedade de Investimentos Hoteleiros D. João II, S.A.  
Surinor, S.A.  
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.  
Wild Break 29 (PTY), Ltd

HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Portugal	Entertainment	1.008.071	3.393.647	2.385.576	443.862	(146.600)	99,00%	100,00%
Portugal	Real Estate	1.467.810	1.636.259	168.449	–	(36.358)	99,00%	100,00%
Luxembourg	Hospitality	1.226.911	2.066.829	839.918	5.753.093	107.499	100,00%	100,00%
Portugal	Hospitality	10.820.762	20.167.743	9.346.981	7.479.211	1.380.876	99,00%	100,00%
Luxembourg	Administration	435.285.819	542.480.549	107.194.729	292.659	33.332.292	100,00%	100,00%
Portugal	Sub-Holding	11.017.070	11.159.141	142.071	240.000	43.261	100,00%	100,00%
Portugal	Services	11.255.337	22.323.325	11.067.988	35.908.683	2.027.215	100,00%	100,00%
United Kingdom	Hospitality	744.775	3.054.863	2.310.087	11.462.953	518.075	75,00%	75,00%
Morocco	Hospitality	247.765	3.083.860	2.836.094	4.341.974	200.218	100,00%	100,00%
United States	Hospitality	15.509.796	16.099.066	589.270	5.424.274	337.132	100,00%	100,00%
United States	Hospitality	352.479	363.517	11.038	–	(6.460)	100,00%	100,00%
United States	Hospitality	17.851.582	47.958.725	30.107.143	5.768.267	(959.762)	100,00%	100,00%
Portugal	Services	521.870	1.133.426	611.556	1.601.898	4.155	100,00%	100,00%
United States	Hospitality	48.426.970	48.850.909	423.939	216.888	377.401	100,00%	100,00%
Portugal	Hospitality / Timeshare	14.626.881	26.558.368	11.931.487	11.101.850	3.307.696	51,48%	52,00%
Portugal	Hospitality	9.207.193	15.660.095	6.452.902	7.064.424	1.884.655	59,40%	60,00%
Portugal	Services	1.344.694	1.351.043	6.349	–	(1.199.937)	100,00%	100,00%
São Tomé	Hospitality	1.099.906	1.129.048	29.142	–	(287.551)	100,00%	100,00%
Portugal	Sub-Holding	18.529.182	37.868.307	19.339.125	180.000	(6.088.740)	100,00%	100,00%
Portugal	Hospitality / Timeshare	138.907.452	264.228.840	125.321.388	69.384.237	66.129.989	99,00%	100,00%
Mozambique	Hospitality	10.668.355	12.619.250	1.950.895	1.243.926	(496.710)	97,06%	97,06%
São Tomé	Hospitality	838.451	983.602	145.151	619.679	(104.034)	100,00%	100,00%
Portugal	Hospitality / Timeshare	1.314.328	3.854.007	2.539.679	600.588	(44.704)	99,00%	100,00%
Uruguai	Hospitality	5.514.956	5.537.379	22.423	–	(39.412)	100,00%	100,00%
Portugal	RealEstate	6.164.639	43.625.352	37.460.712	–	1.589.374	90,00%	90,00%
South Africa	Hospitality	1.881.223	2.212.204	330.981	1.189.835	(168.979)	100,00%	100,00%

The Joint ventures of Pestana Hotel Group as at 31 December 2022 were as follows:

	PESTANA CR7 HOLDING, S.A.	PESTANA CR7 MANHATTAN 39 LLC	PONTA DE LANÇA, S.A.	SOLPOR - SOC. TURISMO DO PORTO SANTO, LDA.
<b>Headquarters</b>	Portugal	USA	Portugal	Portugal
<b>Activity</b>	Holding	Hospitality	Real estate	Real estate
<b>% owned</b>	50,00%	51,00%	50,00%	49,50%
<b>% control</b>	50,00%	50,00%	50,00%	50,00%
Total non-current assets	78.513.973	82.044.954	19.676	-
Total current assets				
Of which cash and cash equivalents	11.956.058	1.416.768	1.251.374	3.797
Others	1.734.516	398.023	4.299.676	929.291
<b>Total assets</b>	<b>92.204.547</b>	<b>83.859.745</b>	<b>5.570.727</b>	<b>933.088</b>
Total non-current liabilities				
Of which financial liabilities	3.839.315	35.213.887	-	-
Others	60.536.852	23.145.428	-	-
Total current liabilities				
Of which financial liabilities	973.118	3.441.192	-	-
Others	8.568.695	2.269.272	1.287.006	18
<b>Total liabilities</b>	<b>73.917.980</b>	<b>64.069.779</b>	<b>1.287.006</b>	<b>18</b>
<b>Total equity</b>	<b>18.286.567</b>	<b>19.789.966</b>	<b>4.283.721</b>	<b>933.070</b>
Revenue	3.921.186	8.990.282	-	-
Charges of depreciation and amortization	(1.012.649)	(1.721.811)	-	-
Others	(9.889.727)	(6.683.923)	(36.716)	(1.325)
<b>Operating results</b>	<b>(6.981.190)</b>	<b>584.548</b>	<b>(36.716)</b>	<b>(1.325)</b>
Financial expenses	(183.985)	(4.068.534)	(17)	-
Financial income	23.471	4.421	-	-
Income tax	422.828	1.027.602	19.676	-
<b>Profit for the period</b>	<b>(6.718.876)</b>	<b>(2.451.963)</b>	<b>(17.056)</b>	<b>(1.325)</b>
<b>Dividends received from joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Associates of Pestana Hotel Group as at 31 December 2022 were as follows:

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.
<b>Headquarters</b>	Portugal	Portugal
<b>Activity</b>	Real Estate	Tech innovation
<b>% owned</b>	46,43%	10,00%
<b>% control</b>	49,00%	20,00%
Total non-current assets	72.069.150	1.399.414
Total current assets	1.895.958	13.115
<b>Total assets</b>	<b>73.965.108</b>	<b>1.412.529</b>
Total non-current liabilities	15.067.556	616.196
Total current liabilities	4.157.047	1.246
<b>Total liabilities</b>	<b>19.224.602</b>	<b>617.442</b>
<b>Total equity</b>	<b>54.740.506</b>	<b>795.087</b>
Revenue	2.619.734	–
Profit for the period	885.797	(154.503)
Dividends received from associates	–	–

The Subsidiaries of Pestana Hotel Group as at 31 December 2021 were as follows (all amounts with reference to this date):

Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Afrotours, S.A.	São Tomé	Hospitality	13.478.082	13.838.226	360.144	2.674.257	116.639	100,00%	100,00%
Amesteldijk Hotel Ontwikkeling B.V.	Netherlands	Hospitality	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	4.981.360	6.361.551	1.380.191	–	(28.681)	99,00%	100,00%
Argentur Inversiones Turísticas S.A.	Argentina	Hospitality	589.263	786.343	197.080	6.018	(270.778)	100,00%	100,00%
Bazaruto, Lda.	Mozambique	Hospitality	4.234.886	5.918.321	1.683.435	149.343	(248.891)	96,97%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	37.233.797	48.433.651	11.199.854	5.034.275	(2.001.867)	100,00%	100,00%
Carlton Palácio – Soc. de Const. Exploração Hoteleiras, S.A.	Portugal	Hospitality	48.956.240	139.421.990	90.465.750	9.167.269	2.135.524	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hospitality	471.337	498.617	27.279	–	(39.672)	100,00%	100,00%
Carvoeiro Golfe – Soc. de Mediação Imobiliária, Unip. Lda.	Portugal	Real Estate	492.014	887.577	395.563	978.265	484.514	99,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf / Real Estate	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 Comerciais, S.A.	Portugal	Real Estate	37.156.072	54.888.969	17.732.896	41.132.567	8.461.614	99,00%	100,00%
Desarrollos Hoteleros Barcelona S.A.	Spain	Hospitality	10.483.580	16.994.360	6.510.780	787.750	(303.533)	100,00%	100,00%
Djebel, S.A.	Portugal	Sub-Holding	41.611.354	67.102.637	25.491.283	164.000	(4.257.823)	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Soc. Unip. Lda.	Portugal	Beverages	7.164.308	29.893.508	22.729.200	23.208.771	(143.617)	99,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	2.543.259	2.914.657	371.398	1.410.802	133.583	100,00%	100,00%
Eurogolfe, S.A.	Portugal	Golf / Real Estate	15.853.468	18.334.030	2.480.562	1.491.958	35.837	99,00%	100,00%
ESGAP – Empresa de Serv. de Gestão e Adm Partilhados, S.A.	Portugal	Sub-Holding	15.590.177	33.274.311	17.684.135	190.000	(391.671)	100,00%	100,00%
Global Mandalay, S.L.	Spain	Hospitality	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	254.929.198	433.985.249	179.056.052	2.333.333	14.758.415	99,00%	99,00%
Grupo Pestana Pousadas – Investimentos Turísticos, S.A.	Portugal	Hospitality	46.431.547	60.351.741	13.920.194	20.446.298	386.716	99,00%	100,00%
Herdade da Abrunheira – Proj. Desenv. Turístico e Imob., S.A.	Portugal	Real Estate	6.698.076	6.720.807	22.731	–	(46.685)	99,00%	100,00%
Hoteis do Atlântico – Soc. Imob. e de Gestão de Hotéis, S.A.	Portugal	Sub-Holding	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	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	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	991.570	2.635.726	1.644.156	2.235.101	33.411	100,00%	100,00%
ITI – Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	56.529.211	72.049.675	15.520.464	21.307.719	1.431.037	99,00%	100,00%
M. & J. Pestana – Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / Vacation Club	148.466.821	376.718.907	228.252.086	36.971.866	536.487	99,00%	100,00%

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Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Mundo da Imaginação – Projectos de Animação Turística, S.A.	Portugal	Entertainment	1.154.671	3.570.471	2.415.800	196.044	(399.505)	99,00%	100,00%
Natura XXI, Lda.	Portugal	Real Estate	1.504.169	1.514.821	10.652	48.000	12.748	99,00%	100,00%
Pestana Berlin S.à.r.l.	Luxembourg	Hospitality	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	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	400.439.496	518.757.719	118.318.223	43.121	12.461.903	100,00%	100,00%
Pestana Inversiones Unipessoal, Lda.	Portugal	Sub-Holding	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	11.228.122	20.771.943	9.543.821	10.507.111	519.425	100,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hospitality	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	59.406	1.665.067	1.605.660	1.489.398	(280.404)	100,00%	100,00%
Pestana Miami, LLC	United States	Hospitality	4.592.594	16.968.863	12.376.268	3.436.277	976.526	100,00%	100,00%
Pestana Newark LLC	United States	Hospitality	329.399	345.628	16.229	–	(6.355)	100,00%	100,00%
Pestana NY East Side 39 LLC	United States	Hospitality	17.718.150	45.049.779	27.331.629	2.438.738	(1.943.777)	100,00%	100,00%
Pestana Segurança – Serv. de Seg. e Vigilância, Unip. Lda.	Portugal	Services	617.714	914.510	296.796	1.347.621	(32.543)	100,00%	100,00%
Pestana USA, Inc.	United States	Hospitality	42.202.221	43.120.709	918.487	–	29.637	100,00%	100,00%
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Vacation Club	11.319.186	24.635.269	13.316.083	4.812.991	528.333	51,48%	52,00%
Porto Carlton – Soc. de Constr. e Exploração Hoteleira, S.A.	Portugal	Hospitality	7.322.537	13.810.836	6.488.299	1.923.543	355.027	59,40%	60,00%
Rotas de África – Investimentos Turísticos e imobiliários, S.A.	Portugal	Services	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	1.183.947	1.201.662	17.715	–	(276.616)	100,00%	100,00%
Salvintur – Sociedade de Investimentos Turísticos, S.A.	Portugal	Sub-Holding	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 / Vacation Club	95.777.463	228.801.116	133.023.653	36.427.761	2.530.421	99,00%	100,00%
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	Mozambique	Hospitality	7.987.111	11.711.970	3.724.859	904.932	(82.550)	96,97%	96,97%
São Tomé Invest Unipessoal, Lda.	São Tomé	Hospitality	632.485	889.640	257.155	337.785	22.284	100,00%	100,00%
Sociedade de Investimentos Hoteleiros D. João II, S.A.	Portugal	Hospitality / Vacation Club	1.359.032	3.621.228	2.262.196	399.613	27.076	99,00%	100,00%
Surinor, S.A.	Uruguai	Hospitality	4.237.880	4.308.200	70.319	–	(34.254)	100,00%	100,00%
Wild Break 29 (PTY), Ltd	South Africa	Hospitality	1.772.157	2.259.959	487.801	556.596	(229.117)	100,00%	100,00%

