PESTANA
HOTEL GROUP

Pestana International Holdings S.A.

Consolidated Annual Report

31 December 2023

Index

PESTANA
HOTEL GROUP

Consolidated management report for 2023

PESTANA
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1. Message to stakeholders

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

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

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

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

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

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

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

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

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

Strengthening ESG measures has again become a priority. Accordingly, proceeding with the action plans already defined, various programmes within the Group have been launched that will contribute significantly to improving sustainability scores in the medium term. This effort was already clearly visible in 2023, which saw a carbon footprint reduction of more than 10% when measured by CO_2 consumption per occupied room.

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

2. Overview of the world economy

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

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

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

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

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

Summary of Economic Outlook, % change*

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

Source: Tourism Economics based on GEM as of 11.01.2024
* Unless otherw ise specified
** Percentage point change
***Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.

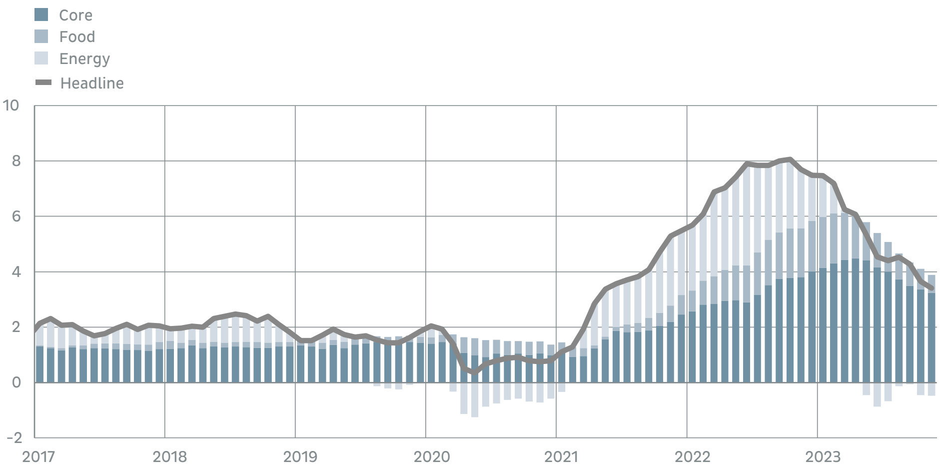
Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

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

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

OECD consumer price inflation

(annual percentage changes; percentage point contributions)



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

Source: ECB Report 2024/01

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

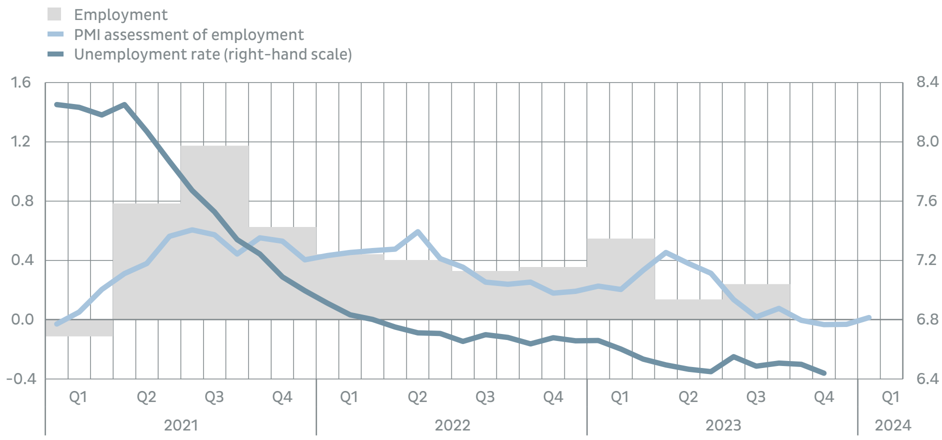
The pandemic accelerated the adoption of digital technologies in many sectors, driving innovation and digital transformation. In Europe, incentive programmes have pushed businesses and institutions to invest in digitisation and energy efficiency and adopt new business models to remain competitive in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

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

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

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

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



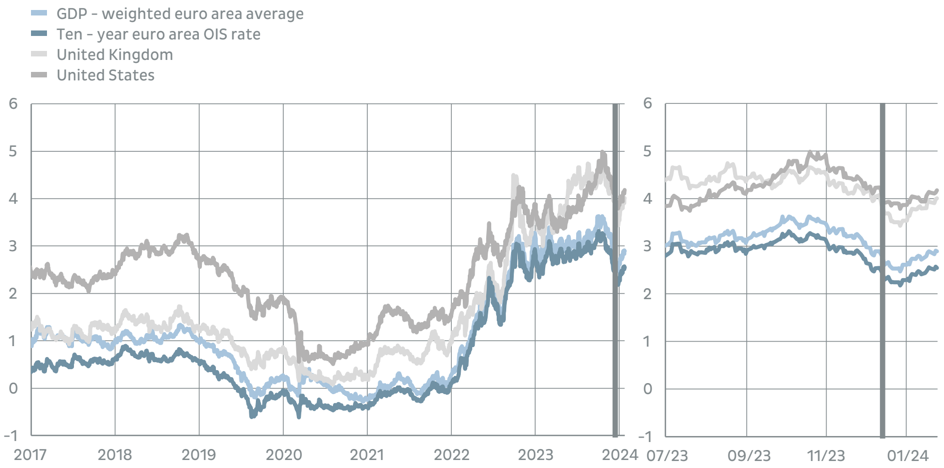
Sources: Eurostat, S&P Global Market Intelligence and ECB calculations.
Notes: The two lines indicate monthly developments; the bars show quarterly data. The PMI is expressed in terms of the deviation from 50 divided by 10. The latest observations are for the third quarter of 2023 for employment, January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

Source: ECB Report 2024/01

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

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

(percentages per annum)



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

Source: ECB Report 2024/01

3. Tourism

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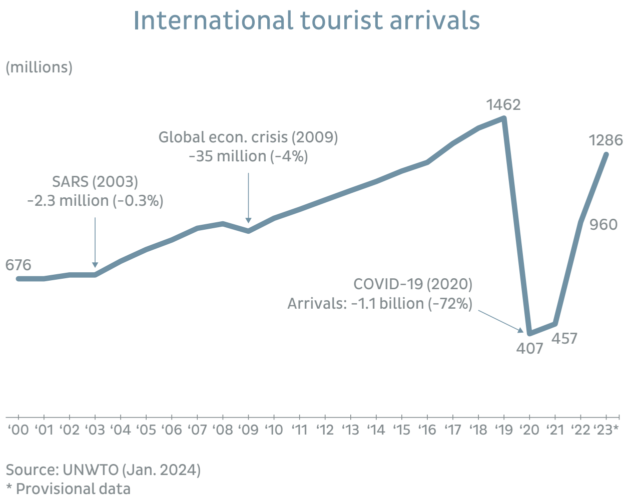
2023 witnessed a revolution in the tourism sector, driven by a series of social, technological and environmental changes. With the global COVID-19 pandemic increasingly under control, travel restrictions were eased in many parts of the world, allowing a significant resurgence of international tourism.



Source: UNWTO World Tourism Barometer 2024/01

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

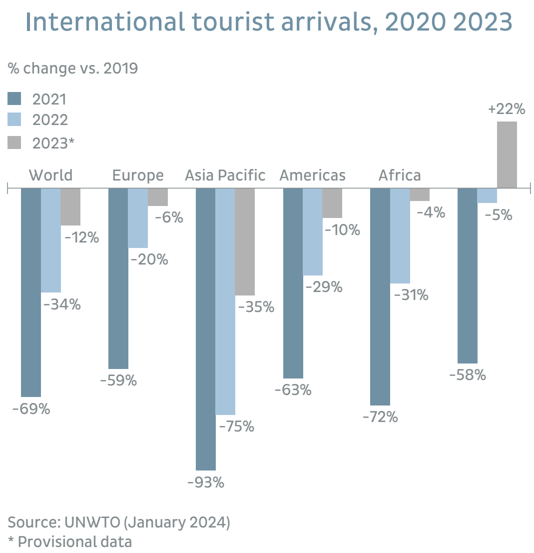
In addition, technology has played a key role in transforming the tourist experience. Mobile apps offering personalised tour guides, augmented reality to enrich visits to tourist attractions, and the expansion of artificial intelligence to improve the management of tourist destinations are just some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

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

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

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

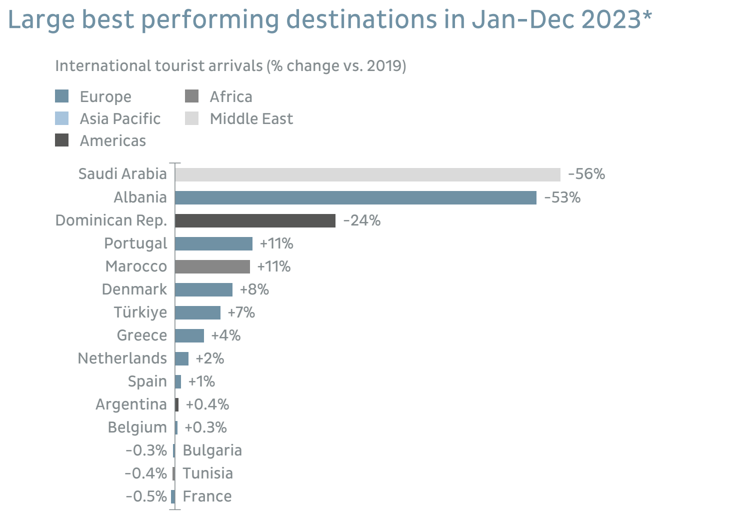
Despite the emergence of the conflict in the Middle East, this was the region with the most marked recovery of tourist flows in 2023, followed by Europe, with particular importance for southern European countries, among which Portugal stands out.



Source: UNWTO World Tourism Barometer 2024/01

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

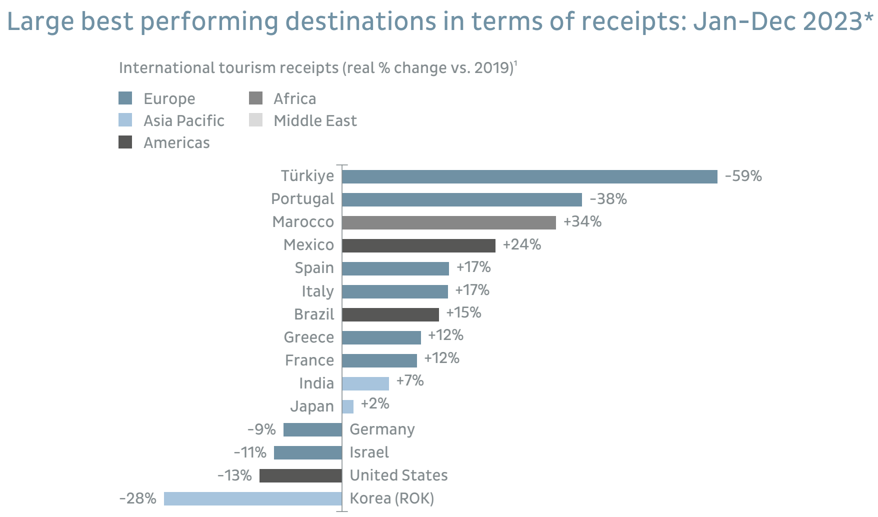
Saudi Arabia, with a very aggressive media campaign in several areas, notably major sporting events (organising the Dakar Rally and hiring superstars to play in its professional football championship), confirmed its return to the leading position among the large tourist destinations in terms of growth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



Source: UNWTO (January 2024)
* Based on destinations recording 5 million arrivals or more in 2019 and reporting data for 10 to 12 months of 2023.