The Joint ventures of Pestana Hotel Group as at 31 December 2021 were 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.A.R.L. -	SOLPOR - SOCIEDADE TURISMO DO PORTO SANTO, LDA.
<b>Headquarters</b>	Portugal	USA	Spain	UK	Morocco	Portugal
<b>Activity</b>	Hospitality	Hospitality	Hospitality	Hospitality	Hospitality	Multi-segment
<b>% owned</b>	49,50%	51,00%	50,00%	50,00%	50,00%	49,50%
<b>% control</b>	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	337.430	468.975	2	1.392.772	929.291
<b>Total assets</b>	<b>5.148.985</b>	<b>80.075.501</b>	<b>10.366.633</b>	<b>3.477.475</b>	<b>2.403.761</b>	<b>934.617</b>
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
<b>Total liabilities</b>	<b>3.834.602</b>	<b>61.791.300</b>	<b>5.182.146</b>	<b>-</b>	<b>309.634</b>	<b>221</b>
<b>Total equity</b>	<b>1.314.383</b>	<b>18.284.201</b>	<b>5.184.487</b>	<b>3.477.475</b>	<b>2.094.127</b>	<b>934.395</b>
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)
<b>Operating results</b>	<b>(54.958)</b>	<b>(1.117.634)</b>	<b>(1.254.415)</b>	<b>(91.420)</b>	<b>(468.298)</b>	<b>(1.312)</b>
Financial expenses	(142.118)	(1.674.008)	(24.438)	-	-	-
Financial income	-	1.250	1	-	-	-
Income tax	28.974	1.713.280	303.673	-	-	-
<b>Loss for the period</b>	<b>(168.101)</b>	<b>(1.126.451)</b>	<b>(975.180)</b>	<b>(91.420)</b>	<b>(468.298)</b>	<b>(1.312)</b>
<b>Dividends received from joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Associates of Pestana Hotel Group as at 31 December 2021 were 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.
<b>Headquarters</b>	Portugal	Portugal	Portugal	Portugal
<b>Activity</b>	Real Estate	Real Estate	Tech innovation	Real Estate
<b>% owned</b>	49,50%	46,43%	10,00%	30,00%
<b>% control</b>	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
<b>Total assets</b>	<b>1.191.680</b>	<b>76.025.569</b>	<b>1.799.272</b>	<b>36.979.897</b>
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
<b>Total liabilities</b>	<b>2.739</b>	<b>20.525.600</b>	<b>849.682</b>	<b>32.404.631</b>
<b>Total equity</b>	<b>1.188.941</b>	<b>55.499.970</b>	<b>949.590</b>	<b>4.575.265</b>
Revenue	–	1.660.526	–	–
Profit / (loss) for the period	(2.161)	12.591	559.815	(364.518)
Dividends received from associates	–	–	–	–

### 39. Changes in the perimeter

On 30 June 2022, Pestana Hotel Group acquired 50% of Ponta de Lança – Sociedade Imobiliária, S.A., a real estate company located in Funchal, Madeira. This participation was acquired for the total amount of 6.500.000 Euros, which includes Accessory capital contributions traded at their nominal value of 2.228.144 Euros (Note 9). This participation was acquired from Cristiano Ronaldo dos Santos Aveiro (10%) for 1.300.000 Euros and an unrelated party (40%) for 5.200.000 Euros. From that date onwards this investment was booked as a joint venture. Cristiano Ronaldo dos Santos Aveiro holds the other 50% of this company.

On 26 July 2022 a new joint venture company between Pestana Hotel Group and Cristiano Ronaldo dos Santos Aveiro was incorporated within the scope of the corporate reorganization project. With the scaling gains this company was incorporated with the aim of centrally monitoring the companies in this partnership in Funchal, Madrid, Marrakech and Manchester, as well as the newly incorporated Pestana CR7 Paris, SAS. The capital paid up in this new subholding, Pestana CR7 holding, S.A., was 12.500.000 Euros (Note 9). Afterwards, on 23 November 2022, Pestana Hotel Group sold its investments in Pestana CR7 Madeira, Pestana CR7 Madrid, Pestana CR7 Manchester and Pestana CR7 Marrakech for a total amount of 7.407.356 Euros, including the Accessory capital contributions traded at their nominal value of 3.437.500 Euros, with a gain on disposal of 830.236 Euros (Note 33).



On 27 July 2022, Pestana Hotel Group acquired 1.140.000 shares of URP – Urban Renew – Projetos imobiliários SICAFI, S.A., corresponding to a 60% participation, for the amount of 3.290.724 Euros from Dionísio Fernandes Pestana (Note 40). This transaction resulted in gain of 412.880 Euros (Note 33) and the impact of changing the perimeter on Investments in associates was 2.954.331 Euros (Note 10). From that date onwards, URP – Urban Renew – Projetos imobiliários SICAFI, S.A. was fully consolidated.

On 28 October 2022, Pestana Hotel Group acquired from third parties 50,19% of the shares of Albar – Sociedade Imobiliária do Barlavento, S.A. for the amount of 699.135 Euros. From that date onwards, Albar – Sociedade Imobiliária do Barlavento, S.A. was fully consolidated and the impact of changing the perimeter on Investments in associates was 464.805 Euros (Note 10).

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..

The financial position of the companies that entered the consolidation perimeter with reference to the entry date is presented as follows:

	PONTA DE LANÇA – SOCIEDADE IMOBILIÁRIA, S.A.	PESTANA CR7 HOLDING, S.A.	URP URBAN RENEW – PROJETOS IMOBILIÁRIOS – SICAFI, S.A.	ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.	TOTAL
<b>Purchase price</b>	<b>4.271.856</b>	<b>–</b>	<b>3.290.724</b>	<b>699.135</b>	<b>8.261.715</b>
<b>ASSETS</b>					
Inventories	13.000.000	–	32.525.368	1.467.300	46.992.668
Trade and other receivables	–	–	22.418	1.891	24.309
Income tax receivable	2.506	–	2.678	–	5.184
Cash and cash equivalents	594	25.000.000	6.953.885	8.930	31.963.409
<b>Total Assets at fair value</b>	<b>13.003.100</b>	<b>25.000.000</b>	<b>39.504.349</b>	<b>1.478.121</b>	<b>78.985.570</b>
<b>LIABILITIES</b>					
Borrowings	4.456.287	–	11.619.945	60.000	16.136.232
Trade and other payables	3.100	–	22.399.880	25.145	22.428.125
<b>Total Liabilities at fair value</b>	<b>4.459.387</b>	<b>–</b>	<b>34.019.825</b>	<b>85.145</b>	<b>38.564.357</b>
<b>Net assets</b>	<b>8.543.713</b>	<b>25.000.000</b>	<b>5.484.524</b>	<b>1.392.976</b>	<b>40.421.213</b>
<b>Investment already held by Pestana Hotel Group</b>	<b>–</b>	<b>–</b>	<b>1.232.468</b>	<b>582.300</b>	<b>1.814.768</b>
<b>Pestana Hotel Group interests acquired</b>	<b>4.271.856</b>	<b>12.500.000</b>	<b>4.252.056</b>	<b>810.676</b>	<b>21.834.589</b>
<b>Non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>548.452</b>	<b>–</b>	<b>548.452</b>
<b>% acquired</b>	<b>50,00%</b>	<b>50,00%</b>	<b>60,00%</b>	<b>50,19%</b>	<b>–</b>
<b>% owned at 31 december 2022</b>	<b>50,00%</b>	<b>50,00%</b>	<b>90,00%</b>	<b>100,00%</b>	<b>–</b>
<b>Gains on entry (Note 33)</b>	<b>–</b>	<b>–</b>	<b>412.880</b>	<b>–</b>	<b>412.880</b>