Source: UNWTO World Tourism Barometer 2024/01

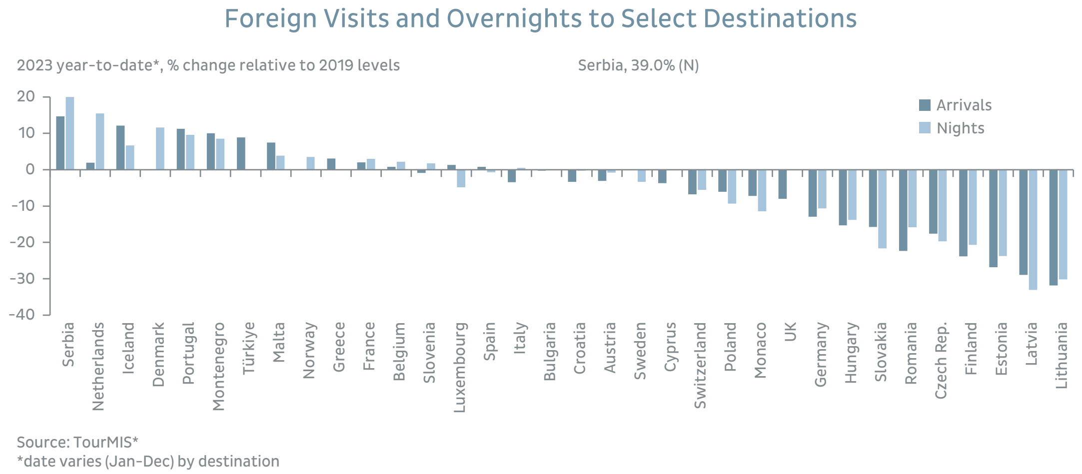
Turkey, Portugal and Morocco are the countries that best convert this growing demand into revenue growth, and this is reflected in a significant increase in average accommodation prices at these destinations.



Source: UNWTO (January 2024)
* Based on destinations earning USD 5 billion or more in receipts in 2019 and reporting data for 10 to 12 months of 2023.
[1] In local currencies if so reported by the destination.

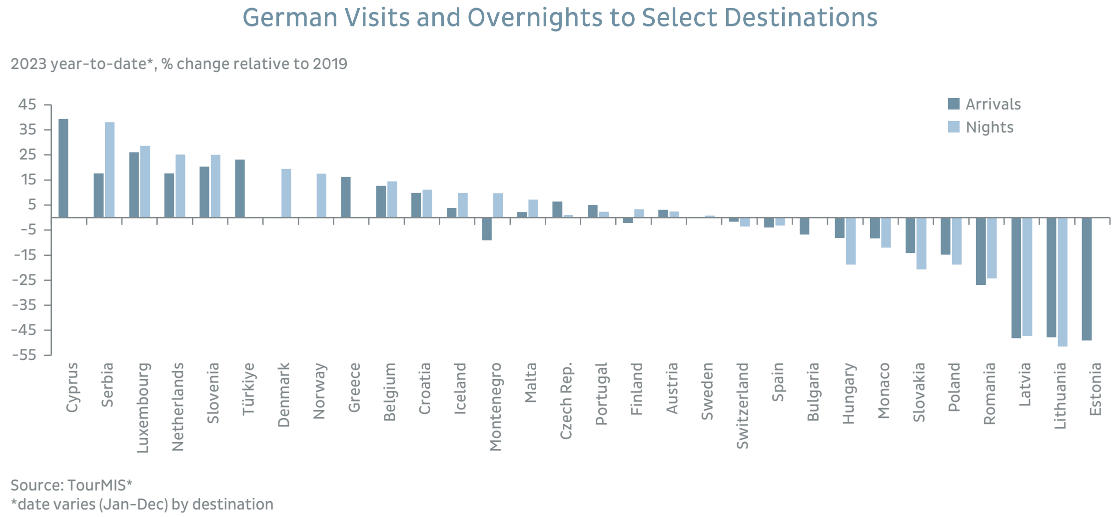
Source: UNWTO World Tourism Barometer 2024/01

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



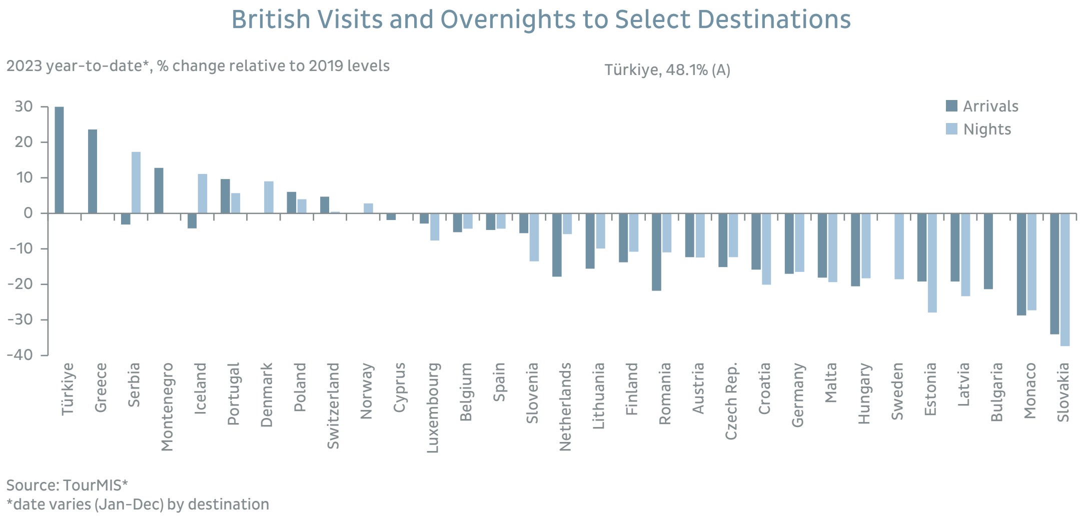
Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

Germany was among the European countries with the weakest economic performance in 2023. Factors such as high inflation, rising interest rates and high energy prices have had a slowing effect on sectors such as retail, exports and industrial output. The combination of these factors led to a reduction in the flow of German tourists going abroad.



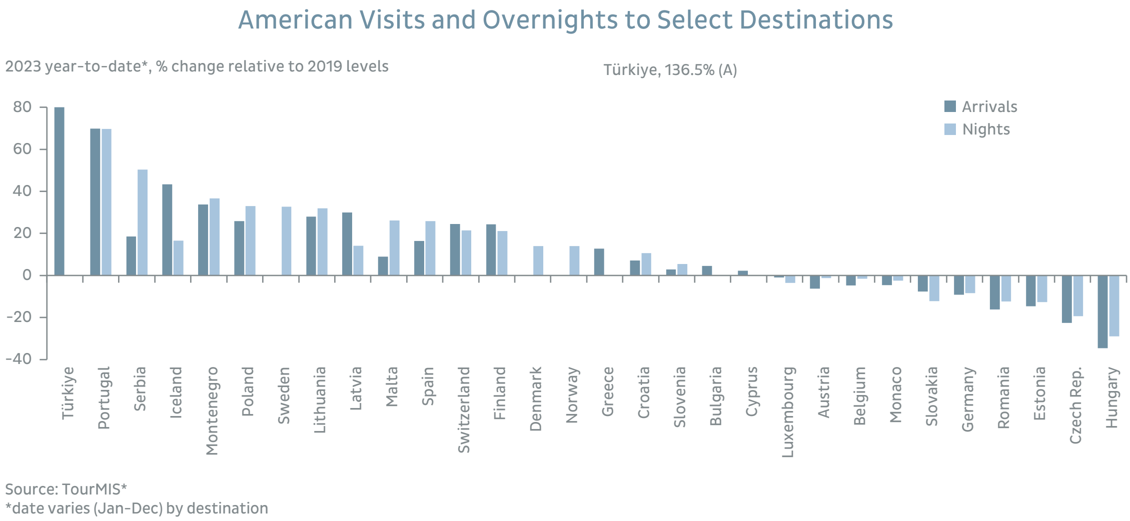
Source: ETC 2024/02 Trends & Prospects Quarterly Report Q4/2023

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



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

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



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

4. Key figures

	2023	2022	Δ	Δ%
Number of rooms	11.763	11.775	(12)	-0,1%
Revenue	556,7	453,1	103,6	22,9%
Gross operating profit (GOP)	217,2	215,3	1,9	0,9%
EBITDA	188,8	200,0	(11,2)	-5,6%
Adjusted EBITDA*	187,8	158,1	29,7	18,8%
Profit for the period	105,1	109,5	(4,4)	-4,0%
Net total financial debt	161,3	195,3	(34,0)	-17,4%
Net debt (including IFRS 16)	329,4	383,3	(53,9)	-14,1%
Net debt / EBITDA	1,74	1,92	(0,2)	-9,0%
Net debt / Adjusted EBITDA*	1,75	2,42	(0,67)	-27,6%
Net total financial debt / Adjusted EBITDA*	0,86	1,24	(0,38)	-30,6%
Assets	1.426,3	1.508,4	(82,1)	-5,4%
Equity	590,9	547,3	43,6	8,0%
Average room rate (ARR)	144,2	131,7	12,5	9,5%
% occupancy	67,7%	63,8%	3,9%	6,1%
Guest Satisfaction Index (GSI)	87,8%	87,2%	0,6%	0,7%

* EBITDA excluding disposals of tangible fixed assets

5. Pestana Hotel Group

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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 108 units of touristic lodging now being operated by the Group in 16 countries under 4 different Pestana hotel sub-brands.

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

5.2. Corporate structure

Pestana Hotel Group is present 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 sub-holding for the partnership with Cristiano Ronaldo dos Santos Aveiro to manage the Pestana CR7 brand, 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 and Vacation Club);
- Hotéis do Atlântico, S.A. – Europe and North America (Hospitality);
- Pestana CR7 Holding, S.A. – Management of Pestana CR7's (Hospitality);
- Pestana Inversiones, Lda. – South American Spanish speaking countries (Hospitality);
- Pestana Management, S.A. – Group's shared services companies;
- Salvintur, S.A. – Africa (Hospitality, Real Estate, Residence and Entertainment).

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

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

5.3. Strategy

Pestana Hotel Group's development strategy is based on six 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 leverage.
- 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, which allows the Group to reinforce its unique strengths and always be willing to change and challenge itself.
- Continued operational focus on gaining/maintaining efficiency, constantly reviewing business processes, enhancing new technology, engaging new people and maintaining close relationships with business partners. 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, which accounts for the long-term employee relationships the Group pursues and is able to maintain.
- Continue to provide top quality services to our guests generating demand for our products and services and providing excellent value for money thus earning the trust that our guests will have "The time of their lives" with Pestana Hotel Group.
- Continue the commitment with sustainability, either by improving the Group's performance on ESG indicators through the implementation of action plans for the various operating units, in particular decarbonisation plans. Continuing the commitment to improve the well-being and quality of life of the local communities in which the Group operates, promoting their development and greater social equity, and being an active member of the local communities.