The Income statement of the companies that entered the consolidation perimeter by full consolidation between the entry date and the end of the year is as follows:

	URP URBAN RENEW – PROJETOS IMOBILIÁRIOS – SICAFI, S.A.	ALBAR – SOCIEDADE IMOBILIÁRIA DO BARLAVENTO, S.A.	TOTAL
External services and supplies	(288.261)	(6.460)	(294.721)
Other income	23.018	–	23.018
Other expenses	(10.069)	(83)	(10.152)
<b>Operating profit</b>	<b>(275.312)</b>	<b>(6.543)</b>	<b>(281.855)</b>
Financial income	38	–	38
<b>Profit before tax</b>	<b>(275.274)</b>	<b>(6.543)</b>	<b>(281.817)</b>
Income tax	–	14.958	14.958
<b>Profit for the period</b>	<b>(275.274)</b>	<b>8.415</b>	<b>(266.859)</b>
<b>Profit for the period attributable to:</b>			
Shareholders of the group	(247.747)	8.415	(239.332)
Non-controlling interests	(27.527)	–	(27.527)
	<b>(275.274)</b>	<b>8.415</b>	<b>(266.859)</b>

## 40. Related parties

As at 31 December 2022 and 2021 Pestana Hotel Group is owned and controlled by Dionísio Fernandes 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 2022 Pestana Hotel Group carried out the following transactions with those entities:

	DIVIDENDS PAID	SERVICES OBTAINED	SALE OF INVENTORIES	SALE OF TANGIBLE FIXED ASSETS	SERVICES RENDERED	INTEREST EARNED	ACQUISITION OF FINANCIAL INVESTMENTS	DISPOSAL OF FINANCIAL INVESTMENTS
<b>Shareholder</b>	<b>250.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.290.724</b>	<b>-</b>
Dionisio Fernandes Pestana	250.000	-	-	-	-	-	3.290.724	-
<b>Joint ventures</b>	<b>-</b>	<b>68.452</b>	<b>29.350</b>	<b>-</b>	<b>3.100.064</b>	<b>446.455</b>	<b>-</b>	<b>7.407.356</b>
Pestana CR7 – Madeira Inv. Turísticos, S.A.	-	48.076	29.350	-	1.406.247	101.637	-	-
Pestana CR7 Holding, S.A.	-	-	-	-	-	-	-	7.407.356
Pestana CR7 Manhattan 39 LLC	-	20.376	-	-	1.693.817	344.818	-	-
<b>Associates</b>	<b>-</b>	<b>2.407.314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.033</b>	<b>-</b>	<b>-</b>
Enatur – Empresa Nacional de Turismo, S.A.	-	2.407.314	-	-	-	4.033	-	-
<b>Other related parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.770.947</b>	<b>2.473</b>	<b>-</b>	<b>1.300.000</b>	<b>-</b>
Quanlux, S.A.	-	-	-	1.770.947	2.473	-	-	-
Cristiano Ronaldo dos Santos Aveiro	-	-	-	-	-	-	1.300.000	-
<b>Key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>250.000</b>	<b>2.475.766</b>	<b>29.350</b>	<b>1.770.947</b>	<b>3.102.537</b>	<b>450.488</b>	<b>4.590.724</b>	<b>7.407.356</b>