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

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

- Central reservations – All hotels use the same PMS (Opera) and the same CRS (Opera) systems. This allows for a single central reservations and call centre department to record reservations for all Group hotels. It also allows automatic integration of reservations with all tour operators in the market as well as with the Pestana website.
- Sales – Although each sales team has its own sales objectives, by using the same systems they can cross sell, share resources and centrally monitor sales information and better manage the sales per channel. Using the same technology infrastructure also allows for innovative sales projects and partnerships with start-ups, easy to roll out for all portfolio of hotels. The pandemic contributed to a faster digitalization process in travel distribution. Thus, the Group focused its investment for this period mostly in the direct and OTA channels to capture significant volume of sales through them.
- Procurement – All of the Group's hotels benefit from the scale given by the Group in negotiations with vendors, therefore reducing unit costs or improving conditions, increasing quality of products and providing appropriate logistics.
- Finance – All major finance processes are centralized. This enables the monitoring of major finance risks more accurately and to spread them throughout the Group. Each hotel benefits from much better financing conditions due to the Group's global negotiations, risk dilution and in some cases support from holding companies. Implementation of cash pooling procedures continues to improve the Group's cash management. Entering into a credit insurance policy for the majority of the Group's accounts receivable has also contributed to reduce risk.
- HR and Operations – working as a Group enables hotels to share resources among themselves. In an activity with high seasonality (summer vs winter or weekends vs weekdays) this is an important factor for success.

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

Pestana Hotel Group has very consistent operations and had many profitable years prior, with the exception of the pandemic period, which allowed the Group to generate sufficient cash to significantly reduce its leveraging. There is no financial debt in countries with high inflation, such as African and South American countries, and most of the variable-rate financial debt was prepaid in 2023. All debt reimbursement plans have been aligned with the ability of each company to generate cash. No significant dividends were requested by the shareholder, which means that most of the available cashflow could 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 spread the risk and reduce the Group's dependence on the Hospitality business.

The Group also continues to value its people, not only improving working conditions, but also providing opportunities for training and professional and personal development and growth, as well as keeping a strong corporate mission and culture. Also, the Group is always open for change, transformation and innovation, continuing to invest in its operational and IT systems, which allows for efficiency gains.

In 2023 Pestana Hotel Group continued its commitment to Sustainability 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. In 2023 the Group's carbon foot print was reduced by more than 10% when measured by CO_2 consumption per occupied room.

6. Investment

The main projects carried out in 2023 were the following:

- Acquisition of Pestana Vila Sol hotel and Vila Golf – Pestana Golf Resort, already operated by the Group in Vilamoura, Portugal, for approximately 40,6 million Euros. The right of use asset and the lease liability at the date of termination of the contract were approximately 12,7 million Euros and 14,9 million Euros, respectively, with an impact on the result of 2,2 million Euros;
- Renovation of Pestana Delfim, which was renamed to Pestana Blue Alvor Beach All Inclusive Hotel, especially in the bedroom area, with the aim of modernizing this hotel and converting it into an all-inclusive unit especially aimed at families. This investment has been planned in two phases, the first of which concerns the refurbishment of the rooms, which was completed in June 2023 with an investment of approximately 8,8 million Euros. The second phase concerns the renovation of the unit's common areas, the improvement of existing spaces and the creation of new leisure areas, to be completed in the first half of 2024;
- Refurbishment and modernization of the building and equipment of the Pestana Vila Lido Madeira Ocean Hotel (formerly Pestana Palms Ocean Hotel), a 5-star hotel located very close to the Lido bathing complex with an outdoor swimming pool overlooking the coastal cliffs of Funchal. The investment amounted to approximately 6,4 million Euros;
- Construction has begun on the future Pestana Dunas hotel on the island of Porto Santo, Madeira. This unit will have 396 bedrooms and a total area of 60.000 m^2. It will be built using innovative and more environmentally sustainable techniques and it will confine with Pestana Porto Santo on the west and this proximity will allow for concentration and optimization between both operations. Construction of 218 rooms, reception, indoor and outdoors swimming pool and a restaurant began in 2023. The investment made in 2023 was around 4,3 million Euros, with completion scheduled for the first half of 2025;
- Opening of Pestana Rua Augusta Lisboa Historic Downtown hotel, a four-star hotel with 89 luxury rooms, in October 2023. This hotel is located in the heart of the city, in downtown Lisbon, next to the Rua Augusta Arch, which leads to the Praça do Comércio, in front of the Tejo river. In 2018, the Group signed a 27-year lease for this property, with a fixed rent that is updated annually based on inflation. In 2023, around 3,8 million Euros were invested to complete the work and purchase all the furniture and equipment needed for the hotel to function;
- Opening in May 2023 of the four-star Pousada Alfama Charming Hotel, located in the historic centre of Lisbon in front of the Portas do Sol viewpoint, with 42 rooms. The property has a 27-year lease agreement signed in 2019, which is automatically renewed for the same period. Around 0,8 million Euros were invested in this project in 2023, which includes the completion of construction works and the purchase of all furniture and equipment;
- Acquisition of the house attached to the Pousada de Óbidos, which was already operated under a lease agreement, for approximately 1,6 million Euros. The right of use asset and the lease liability at the date of termination were approximately 0,1 million Euros;

- An energy efficiency project, which includes the purchase of heat pumps, condensing boilers and the implementation of photovoltaic panels systems on the roofs of the buildings and car parks of the various hotel units, for self-supply of energy, which will allow a significant reduction in the energy costs of each hotel unit with more efficient and less polluting equipment was started. The Group had expenditures of around 0,8 million Euros in 2023. This project is included in the scope of the application made in the Recovery and Resilience Plan (RRP) in the "Accelerate and Transform Tourism Program" in Portugal, from which the Group is expected to obtain a non-refundable incentive of 40% on the expenses that are approved as eligible and whose investment is completed up to and including 2025;
- Acquisition of another building for 0,8 million Euros, with the objective of continuing the expansion of Pestana Vintage Porto by increasing the number of rooms available. In 2022, the Group had already acquired a building in the same area for 1,1 million Euros.
- Construction of the new Pestana CR7 Paris unit began after the signing of a contract for the acquisition and construction of this new hotel, which is expected to be completed in 2027. This unit is part of the Group's joint venture, Pestana CR7 Holding, S.A..

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 without leaving the hotel business. The main investments in real estate projects carried out in 2023 were as follows:

- Continuation of the Madeira Acqua Residences, in Madeira, which consists of converting the former Madeira Palácio hotel acquired in 2021 into 181 apartments for sale, of different types from 1 to 4 bedrooms. The deeds are almost entirely estimated for 2024. Up until 2023 constructions costs, including the acquisition cost of the land, amounted to 43,7 million Euros. The deposits made were 34,7 million Euros;
- Continuation of the Valley Nature Resort project which is located in South of Gramacho, in Algarve. This project is located on a plot of land with 30,14 hectares where 77 independent units are being constructed for sale and tourist exploration. During 2023, 34 units were delivered to customers and 33 promissory sales contracts were carried out, with total deposits of 21,3 million Euros, which includes houses already delivered.
- Continuation of Pestana Comporta Village, located 200 meters from Vila da Comporta, and 2 km from the beach where 75 units from 1 bedroom with swimming pool are being constructed. Due to the high demand for this type of development, all promissory sales contracts have already been executed, with total deposits amounting to 15,7 million Euros. The project is expected to be completed by the end of the summer of 2024, with delivery of the accommodation units estimated for the last quarter of 2024. The investment in 2023 was 4,3 million Euros;
- Construction began on the Porto Covo real estate project. This project will consist in a total of 174 units, some on a quarter share basis, and more than 90 per cent of the units have already been sold. The Group also has another project in the area, Porto Covinho, with 244 units, which will begin sales once all of Porto Covo is completely sold;

- Completion of the Fábrica, Apartments & Lofts project, located in the heart of Funchal city centre, involving the urban rehabilitation of the former Fábrica de Cervejas da Madeira into a luxury development in a gated community. This project has been fully deeded and delivered to customers in 2023;
- Completion of the Oasis 28 project, resulting from the change in the consolidation method of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. in 2022. This real estate project 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 consisted of 61 exclusive apartments from studio to 4-bedroom, all with outdoor area, with balcony, terrace or garden. This project has been fully deeded and delivered to customers in 2023;
- Acquisition of a plot of land for a future real estate project for 5,3 million Euros in Vilamoura next to the hotel and golf course acquired in 2023 by the Group.

7. Activity of Pestana Hotel Group

7.1 Profit and loss highlights

	TOTAL 2023	Grupo Pestana SGPS	Djebel	Hotéis do Atlântico	Pestana Inversiones	Salvintur	Pestana CR7 Holding and other	TOTAL 2022	TOTAL 2021
Rooms (total keys)	11.763	7.829	1.111	885	329	816	793	11.775	12.212
of which Rooms under management contract (keys)	442	439	0	0	0	3	0	628	628
Hotel units (total)	108	76	4	7	1	12	8	106	107
of which Units under management contract	8	7	0	0	0	1	0	8	8
(Amounts in millions of Euros)									
Revenue	556,7	419,6	18,2	58,7	4,3	16,2	39,7	453,1	295,4
GOP (a)	217,2	180,5	6,4	24,7	1,7	3,9	0,0	215,3	89,6
EBITDA (b)	188,8	148,5	3,4	13,3	2,6	1,6	19,4	200,0	96,2
EBITDA excluding disposals of tangible fixed assets	187,8	147,6	3,4	13,2	2,6	1,6	19,4	158,1	94,3
Depreciation, amortization and investment subsidies	-58,4	-41,9	-1,9	-5,3	-1,1	-6,5	-1,7	-50,2	-50,9
EBIT	130,4	106,6	1,5	8,0	1,5	-4,9	17,7	149,8	45,3
Interest net (includes fees)	-16,8	-13,7	0,0	-3,2	0,0	-0,2	0,3	-21,4	-22,9
Income taxes (c)	-8,5	-7,9	0,0	0,5	-0,6	0,6	-1,1	-18,9	0,5
Net income including non controlling interests share	105,1	85,0	1,5	5,3	0,9	-4,5	16,9	109,5	22,9
EBITDA margin (%)	34%	35%	19%	23%	60%	10%	N/A	44%	33%
EBITDA margin (%) excluding the disposals of tangible fixed assets	34%	35%	19%	22%	60%	10%	N/A	35%	32%
EBIT margin (%)	23%	25%	8%	14%	35%	-30%	N/A	33%	15%
ROE (%)	14,5%	20,6%	2,7%	3,5%	13,6%	-12,9%	N/A	16,8%	4,1%
EPS	79,7	N/A	N/A	N/A	N/A	N/A	N/A	83,0	17,3
EBITDA / Net interests (..x)	11,2	10,8	N/A	4,1	N/A	8,0	-64,7	9,3	4,2
Average cost of gross debt (%)	6,1%	4,8%	N/A	9,8%	N/A	2,1%	N/A	4,1%	3,7%

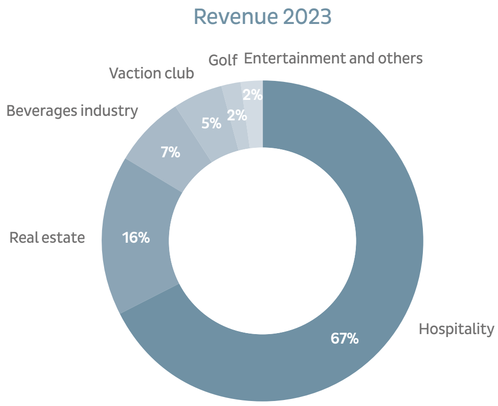
Notes:
(a) "Gross operating profit" – management accounts (uniform system of accounts for the lodging industry (USALI)) only includes fully consolidated companies
(b) Operating profit excluding Charges of depreciation and amortization, Impairment losses of tangible assets, Gambling tax paid by Casino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

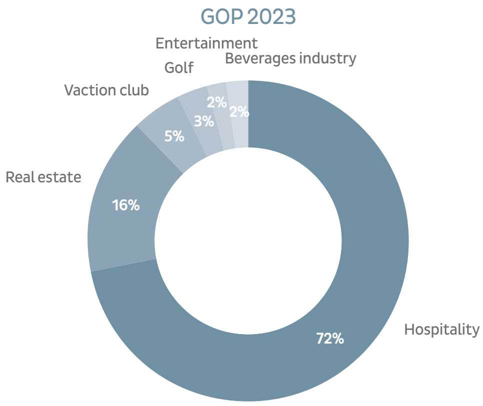
In 2023, Pestana Hotel Group had the best year of activity of its history, reaching revenue of 556,7 million Euros for an EBITDA of 188,8 million Euros. It should be noted that in 2022 the Pestana Blue hotel was sold with a capital gain of around 40 million Euros. This represents an increase of 22,9% in revenue and 18,8% in EBITDA compared to 2022 and excluding the impact of disposals of tangible fixed assets.

These results were achieved in a year that continued to be characterised by people's desire to travel and get away from their houses, regardless of the macroeconomic conditions. This effect led to a general increase in the average room rate, which, combined with the Group's ongoing cost control policy and continued focus on the customer. It is worth noting that these results have been achieved with a simultaneous increase in the Guest Satisfaction Index and in the occupancy rate due to continued investment in information systems to ensure that customers arrive at the hotels through direct channels, maximising the Group's profitability while improving the customer experience. However, despite the fact that hospitality GOP growth was quite significant, total GOP growth was 0,9%, since the major real estate projects still underway (Maderia Acqua and Porto Covo) were mostly eligible for GOP in 2022, the year in which most of the promissory contracts were signed and which implies a significant contract payment.

It is worth noting that in the current macroeconomic situation, with rising inflation and interest rates affecting family incomes, the Group has continued to strengthen the working and remuneration conditions of its employees.

The revenue and the G.O.P. from hospitality business continues to be the most important in the structure of the Group. However, Real estate business is growing in importance and the other business segments continue to show similar weighting as last year.





A. Hospitality

Hospitality business has shown excellent results in 2023. The G.O.P., excluding the hotel units that opened in 2023 or were sold in 2022, increased 18%, mainly driven by a general increase in the average room rate, as well as the increase in occupancy rate, continuation of the cost control policy and the increasing in the mix of sales distribution channels. The distribution channels have changed over the last few years, with an increase in direct and online sales channels, which have allowed greater flexibility and a consequent increase in revenue and profitability, which is why the Pestana Hotel Group has continued its strategy of investing in direct channels.

The performance of the hospitality business results from the Group's highly variable cost structure, which allows for flexibility in its management according to the evolution of demand. However, 2023 continued to be affected by the impact of the wars, in Ukraine and in Palestine, with inflation continuing to be felt generally across the economy, especially in energy costs. Despite this impact, the Group renegotiated its energy contracts in Portugal and managed to significantly reduce its costs compared to the first half of 2023. In line with the Group's sustainability policy and efforts to reduce energy consumption, the Group reduced its carbon footprint by more than 10% when measured CO_2 consumption per occupied room.

In Portugal the G.O.P. from hospitality business increased by 17,4%, excluding the hotel units that opened in 2023 or were sold in 2022. This great result was mainly driven by the regions of Algarve and Madeira motivated by the increase in flights to both of these regions, which led to an increase in tourist flows to these areas, mainly from United Kingdom and French markets. The city destinations, Lisbon and Oporto, also had a significant increase in their G.O.P. following the continued upturn in tourism to city destinations which was reinforced by the World Travel Awards received, best city and best destination, respectively. In 2023 two new units were opened in Lisbon, namely Pestana Rua Augusta Lisboa Historic Downtown Hotel and Pousada de Alfama Charming Hotel. It is also worth noting that in Portugal, the occupancy rate increased by 3,4% and the average room rate rose by 8,9%.

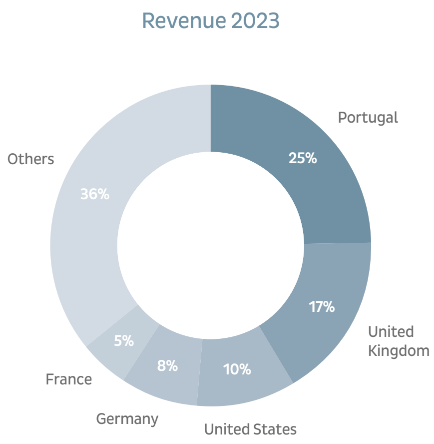
In Europe, the trend of excellent results continued in 2023 where every hotel unit had a positive performance. The average increase in G.O.P. was 17,7% where Pestana Amsterdam and Pestana Chelsea Bridge were the main contributors for this increase. Occupancy rates of hotel units in Europe increased by an average of 8,1% and average room rates by an average of 10,4%.

In the United States, the hotels also had a good performance and increased their G.O.P., specially Pestana Park Avenue which increased its G.O.P. by 16% driven by an increase in occupancy rate of 6,4%. This was the second year of operation of this hotel, and with its special location, it is expected that this performance will carry on in the following years.

In South America, there was a bigger influx of people and an increase in the average room rate of 21,4%, which led to a 63,9% increase in G.O.P..

In Africa, that was one of the most devasted continents by the Covid-19 pandemic and had a slower return to normality, in 2023 the hotel units in Africa started to turn the page and generally had good results and the revenue increased 15,7%. This result was mainly achieved by the first full year of operation of Pestana Tanger, in Morocco, and for the excellent results in Pestana Tropico, in Cape Verde. The occupancy rate and the average room rate increased 2,7% and 7,7%, respectively, when compared to last year. Despite this year's growth, some hotel units in Africa still have to recover the performance they had before the pandemic.

The Group's main feeder markets remained almost the same: Portugal, United Kingdom, United States, Germany and France.



B. Real Estate

In 2023, the Real Estate business represents 16% 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 and Porto Covo, 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.

In 2023, the main projects with impact on results were Oasis 28 with 61 exclusive apartments sold for 31,5 million Euros and The Valley Nature Resort, Algarve, with 34 units sold for 17,3 million Euros.

Real estate revenue also includes the residence activity, which had an excellent year in line with the hotel business, reaching revenue of around 19,2 million Euros, namely the tourist exploration contracts for Pestana Troia Eco-Resort and Pestana Gramacho and Pinta.

C. Pestana Vacation Club

Vacation Club & Options represents 5% 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 (PVC) which allows guests to travel all along its hotels around the world. This does not only give the buyer a legal temporary right to the property but is also a cash flow stream like Timeshare which are all part of the Group's loyalty program.

With the contribution of its main tourist markets in the UK and Germany, Pestana Vacation Club made it possible to maintain the revenue generated from periodic accommodation and Options contracts. It should be noted that the Group continues to make it possible to enjoy the contracted weeks whose use was impacted by the pandemic and whose maintenance fees were paid.

D. Beverages industry

This business represents 7% of the Group's revenue in 2023, which is in line with the usual weight Group revenue. In 2023 this business also benefited from the increase in tourism through the increase in net sales compared to 2022 in the on-trade market, which is currently the most representative of this business. The increase in the on-trade market was mainly due to the strong investment in the purchase of draught beer equipment, which enabled the expansion of the White Coral and Pure Malt, as well as Coral Stout and Sidra. Despite this, the off-trade market also grew by around 20% year on year, mainly in the island market of Porto Santo.

E. Entertainment

The Entertainment business represents 2% of the Group's activity and is composed by two Casinos, in Madeira and in São Tomé e Príncipe. The Casinos showed a positive evolution with revenue increasing 13% and G.O.P by 2% comparing to last year. Casino da Madeira represents the most weight of this segment, and it was also the main responsible for this improvement.

F. Golf

This activity continues to represent 2% of the Group's revenue and 3% of the G.O.P. having maintained a stable level of activity and increased its revenue by 12% compared to 2022. 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.

7.2 Balance sheet highlights

(Amounts in millions of Euros)

Net Assets	2023	% TOTAL	Grupo Pestana SGPS	Djebel	Hotéis do Atlântico	Pestana Inversiones	Salvintur	Other	2022	2021
Investment (Fixed assets) (a)	947,7	90%	672,9	48,3	171,3	4,6	38,8	11,8	935,5	960,2
Deferred tax liabilities	-20,6	-2%	-12,6	-2,8	-2,0	0,0	-3,2	0,0	-25,6	-14,3
Total adjusted fixed assets	**927,1**	**88%**	**660,3**	**45,5**	**169,3**	**4,6**	**35,6**	**11,8**	**909,9**	**945,9**
Investment (Financial assets) (b)	91,3	9%	35,2	0,0	27,1	0,0	0,0	29,0	63,2	46,5
Other non-current assets (c)	18,9	2%	2,3	0,3	6,0	0,0	0,9	9,4	21,1	20,6
Current assets – Current liabilities (d)	24,0	1%	13,4	11,0	-4,2	0,1	1,2	2,5	48,5	89,9
Total adjusted assets	**1.061,3**	**100%**	**711,2**	**56,8**	**198,2**	**4,7**	**37,7**	**52,7**	**1.042,7**	**1.102,9**
Funding origins										
Equity (e)	644,2	61%	336,3	52,4	151,2	6,6	34,6	63,1	565,3	445,6
Collected deferred revenues (f)	124,0	12%	118,6	2,2	1,2	0,0	0,4	1,6	132,9	143,9
Deferred sales costs (g)	-42,6	-4%	-42,6	0,0	0,0	0,0	0,0	0,0	-46,0	-49,5
Total non remunerated funding (adjusted equity)	**725,6**	**68%**	**412,3**	**54,6**	**152,4**	**6,6**	**35,0**	**64,7**	**652,2**	**540,0**
Long term financial debt (h)	383,2	36%	304,6	0,0	57,8	0,0	6,6	14,2	520,9	541,0
Other non-current liabilities (i)	6,3	1%	3,2	3,1	0,0	0,0	0,0	0,0	7,2	7,5
Total non-current funding	**1.115,1**	**105%**	**720,1**	**57,7**	**210,2**	**6,6**	**41,6**	**78,9**	**1.180,3**	**1.088,5**
Short term financial debt (h)	49,2	5%	32,5	0,0	11,4	0,0	1,8	3,5	86,7	103,3
Cash and cash equivalents	-103,0	-10%	-41,4	-0,9	-23,4	-1,9	-5,7	-29,7	-224,3	-88,9
Net current debt	**-53,8**	**-5%**	**-8,9**	**-0,9**	**-12,0**	**-1,9**	**-3,9**	**-26,2**	**-137,6**	**14,4**
Total funding origins	**1.061,3**	**100%**	**711,2**	**56,8**	**198,2**	**4,7**	**37,7**	**52,7**	**1.042,7**	**1.102,9**
Net debt (j)	329,4		295,7	-0,9	45,8	-1,9	2,7	-12,0	383,3	555,4
Net debt excluding IFRS 16	161,3		162,4	-0,9	18,5	-1,9	-4,8	-12,0	195,3	373,9
EBITDA	188,8		148,5	3,4	13,3	2,6	1,6	19,4	200,0	96,2
EBITDA excluding disposals of tangible fixed assets	187,8		147,6	3,4	13,2	2,6	1,6	19,4	158,1	94,3
Working capital	24,0		13,4	11,0	-4,2	0,1	1,2	2,5	48,5	89,9
Net capex (k)	84,8		76,1	0,4	1,0	0,1	1,0	6,2	12,8	26,2
Capex under construction	38,9		29,5	0,1	0,5	3,9	0,5	4,4	40,2	31,6
Net debt / EBITDA	1,74		1,99	N/A	3,47	N/A	N/A	-0,62	1,92	5,77
Net debt / EBITDA excluding IFRS 16 and disposals	0,86		1,10	-0,26	1,40	-0,73	-3,00	-0,62	1,24	3,96
Net debt / Adjusted equity	0,45		0,72	N/A	0,30	N/A	N/A	-0,19	0,59	1,01
Net debt / Total adjusted assets (%)	31%		42%	N/A	23%	N/A	N/A	-23%	37%	50%
Liquidity ratio (%) (Cash and cash equivalents) / (h+i)	23%		12%	29%	34%	N/A	68%	168%	36%	14%

Notes:
(a) Includes Tangible fixed assets, Intangible assets, Investment properties and Non-current assets held for sale and excludes Deferred sales costs of Pestana Vacation Club
(b) Includes Investments in joint ventures, associates and financial assets at fair value through profit or loss
(c) Includes Deferred tax assets, Derivatives and Trade and other receivables (excluding contract costs)
(d) Excludes Cash and cash equivalents, Borrowings, Lease liabilities and Deferred revenue
(e) Including 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 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 1.061,3 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.