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
<b>Shareholder</b>	<b>150.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dionísio Fernandes Pestana	150.000	-	-	-	-	-	-
<b>Joint ventures</b>	<b>-</b>	<b>76.460</b>	<b>17.372</b>	<b>940.259</b>	<b>251.106</b>	<b>-</b>	<b>-</b>
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	-	76.460	17.372	370.547	103.320	-	-
Pestana CR7 Manhattan 39 LLC	-	-	-	569.712	147.786	-	-
<b>Associates</b>	<b>-</b>	<b>1.652.169</b>	<b>-</b>	<b>5.442.871</b>	<b>10.280</b>	<b>-</b>	<b>-</b>
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	-	-
<b>Other related parties</b>	<b>-</b>	<b>130.044</b>	<b>-</b>	<b>159.670</b>	<b>-</b>	<b>608.276</b>	<b>8.338.711</b>
CR7 Lifestyle Lisboa, S.A.	-	130.044	-	159.670	-	-	-
Quanlux Unipessoal, Lda.	-	-	-	-	-	608.276	-
CR7 Lifestyle Unipessoal, S.A.	-	-	-	-	-	-	8.338.711
<b>Key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>150.000</b>	<b>1.858.673</b>	<b>17.372</b>	<b>6.542.800</b>	<b>261.386</b>	<b>608.276</b>	<b>8.338.711</b>

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

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
<b>Joint ventures</b>	<b>1.888.931</b>	<b>1.826.384</b>	<b>-</b>	<b>3.715.315</b>	<b>271.847</b>
Pestana CR7 – Madeira Inv. Turísticos, S.A.	483.945	1.826.384	-	2.310.329	17.955
Pestana CR7 Holding, S.A.	37.258	-	-	37.258	-
Pestana CR7 Manhattan 39 LLC	789.328	-	-	789.328	246.386
Pestana CR7 Madrid, S.L.	578.400	-	-	578.400	7.506
<b>Associates</b>	<b>1.370.127</b>	<b>-</b>	<b>(1.298.399)</b>	<b>71.728</b>	<b>96.004</b>
Enatur – Empresa Nacional de Turismo, S.A.	71.728	-	-	71.728	96.004
Soehotur, S.A.	1.298.399	-	(1.298.399)	-	-
<b>Key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>3.259.058</b>	<b>1.826.384</b>	<b>(1.298.399)</b>	<b>3.787.043</b>	<b>367.851</b>

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

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
<b>Joint ventures</b>	<b>1.334.327</b>	<b>1.823.158</b>	<b>-</b>	<b>3.157.485</b>	<b>241.447</b>
Pestana CR7 – Madeira Inv. Tur., 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
<b>Associates</b>	<b>1.365.204</b>	<b>-</b>	<b>(1.238.270)</b>	<b>126.934</b>	<b>5.941</b>
Albar – Soc. Imobiliária do Barlavento, S.A.	23	-	-	23	-
Enatur – Emp. Nacional de Turismo, S.A.	-	-	-	-	5.941
URP – Urban Renew – Projetos imob. SICAFI, S.A.	126.911	-	-	126.911	-
Soehotur, S.A.	1.238.270	-	(1.238.270)	-	-
<b>Other related parties</b>	<b>60.361</b>	<b>-</b>	<b>-</b>	<b>60.361</b>	<b>8.508</b>
CR7 Lifestyle Lisboa, S.A.	60.361	-	-	60.361	8.508
<b>Key management personnel</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>2.759.892</b>	<b>1.823.158</b>	<b>(1.238.270)</b>	<b>3.344.780</b>	<b>255.896</b>

## 41. Note to the Consolidated cash flow statement

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

	2021	CASH FLOWS		CASH FREE TRANSACTIONS				2022
		RECEIPTS	PAYMENTS	INCREASES / DECREASES	PERIMETER CHANGES	EFFECTS OF EXCHANGE DIFFERENCES	ACCRUAL / DEFERRAL	
Bank loans	313.725.755	50.507.321	(104.657.808)	-	11.619.945	1.864.263	(117.335)	<b>272.942.141</b>
Lease liabilities	181.534.995	-	(23.124.905)	21.339.601	-	169.979	8.096.560	<b>188.016.230</b>
Bond loans	102.157.176	-	(13.479.675)	-	-	-	661.722	<b>89.339.223</b>
Commercial paper	37.115.851	25.000.000	(11.222.222)	-	-	-	313.790	<b>51.207.419</b>
<b>Cash flow from financing activities</b>	<b>634.533.777</b>	<b>75.507.321</b>	<b>(152.484.610)</b>	<b>21.339.601</b>	<b>11.619.945</b>	<b>2.034.242</b>	<b>8.954.737</b>	<b>601.505.013</b>