Pestana Hotel Group also has a total non remunerated funding of 725,6 million Euros, having increased this weight on the total adjusted assets to 68% (2022: 63%), which reflects the Group's strong financial autonomy.

In 2023 the Group classified its hotel unit Pestana Bahia Hotel as Non-current assets and liabilities held for sale. This unit was closed a few years ago since it was no longer strategic. Since the hotel was part of a joint condominium, it was necessary to carry out work in the common areas in order to legally separate the two properties. The Group had already carried out all the necessary works that allowed for the creation of the two separate condominiums and in 2023 obtained the court's approval to do so. As a result, in 2023 conditions were met for this asset to be sold and a buyer was identified, whose acquisition proposal, which was higher than its book value, was accepted by the Group, and the terms of the deed are currently being discussed.

Pestana Hotel Group also maintained its prudent liquidity policy. Thus, given the significant increase in interest rates and the fact that they are expected to remain high, at least in the medium term, as well as the high level of liquidity generated by operations, the Group decided to pay in advance a significant portion of its variable rate debt, amounting to 96,4 million Euros. The total amount paid relating to borrowings was 191 million Euros. It is also noteworthy that 93% of the Group's total financial debt is at fixed rate. In addition, the Group's debt is concentrated in the medium to long term and its payments are aligned with the Group's ability to generate cash.

During the year, the Group also made significant investments in CAPEX of around 84,8 million Euros and continued to increase capital in its joint ventures in the amount of 28,7 million Euros, namely under Pestana CR7 brand, to repay variable interest rate debt in the United States of America, as well as to finance the construction of the new unit Pestana CR7 Paris.

Despite the aforementioned payment of loans of 186 million Euros, investments in CAPEX of 84,8 million Euros, investments in joint ventures of 28,7 million Euros and the continued investments in real estate projects, Pestana Hotel Group still managed to reduce its net debt by 53,9 million Euros and have 103 million euros in cash available.

Also in 2023, taking into account the partial repayment of the shareholder loan of 18 million Euros and given the Group's current expectation of future reimbursements, the Group reclassified the remaining amount of Other capital contributions to current borrowings in the amount of 53,4 million Euros.

Pestana Hotel Group's net financial debt / EBITDA ratio is 0,86. This means that, all things considered, the Group would only need less than one year's EBITDA to repay all its financial debt, which is mainly non-current. Pestana Hotel Group also has available credit lines in the amount of 107,5 million Euros and has a working capital of 24 million Euros, which also demonstrates the excellent financial position of the Group, which justifies, among others, its risk profile at "investment" level with a positive outlook, according to the EthiFinance rating agency.

In summary, Pestana Hotel Group has a very strong and solid financial position that allows the Group to grow sustainably and to act swiftly when investment opportunities are identified.

8. Objectives and policies of Pestana Hotel Group regarding risk

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

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

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

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

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

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

Corporate structure risks include shareholder succession and corporate governance structure.

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

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

Other risks include environmental risks.

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

9. Relevant issues that occurred after the year end

Consolidated
Management Report

Following the international growth of the Group, in 31 January 2024, Pestana Hotel Group acquired a new hotel in Orlando, Florida, for the amount of 21.000.000 US dollars which began operating under the Pestana brand on 1 February 2024. This is a newly built hotel with 127 rooms, located near Walt Disney World, which was already in operation.

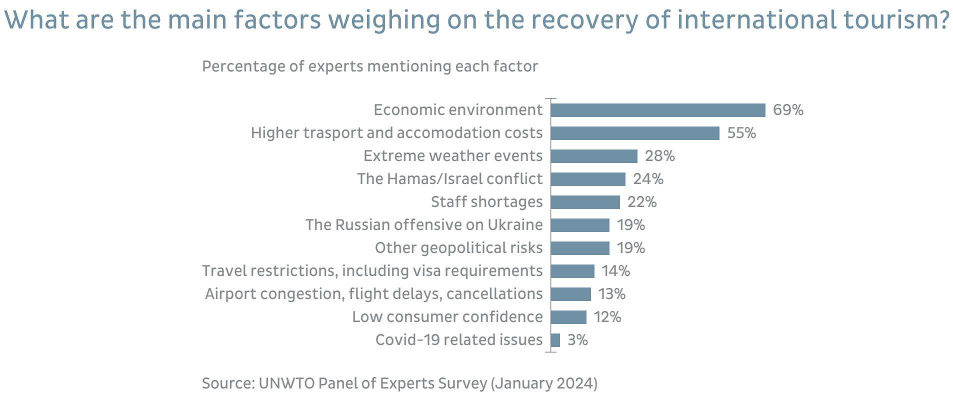
PESTANA
HOTEL GROUP

10. The near future

Consolidated
Management Report

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

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



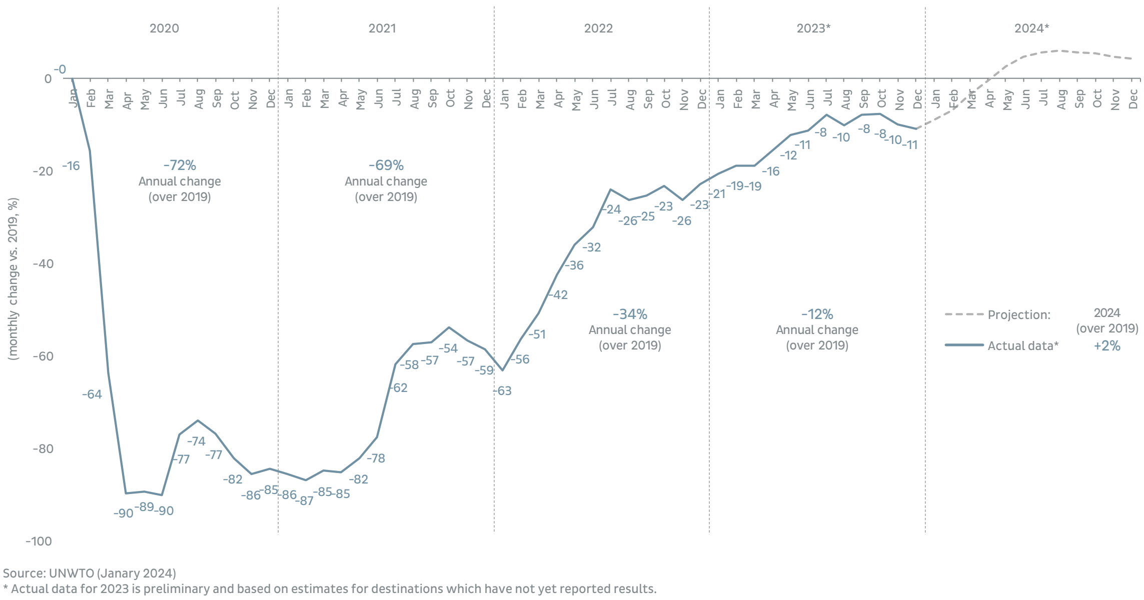
Source: UNWTO World Tourism Barometer 2024/01

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

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

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

International tourist arrivals: 2020-2023 and Projection for 2024 (monthly change over 2019, %)

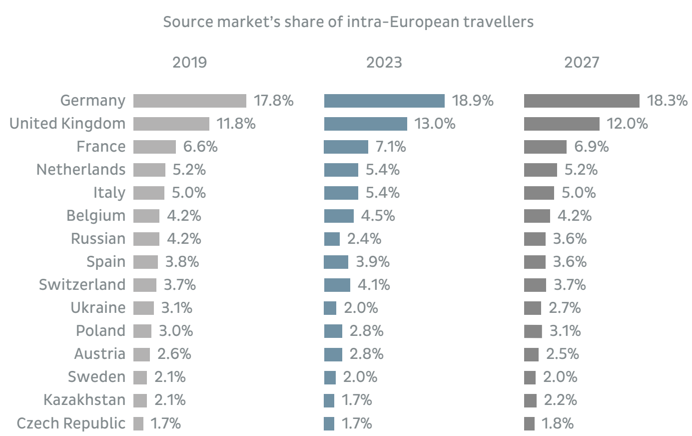


Source: UNWTO World Tourism Barometer 2024/01

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

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

Top Intra-European Source Markets



Source: ETC Site 2024/02

GTS Visitor Growth Forecasts, % change year

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

* Inbound is based on the sum of the country overnight tourist arrivals and includes intra-regional flows
** Outbound is based on the sum of visits to all destinations
The geographies of Europe are defined as follows:
Northern Europe is Denmark, Finland, Iceland, Ireland, Norway, Sweden, and the UK;
Western Europe is Austria, Belgium, France, Germany, Luxembourg, Netherlands, and Switzerland;
Southern/Mediterranean Europe is Albania, Bosnia-Herzegovina, Croatia, Cyprus, Greece, Italy, Malta, Montenegro, North Macedonia, Portugal, Serbia, Slovenia, Spain, and Turkey;
Central/Eastern Europe is Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine;
Central & Baltic Europe is Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, and Slovakia;
ETC+2 is all ETC members plus Sweden, and the United Kingdom
Source: Tourism Economics based on GTS as of 15.12.2023

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

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

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

PESTANA
HOTEL GROUP

11. Recognitions

Consolidated
Management Report

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, 26 March 2024

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

PESTANA
HOTEL GROUP

Consolidated financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in Euros)

	NOTES	2023	2022
ASSETS			
Non-current			
Tangible fixed assets	6	971.205.099	963.052.392
Intangible assets	7	4.162.727	2.931.095
Investment properties	8	5.752.087	5.111.319
Investment in joint ventures	9	55.129.458	34.018.420
Investment in associates	10	11.701.729	11.439.033
Financial assets at fair value through profit and loss	11	24.503.516	17.709.530
Deferred tax assets	12	16.798.637	15.104.654
Derivatives	14	152.830	2.238.842
Trade and other receivables	15	9.821.742	12.761.890
		1.099.227.825	**1.064.367.175**
Current			
Inventories	16	132.088.890	140.577.518
Trade and other receivables	15	67.033.187	78.504.239
Income tax receivable	17	14.215.694	574.084
Cash and cash equivalents	18	102.965.971	224.343.877
Non current assets held for sale	19	10.806.480	–
		327.110.222	**443.999.718**
Total assets		**1.426.338.047**	**1.508.366.893**
EQUITY			
Capital	20	166.625.238	220.000.000
Other reserves	21	4.508.230	5.077.608
Retained earnings	22	305.057.556	203.608.921
Profit for the period attributable to shareholders		101.521.600	106.896.784
Non-controlling interests	23	13.194.005	11.730.344
Total equity		**590.906.629**	**547.313.657**
LIABILITIES			
Non-current			
Provisions	24	6.266.057	7.155.545
Borrowings	25	234.031.640	354.436.072
Lease liabilities	26	149.162.077	166.418.877
Deferred tax liabilities	12	20.630.966	25.613.267
Deferred revenue	27	99.703.110	107.653.356
Advances from customers	15	24.894.348	42.447.509
Trade and other payables	28	21.564	33.471
		534.709.762	**703.758.097**
Current			
Provisions	24	1.623.307	1.617.053
Borrowings	25	83.657.603	83.088.527
Lease liabilities	26	18.921.731	21.597.353
Deferred revenue	27	24.304.777	25.258.356
Advances from customers	15	71.921.575	40.760.746
Trade and other payables	28	90.327.090	79.092.441
Income tax liabilities	17	6.871.621	5.880.663
Non current liabilities held for sale	19	3.093.952	–
		300.721.656	**257.295.139**
Total liabilities		**835.431.418**	**961.053.236**
Total equity and liabilities		**1.426.338.047**	**1.508.366.893**

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

CONSOLIDATED INCOME STATEMENT

(Amounts expressed in Euros)	NOTES	Period 2023	Period 2022
Revenue	29	556.739.650	453.136.598
Cost of goods sold	16	(103.529.093)	(55.117.087)
External services and supplies	30	(145.354.526)	(139.469.761)
Personnel expenses	31	(112.648.441)	(93.507.710)
Charges of depreciation and amortization	6;7;8	(54.032.280)	(53.577.444)
(Impairment losses) / Reversals of tangible assets	6	(4.743.437)	2.810.839
(Impairment) / Reversal of receivables	15	(488.488)	185.914
Reversal / (Impairment) of inventories	16	19.463	(44.456)
Provisions	24	(129.092)	118.358
Other income	32	11.279.020	49.641.599
Other expenses	33	(15.000.419)	(13.858.853)
(Losses) / Gains on disposal of investments, equity method and financial assets at fair value through profit and loss	34	(3.171.246)	(1.811.085)
Operating profit		**128.941.111**	**148.506.912**
Financial expenses	35	(26.553.699)	(25.079.630)
Financial income	35	9.788.319	3.704.214
Profit before tax		**112.175.731**	**127.131.496**
Income tax	36	(7.111.756)	(17.663.235)
Profit for the period		**105.063.975**	**109.468.261**
Profit for the period attributable to:			
Shareholders of the group		101.521.600	106.896.784
Non-controlling interests		3.542.375	2.571.477
		105.063.975	**109.468.261**

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

EBITDA (Non-IFRS Measure)	43	188.771.228	200.046.920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in Euros)	NOTES	Period 2023	2022
Profit for the period		**105.063.975**	**109.468.261**
Items that may be recycled through profit and loss:			
Foreign currency translation differences	21;22;23	(2.718.667)	8.678.870
Change in fair value of hedging derivatives	14	(2.757.506)	2.322.188
Tax impact in items booked directly in equity	12	499.655	(529.651)
Other comprehensive income for the period – net of income tax		**(4.976.518)**	**10.471.407**
Total comprehensive income for the period		**100.087.457**	**119.939.668**
Comprehensive income attributable to:			
Shareholders of the group		96.439.073	117.384.254
Non-controlling interests		3.648.384	2.555.414
		100.087.457	**119.939.668**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in Euros)	NOTES	ATTRIBUTABLE TO SHAREHOLDERS						
		CAPITAL						
		SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	PROFIT FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
AT 1 JANUARY 2023		166.625.238	53.374.762	5.077.608	203.608.921	106.896.784	11.730.344	547.313.657
Changes in the period								
Profit for the period application	21;22			3.761.500	103.135.284	(106.896.784)	–	–
				3.761.500	**103.135.284**	**(106.896.784)**	**–**	**–**
Foreign currency translation differences	21;22;23			(2.073.027)	(751.649)	–	106.009	(2.718.667)
Change in fair value reserve – hedging derivatives (net of income tax)	21			(2.257.851)	–	–	–	(2.257.851)
Profit for the period				–		101.521.600	3.542.375	105.063.975
Comprehensive income				**(4.330.878)**	**(751.649)**	**101.521.600**	**3.648.384**	**100.087.457**
				(569.378)	**102.383.635**	**(5.375.184)**	**3.648.384**	**100.087.457**
Transactions with shareholders in the period								
Distributions	22;23	–	–	–	(935.000)	–	(2.184.723)	(3.119.723)
Transfers to Borrowings (current)	20;25	–	(53.374.762)	–	–	–	–	(53.374.762)
		–	**(53.374.762)**	**–**	**(935.000)**	**–**	**(2.184.723)**	**(56.494.485)**
AT 31 DECEMBER 2023		**166.625.238**	**-**	**4.508.230**	**305.057.556**	**101.521.600**	**13.194.005**	**590.906.629**

(Amounts expressed in Euros)		ATTRIBUTABLE TO SHAREHOLDERS						
		CAPITAL						
	NOTES	SHARE CAPITAL	OTHER EQUITY INSTRUMENTS	OTHER RESERVES	RETAINED EARNINGS	PROFIT FOR THE PERIOD	NON-CONTROLLING INTERESTS	TOTAL
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	21;22;23;40			827.513	(1.296.864)	–	469.351	–
Profit for the period application	21;22			2.193.556	20.247.648	(22.441.204)	–	–
Other changes recognized in equity	22;23			–	(259.469)	–	259.469	–
				3.021.069	**18.691.315**	**(22.441.204)**	**728.820**	**–**
Foreign currency translation differences	21;22;23			8.454.989	239.944	–	(16.063)	8.678.870
Change in fair value reserve – hedging derivatives (net of income tax)	21			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	22	–	–	–	(250.000)	–	–	(250.000)
Transfers to Borrowings	20;25	–	(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**

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

CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in Euros)	NOTES	Period ended 31 December 2023	2022
Cash flow from operating activities			
Receipts from customers		575.920.207	509.801.551
Payments to suppliers		(236.924.367)	(216.427.873)
Payments to personnel		(107.512.801)	(90.025.389)
Cash generated from operations		**231.483.039**	**203.348.289**
Income tax (paid) / receipt		(28.608.504)	589.941
Other payments		(1.066.140)	(1.851.087)
Net cash flow from operating activities		**201.808.395**	**202.087.143**
Cash flow from investing activities			
Receipts related to:			
Investments in joint ventures	9;40	5.548.876	7.407.356
Interest income and similar		4.875.471	579.705
Investments in subsidiaries		3.406.529	–
Tangible fixed assets		1.430.232	80.175.928
Investments in financial assets at fair value through profit and loss	11	755.108	788.703
Investments in associates	10	138.420	268.173
Changes in consolidation perimeter	18;40	–	6.962.815
Investment properties		–	1.588.203
Payments related to:			
Tangible fixed assets, intangible assets and investment properties		(83.875.047)	(30.877.431)
Investments in joint ventures	9	(28.681.065)	(20.423.961)
Investments in financial assets at fair value through profit and loss	11	(9.894.697)	(9.672.150)
Acquisition of control	10	–	(4.014.859)
Net cash from investing activities		**(106.296.173)**	**32.782.482**
Cash flow from financing activities			
Receipts related to:			
Borrowings		22.168.190	75.507.321
Payments related to:			
Borrowings		(191.251.292)	(129.359.705)
Lease liabilities		(20.703.833)	(23.124.905)
Loan interest expenses and similar charges		(19.697.730)	(18.222.891)
Dividends to non-controlling interests	23;37	(2.184.723)	–
Dividends	22;37	(935.000)	(250.000)
Net cash from financing activities		**(212.604.388)**	**(95.450.180)**
Changes in cash and cash equivalents		**(117.092.166)**	**139.419.445**
Effects of exchange differences		(312.211)	(200.926)
Cash and cash equivalents at beginning of the year	18	218.308.061	79.089.542
Cash and cash equivalents at end of the year	18	**100.903.684**	**218.308.061**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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., 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 and touristic entertainment. 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 108 units of touristic lodging totalling 11.763 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of European hotel networks ranking and in the top 105 worldwide.

In the leisure area, Pestana Hotel Group currently holds, besides its 69 hotels (17 in Madeira, 10 in Algarve, 9 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 entertainment company and a company in the beverage industry. These numbers include seven 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, Pestana CR7 Marrakech, Pestana CR7 Manchester and Pestana CR7 Paris.

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

(a) Management contract
(b) Franchised
(c) Leased contract / concession
(d) Opened in 2023
(e) Opened in 2022

These Consolidated financial statements were authorised for issue by the Board of Directors on 26 March 2024 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 2023. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and 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 2023 is as follows:

- IAS 1 (amendment), 'Disclosure of accounting policies'. Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed. The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures. This amendment had no impact on the Group's Consolidated financial statements.
- IAS 8 (amendment), 'Disclosure of accounting estimates". This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s). This amendment had no impact on the Group's Consolidated financial statements.
- IAS 12 (amendment), 'Deferred tax related to assets and liabilities arising from a single transaction'. IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These temporary differences are excluded from the scope of the exemption from recording deferred taxes upon initial recognition of assets or liabilities. This amendment is applied retrospectively. This amendment had no impact on the Group's Consolidated financial statements.
- IAS 12 (amendment), 'International tax reform – Pillar two model rules'. Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes of the entities impacted which, at this date, are difficult to estimate. This amendment to IAS 12 introduces: i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and ii) targeted disclosure requirements for affected entities (entities belonging to multinational groups that have consolidated revenues of 750 million Euros in at least two out of the last four years), such as: the fact that the exception was applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of Pilar Two rules between the date the legislation becomes enacted and the date it becomes effective. This amendment had no impact on the Group's Consolidated financial statements.

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

- IAS 1 (amendment), 'Classification of liabilities as Non-current and Current' and 'Non-current liabilities with covenants'. These amendments clarify that liabilities are classified as either current or non-current balances depending on the rights that an entity has to defer its settlement for at least 12 months after the reporting date. They clarify also that the covenants that an entity is required to comply with, on or before the reporting date, affect the classification of a liability as current or non-current, even if the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance dates; and c) the facts and circumstances that indicate that the entity may have difficulty complying with covenants when it is required to do so. These amendments are applied retrospectively. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.

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

c) Amendments to standards that have been published and are mandatory on or after 1 January 2024, but which the EU has not yet endorsed:

- IAS 7 (amendment) and IFRS 7 (amendment), 'Supplier finance arrangements'. These amendments require an entity to provide additional disclosures about its supplier finance arrangements to enable: i) the assessment of how supplier finance arrangements affect an entity's liabilities and cash flows; and ii) the understanding of the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available. The additional requirements complement presentation and disclosure requirements already in IFRS as set out in the IFRS IC's Agenda decision of December 2020. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.
- IAS 21 (amendment), 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability'. This amendment adds requirements for determining whether a currency can be exchanged for another currency (exchangeability) and defining how to determine the spot exchange rate to be used when it is not possible to exchange a currency for a long period of time. This change also requires the disclosure of information that allows understanding how the currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used on the reporting date and how it was determined. The Group will apply this amendment when it becomes effective with no relevant expected impacts on the Group's Consolidated financial statements.

3. Main accounting policies

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

3.1. Consolidation

3.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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 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 39.

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 39.

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 39.