	2020	CASH FLOWS		CASH FREE TRANSACTIONS					2021
		RECEIPTS	PAYMENTS	INCREASES / DECREASES	TRANSFERS	RENT CONCESSIONS	EFFECTS OF EXCHANGE DIFFERENCES	ACCRUAL / DEFERRAL	
Bank loans	293.333.336	32.911.085	(33.479.921)	18.916.127	(527.267)	-	3.354.839	(782.445)	<b>313.725.755</b>
Lease liabilities	180.049.111	-	(19.355.431)	12.281.410	-	(1.438.089)	999.357	8.998.637	<b>181.534.995</b>
Bond loans	100.685.489	29.000.000	(29.020.325)	-	-	-	-	1.492.012	<b>102.157.176</b>
Commercial paper	25.357.305	15.000.000	(2.944.444)	-	-	-	-	(297.010)	<b>37.115.851</b>
<b>Cash flow from financing activities</b>	<b>599.425.241</b>	<b>76.911.085</b>	<b>(84.800.121)</b>	<b>31.197.537</b>	<b>(527.267)</b>	<b>(1.438.089)</b>	<b>4.354.196</b>	<b>9.411.194</b>	<b>634.533.777</b>

## 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	2022	2021
<b>Profit for the period</b>		<b>109.468.261</b>	<b>22.874.006</b>
Financial income	34	21.375.416	22.758.040
Dividends	34	-	21.923
Income tax	35	17.663.235	(1.376.020)
Gambling tax paid by Casino		1.161.817	910.069
Charges of depreciation and amortization	6;7;8	53.577.444	52.922.560
Annual proportion of government grants	31	(468.686)	(486.326)
Reversals and impairment losses of tangible assets	6;8	(2.810.839)	(1.624.654)
Others		80.272	190.954
<b>EBITDA</b>		<b>200.046.920</b>	<b>96.190.552</b>

## 43. Subsequent events

On 20 February 2023, Pestana CR7 Paris, S.A.S., owned by Pestana CR7 Holding, S.A., signed the agreement for the acquisition and construction of the property where the new Pestana CR7 Paris hotel will be located. The initial investment was 27,3 million Euros and, at the same time, a bank loan was celebrated by this joint venture company in the amount of 45,5 million Euros, of which 21 million Euros were already used to finance the initial investment.

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



Luxembourg, 17 April 2023

The Board of Directors

Dionísio Fernandes Pestana

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Director

Chiara Louise Deceglie

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Director

Hermanus Roelof Willem Troskie

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Director

José Alexandre Lebre Theotónio

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Director

Rodrigo de Freitas Branco

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Director



## **Audit report**

To the Shareholders of  
**Pestana International Holdings S.A.**

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## **Report on the audit of the consolidated financial statements**

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### **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 2022, 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 2022;
  - 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.

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**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.

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**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

Electronically signed by:  
Mickaël Le Bras

A handwritten signature in blue ink, appearing to read "MeB", with a horizontal line underneath.

Mickaël Le Bras

Luxembourg, 19 April 2023

# PESTANA WORLD

16 COUNTRIES - MORE THAN 100 HOTELS - MORE THAN 11000 ROOMS



**PESTANA**  
HOTEL GROUP



**PESTANA**  
HOTELS & RESORTS



**PESTANA**  
POUSADAS DE PORTUGAL  
MONUMENT & HISTORIC HOTELS



**PESTANA**  
COLLECTION HOTELS



**PESTANA CR7**  
LIFESTYLE HOTELS

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**PESTANA**

HOTEL GROUP