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. Foreing currency translation

i) Functional and presentation currency

The Consolidated financial statements and related notes are presented in Euros, unless otherwise stated, the presentation currency of 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 and cash and cash equivalents, 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	31-12-2023	31-12-2022
ARS – Argentine Peso	892,2054	189,1694
BRL – Brazilian Real	5,3548	5,6018
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8668	0,8872
MAD – Moroccan Dirham	10,8890	11,1558
MZN – Metical	69,7800	68,3900
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,1036	1,0675
UYU – Uruguayan Peso	43,0850	42,3063
ZAR – Rand	20,1626	18,0975

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	2023	2022
ARS – Argentine Peso	323,0747	137,6878
BRL – Brazilian Real	5,3993	5,4417
CVE – Cape Verde Escudo	110,2650	110,2650
GBP – Pound Sterling	0,8696	0,8527
MAD – Moroccan Dirham	10,9544	10,6843
MZN – Metical	68,4142	67,5501
STN – Dobra	24,5000	24,5000
USD – US Dollar	1,0813	1,0534
UYU – Uruguayan Peso	41,9792	43,4245
ZAR – South African Rand	19,9436	17,1655

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 Consolidated 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
Other properties	Between 20 and 40 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 it has 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 Consolidated 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 Consolidated income statement as incurred.

Amortization is calculated on a straight-line basis, using estimated useful lives, being the most significant related to websites and softwares 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.

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 exist (cash generating units).

The non-financial assets other than goodwill, for which impairment losses have been recognized 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) the hedging instrument and the hedged item qualify; ii) there is formal designation and documentation of the hedging relationship and the risk management objective defined by the management group; iii) the hedging relationship is effective.

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

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

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

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

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

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

Financial assets can be classified as:

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

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

   (a) In what concerns debt instruments this category includes financial assets whose contractual cash flows 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 the Consolidated income statement 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 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 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), 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 while also considering if there is any 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 debtors related to the beverage industry business are subject to impairment analysis for all contractual payments due and it is also checked whether there is any information available to indicate a default.

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 2023 and 2022 all related parties are able to pay, having the probability of default been considered as close to 0% and therefore no impairment has been recognized.

iv. Write-off

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

v. Derecognition

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

3.10. Inventories

Inventories refer to goods, finished goods and works 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 and does not give rise to equal taxable and deductible temporary differences. However, for taxable temporary differences associated with investments in equity instruments, deferred tax liabilities should not be recognized to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future.

3.12. 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. Non-current assets and liabilities held for sale

Non-current assets or liabilities (or disposal groups) are classified as assets held for sale when their book value is intended to be recovered through a sale transaction rather than continued use, and there is a decision by the Board of Directors with the consequent definition of the price and search for a buyer that allows the sale transaction to be classified as highly probable within a period of up to 12 months. The liabilities related to these assets are classified as Non-current liabilities held for sale in the same moment. When applicable, the length of the period required to complete the sale is taken into account, as provided for in IFRS 5 – Non-current assets held for sale.

These assets and liabilities are measured at the lower of book value and fair value less costs to sell on the date they are classified as held for sale. Assets with a defined useful life are no longer depreciated/ amortized from the date of classification as held for sale until the date of sale.

3.14. Capital

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

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

3.15. Provisions

Provisions are only recognized when Pestana Hotel Group has a present legal or constructive obligation resulting from past events, 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 the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on a discount rate that reflects the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.16. Financial liabilities

Financial liabilities are classified into two categories:

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

(ii) Financial liabilities at amortized cost.

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

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

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

3.17. Borrowings

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

Borrowings are classified as current liabilities unless 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.

3.18. Leases

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

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

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

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

Lease payments included in the measurement of Lease liabilities are: 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 are 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 1 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 lease's initial date if it 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.

3.19. 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 Consolidated statement of financial position as deferred income and recognized in the Consolidated income statement in proportion to the depreciation of the tangible assets subsidized.

3.20. Income and Expenses

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

3.21. Revenue

Revenue is the fair value of the amount received or receivable on the sale of products and / or services in the ordinary course of business of 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 awarding 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 3.18) and revenue from maintenance fees contractually defined as an amount to be charged to timeshare customers. The maintenance fee is recognized as revenue on the agreed date during the contract period since 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 against 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.

3.22. Subsequent events

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

4. Financial risk management policies

4.1. Financial risk factors

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.

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, would lead to an increase/(decrease) in the Pestana Hotel Group results as follows:

	Consolidated income statement	
	31-12-2022	
	+10%	-10%
GBP	1.232.955	-1.506.944
	1.232.955	**-1.506.944**

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

In 2023, Pestana Hotel Group entirely paid-off the only loan that was in GBP.

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 bank loans with variable interest rates, which only represent 7,1% of the Group's bank 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 2023 and 2022.

Considering Pestana Hotel Group's consolidated net financial debt as at 31 December 2023, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of 82.000 Euros (31 December 2022: 208.000 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:

	Bank deposits		Bank loans, Commercial paper and Bank overdrafts	
	2023	2022	2023	2022
Rating				
Aa1	–	175.954	–	–
Aa2	7.812.110	4.828.777	17.242.025	17.984.405
Aa3	437.855	11.565.208	–	–
A1	1.793.867	34.808.169	–	31.649.358
A2	53.595.766	3.450.562	126.418.329	13.919.765
A3	11.976.603	53.357.414	51.519.776	128.893.430
Baa1	1.559.960	–	–	–
Baa2	11.344.784	91.685.026	953.849	84.950.469
Baa3	413.914	7.558.705	–	23.826.621
Ba1	–	233.786	–	–
Ba2	–	551.387	–	–
Ba3	–	7.397.281	–	9.115.982
No classification	8.967.302	5.294.553	11.778.078	20.701.171
	97.902.161	**220.906.822**	**207.912.057**	**331.041.201**

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:

31 DECEMBER 2023	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
Borrowings:	43.914.789	171.261.197	92.198.590
- bank loans	19.873.488	76.907.438	82.068.844
- bond loans	-	56.100.000	-
- commercial paper	7.000.000	20.000.000	-
- bank overdrafts	2.062.287	-	-
- undiscounted interests payable until maturity	14.979.014	18.253.759	10.129.746
Lease liabilities	19.281.036	65.064.520	422.641.320
Trade and other payables - non group	90.184.873	21.564	-

31 DECEMBER 2022	LESS THAN 1 YEAR	BETWEEN 1 YEAR AND 5 YEARS	MORE THAN 5 YEARS
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	-

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

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

The gearing ratios as at 31 December 2023 and 2022 were as follows:

	31-12-2023	31-12-2022
Total borrowings, excluding shareholder's loans	264.314.481	419.524.599
Total lease liabilities	168.083.808	188.016.230
Less: cash and cash equivalents	102.965.971	224.343.877
Net debt	**329.432.318**	**383.196.952**
Shareholder loans	53.374.762	18.000.000
Equity	590.906.629	547.313.657
Total capital	**973.713.709**	**948.510.609**
Gearing	**34%**	**40%**

If we considered the deferred revenue from Pestana Vacation Club sales (Note 27) as a component of equity and not as liability, since they do not represent future cash payments, the gearing moved be as follows:

	31-12-2023	31-12-2022
Total borrowings, excluding shareholder's loans	264.314.481	419.524.599
Total lease liabilities	168.083.808	188.016.230
Less: cash and cash equivalents	102.965.971	224.343.877
Net debt	**329.432.318**	**383.196.952**
Shareholder loans	53.374.762	18.000.000
Equity adjusted	702.240.937	666.057.702
Total capital	**1.085.048.017**	**1.067.254.654**
Gearing	**30%**	**36%**

4.3. Accounting for derivative financial instruments

As at 31 December 2023 and 2022, 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, considering the historical performance, the accumulated experience and the expectations about future events considered reasonable under the circumstances.

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

5.1. Entities included in the consolidation perimeter

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

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

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

5.2. Tangible fixed assets

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

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

5.3. Leases

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

5.4. Impairment of non-financial assets

The determination of whether a potential impairment loss exists may be triggered by the occurrence of various events, many of which are beyond Pestana Hotel Group's control, such as: the future availability of financing, the cost of capital, as well as 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 2023 the movements occurred in Tangible fixed assets are as follows:

	LAND	BUILDINGS AND OTHER CONSTRUCIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCION	TOTAL
1 JANUARY 2023								
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)
Net book value	**194.306.063**	**657.416.376**	**63.770.211**	**1.088.425**	**1.138.191**	**5.182.347**	**40.150.779**	**963.052.392**
Changes in 2023								
Additions	10.376.007	56.346.632	8.747.407	1.373.091	1.084.178	2.454.590	10.264.864	90.646.769
Disposals – acquisition cost	–	(671.938)	–	(383.677)	(3.660)	(1.069.403)	–	(2.128.678)
Disposals – accumulated depreciation	–	234.775	–	353.868	3.618	914.850	–	1.507.111
Disposals – accumulated impairment	–	839	–	–	–	–	–	839
Write-offs – acquisition cost	–	–	(65.428)	–	(831)	(139.284)	–	(205.543)
Write-offs – accumulated depreciation	–	–	46.547	–	831	139.284	–	186.662
Terminations – acquisiton cost	–	(22.701.069)	–	(318.772)	–	–	–	(23.019.841)
Terminations – accumulated depreciations	–	9.353.596	–	318.772	–	–	–	9.672.368
Transfers	358.848	9.296.657	735.120	–	–	–	(10.390.625)	–
Transfers to Non-current assets held for sale – acq. cost (Note 19)	(3.884.282)	(15.106.363)	(1.036.819)	(5.092)	(1.169.817)	(5.125)	–	(21.207.498)
Transfers to Non-current assets held for sale – acc. dep. (Note 19)	–	8.250.047	971.345	5.092	1.169.409	5.125	–	10.401.018
Transfers from Investment properties – acquisiton cost (Note 8)	380.184	1.026.250	–	–	–	–	–	1.406.434
Transfers from Investment properties – acc. depreciation (Note 8)	–	(987.966)	–	–	–	–	–	(987.966)
Transfers to Investment properties – acquisiton cost (Note 8)	–	(333.964)	–	–	–	–	–	(333.964)
Transfers to Investment properties – acc. depreciation (Note 8)	–	12.245	–	–	–	–	–	12.245
Depreciation	(295.816)	(40.878.358)	(9.462.218)	(819.734)	(566.945)	(1.126.668)	–	(53.149.739)
Foreign currency translation – acquisition cost	(18.645)	1.028.841	(80.716)	18.197	354.921	40	(104.271)	1.198.367
Foreign currency translation – acc. depreciation	77.816	(846.182)	(34.713)	(18.589)	(348.484)	(256)	–	(1.170.408)
Foreign currency translation – acc. impairment	13.220	30.202	(1.872)	–	(739)	–	27.157	67.968
Impairment – charge	(145.297)	(4.271.732)	–	–	–	–	(1.058.107)	(5.475.136)
Impairment – reversal	–	731.699	–	–	–	–	–	731.699
	6.862.035	**514.211**	**(181.347)**	**523.156**	**522.481**	**1.173.153**	**(1.260.982)**	**8.152.707**
31 DECEMBER 2023								
Acquisition cost	205.171.187	1.331.324.703	307.607.326	11.113.276	30.037.138	17.452.336	39.920.747	1.942.626.713
Accumulated depreciation	(3.300.876)	(666.978.843)	(243.976.009)	(9.501.695)	(28.359.712)	(11.096.836)	–	(963.213.971)
Accumulated impairment	(702.213)	(6.415.273)	(42.453)	–	(16.754)	–	(1.030.950)	(8.207.643)
Net book value	**201.168.098**	**657.930.587**	**63.588.864**	**1.611.581**	**1.660.672**	**6.355.500**	**38.889.797**	**971.205.099**

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

	LAND	BUILDINGS AND OTHER CONSTRUCIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCION	TOTAL
1 JANUARY 2022								
Acquisition cost	198.114.545	1.293.323.435	296.556.270	9.918.077	28.944.941	14.393.383	31.645.179	1.872.895.830
Accumulated depreciation	(2.227.443)	(600.957.426)	(226.527.576)	(8.653.588)	(27.798.902)	(10.275.541)	–	(876.440.476)
Accumulated impairment	(537.148)	(5.741.335)	(63.748)	–	(7.240)	(275)	–	(6.349.746)
Net book value	**195.349.954**	**686.624.674**	**69.964.946**	**1.264.489**	**1.138.799**	**4.117.567**	**31.645.179**	**990.105.608**
Changes in 2022								
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
	(1.043.891)	**(29.208.298)**	**(6.194.735)**	**(176.064)**	**(608)**	**1.064.780**	**8.505.600**	**(27.053.216)**
31 DECEMBER 2022								
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)
Net book value	**194.306.063**	**657.416.376**	**63.770.211**	**1.088.425**	**1.138.191**	**5.182.347**	**40.150.779**	**963.052.392**

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

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
1 JANUARY 2023					
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)
Net book value	**15.333.635**	**140.177.110**	**631.928**	**459.991**	**156.602.664**
Changes in 2023					
Additions	600.914	6.103.321	251.010	1.130.734	8.085.979
Terminations – acquisition cost	–	(22.701.069)	–	(318.772)	(23.019.841)
Terminations – accumulated depreciation	–	9.353.596	–	318.772	9.672.368
Foreign currency translation – acquisition cost	(425.748)	197.915	–	–	(227.833)
Foreign currency translation – acc. depreciation	77.817	(38.611)	–	–	39.206
Depreciation	(295.816)	(13.587.518)	(262.887)	(616.040)	(14.762.261)
Impairment – charge	–	(422.538)	–	–	(422.538)
	(42.833)	**(21.094.904)**	**(11.877)**	**514.694**	**(20.634.920)**
31 DECEMBER 2023					
Acquisition cost	18.591.678	240.939.020	1.966.800	5.162.496	266.659.994
Accumulated depreciation	(3.300.876)	(119.994.220)	(1.346.749)	(4.187.811)	(128.829.656)
Accumulated impairment	–	(1.862.594)	–	–	(1.862.594)
Net book value	**15.290.802**	**119.082.206**	**620.051**	**974.685**	**135.967.744**

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	TOTAL
1 JANUARY 2022					
Acquisition cost	16.125.508	239.350.308	931.037	3.965.464	260.372.317
Accumulated depreciation	(2.227.443)	(102.429.963)	(788.666)	(3.216.489)	(108.662.561)
Accumulated impairment	–	(3.425.895)	–	–	(3.425.895)
Net book value	**13.898.065**	**133.494.450**	**142.371**	**748.975**	**148.283.861**
Changes in 2022					
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
	1.435.570	**6.682.660**	**489.557**	**(288.984)**	**8.318.803**
31 DECEMBER 2022					
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)
Net book value	**15.333.635**	**140.177.110**	**631.928**	**459.991**	**156.602.664**

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

The main additions in 2023 refer to:

- Acquisition of Pestana Vila Sol hotel and Vila Golf – Pestana Golf Resort golf course, which until the date of acquisition were classified as right-of-use assets, with this investment amounting to approximately 40.600.000 Euros (including taxes). The right-of-use asset and the lease liability at the date of termination were approximately 12.700.000 Euros and 14.900.000 Euros, respectively, so the impact is presented in Other income and gains as a gain of 2.195.153 Euros (Note 32);
- Renovation of Pestana Delfim, which was renamed to Pestana Blue Alvor Beach All Inclusive Hotel, especially in the bedroom area, with the aim of modernizing this hotel and converting it into an all-inclusive unit, with an investment of around 8.800.000 Euros;
- Refurbishment and modernization of the building and equipment of Pestana Vila Lido Madeira Ocean Hotel (formerly named Pestana Palms Ocean Hotel). The investment amounted to approximately 6.400.000 Euros;
- Capitalization of direct costs on Vacation Club contract negotiations (Note 3.3) amounted to approximately 2.100.000 Euros (2022: 1.980.000 Euros);
- Acquisition of glass bottles for the beverage industry in the amount of approximately 1.700.000 Euros (2022: 1.700.000 Euros), already in line with the Group’s policy regarding reusable packaging and the shipment of returnable barrells;
- The Group acquired the house attached to Pousada de Óbidos, which was already operated under a lease agreement, in the amount of approximately 1.600.000 Euros. The right of use asset and the lease liability at the date of termination were around 111.000 Euros and 132.000 Euros, respectively;
- In 2023, additions to the Group's new hotel units amounted to approximately 3.800.000 Euros at Pestana Rua Augusta Lisboa Historic Downtown and around 800.000 Euros at Pousada de Alfama Charming Hotel. The transfers of fixed assets mainly concern these units, which opened in May 2023 in the case of the Pousada de Alfama Charming Hotel and in October 2023 in the case of the Pestana Rua Augusta Lisboa Historic Downtown;
- The remaining additions refer mainly to other renovations, remodelations and the acquisiton of equipment necessary to the normal operation of the Group’s hotel units.

The main additions in 2022 refer to:

- Renovation of a wing of Pestana Cidadela de Cascais for the construction of 7 additional rooms and a parking lot in the amount of 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;
- 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 acquisiton of equipment necessary to the normal operation of the Group's hotel units.

Right of use asset additions

Right of use assets refer, mainly, to buildings and other constructions as presented in Note 26.

In 2023 Right of use asset additions refer to:

- Adjustments made to reflect changes to the lease payments resulting from a change in Consumer Price Index as well as the extension of the term of some lease agreements in the amount of around 7.600.000 Euros, namely in the following units: Pestana Amsterdam Riverside, Pestana Blue Alvor Beach, Carlton Madeira, Pestana Churchill, Pousadas network, Pestana Royal, Pestana Viking, Pestana Park Avenue and car fleet renewal;
- Extension of Pestana Colombo's contract, which will now expire in October 2024, reflecting an increase in the right of use of approximately 472.000 Euros.

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.

Disposals

In 2023, there was the disposal of 1 apartment of Pestana Gramacho Residences, in Algarve, for 357.125 Euros, which generated a Gain on disposal of 187.480 Euros (Note 32). 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 32).

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 32). Pestana Hotel Group paid a fixed rent (Note 30) to maintain the operation of this hotel until November of 2022, 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.

Transfers to Non-current assets held for sale

In 2023, Non-current Assets held for sale correspond to the transfer of a hotel unit, Pestana Bahia, from Tangible fixed assets in the amount of 10.806.480 Euros (Note 19).

Transfers to/from Investment properties

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

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

Assets under construction

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

	31-12-2023	31-12-2022
Pestana Dunas (Madeira)	12.847.698	8.561.640
Quinta da Amoreira (Algarve)	6.345.437	6.345.437
North of Gramacho land (Algarve)	4.713.079	4.602.701
Pestana Montevideo (Uruguay)	3.887.000	4.943.007
Pestana Vintage Porto expansion (Oporto)	2.617.565	2.558.766
Golf course project (Algarve)	1.199.852	1.199.852
Praia Formosa Promenade project (Madeira)	920.199	-
Photovoltaic panels and heating equipment (Portugal)	887.805	-
Pousada do Chiado – Palácio de Valadares (Lisbon)	620.280	592.780
Pestana Blue Alvor Beach refurbishment (Algarve)	446.505	1.949.096
Praia Formosa cliff land (Madeira)	404.649	404.649
Pestana Rua Augusta Lisboa Historic Downtown (Lisbon)	-	4.354.552
Pousada de Alfama Charming Hotel (Lisbon)	-	2.869.559
Others	3.999.728	1.768.740
	38.889.797	**40.150.779**

Pestana Dunas relates to a new hotel in Porto Santo, Madeira, with a total of 396 bedrooms and a total area of 60.000 m^2. The licence for architecture and construction was obtained in 2022 and its construction will be done 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 began in 2023, with the construction of 218 rooms, reception and indoor and outdoors swimming pool and restaurant, with an estimated investment of 26.300.000 Euros. The inauguration of this unit is expected for 2025.

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

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.

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.

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

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

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

An energy efficiency project also started in 2023, which includes the purchase of heat pumps, condensing boilers and the implementation of photovoltaic panel systems on the roofs of the buildings and car parks of the various hotel units, for self-supply of energy, which will allow a significant reduction in the energy costs of each hotel unit with more efficient and less polluting equipment. The Group had expenditures of around 900.000 Euros in 2023, and this project is included in the scope of the application made in the Recovery and Resilience Plan (RRP) in the "Accelerate and Transform Tourism Program" in Portugal, from which it is expected to obtain a non-refundable incentive of 40% on the expenses that are approved as eligible and whose investment is completed up to and including 2025.

Pousada Chiado – Palácio de Valadares relates to the acquisiton 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.

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

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

Assets which are reversible to the State

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 2023 is 4.965.484 Euros (2022: 5.188.821 Euros), and their useful life corresponds to their economic life or to the concession term, whichever is shorter.

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

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

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

Foreign currency translation

This caption in 2023 is mainly explained by i) the appreciation of the Brazilian Real against the Euro, increasing Brazilian fixed assets in the total amount of 2.575.000 Euros (2022: increase of 6.737.000 Euros); ii) the depreciation of the US Dollar against the Euro decreasing American fixed assets in the total amount of 1.863.000 Euros (2022: increase of 3.328.000 Euros); iii) the depreciation of the Mozambican metical against the Euro decreasing Mozambican fixed assets in the total amount of 285.740 Euros (2022: increase of 734.000 Euros); iv) the depreciation of Argentinan Peso in the amount of 345.393 Euros (2022: decrease of 276.356 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 2023 and 2022 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 9% and 23% (2022: 5,5% and 23%) reflecting the risk and return expected by stakeholders.

Based on this approach, in 2023 there was an impairment loss reversal on Madeira Magic in the amount of 731.699 Euros. There were also impairment losses on Pestana São Tomé, Pestana Rovuma, Pestana Montevideo, Beloura Golfe and Pestana Inhaca in the amounts of 2.306.122 Euros, 1.529.946 Euros, 1.058.107 Euros, 400.000 Euros and 108.424 Euros, respectively.

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

Sensitivity analyses were performed on the internal valuation model, with the following assumptions: (i) in a pessimistic scenario with an increase in the WACC rate of 0.5% and simultaneously reductions in cash flows of 10%, as well as: (ii) in an optimistic scenario of maintaining the WACC rate and increasing cash flows by 10%, none of which has been considered as probable to occur. If we had used the assumptions under the pessimistic scenario accumulated impairment losses recognized as at 31 December 2023 would have increased by 1.403.888 Euros (2022: 1.030.000 Euros) and under the optimist scenario would have decreased by 1.324.534 Euros (2022: 608.000 Euros).

7. Intangible assets

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

	WEBSITE AND SOFTWARE
1 JANUARY 2023	
Acquisition cost	6.798.521
Accumulated amortization	(3.867.426)
Accumulated impairment	–
Net book value	**2.931.095**
Changes in 2023	
Additions	2.020.222
Writte off – acquisition cost	(545.828)
Writte off – accumulated amortization	545.828
Foreign currency translation – acquisition cost	(8.115)
Foreign currency translation – accumulated amortization	8.115
Amortization	(788.590)
	1.231.632
31 DECEMBER 2023	
Acquisition cost	8.264.800
Accumulated amortization	(4.102.073)
Accumulated impairment	–
Net book value	**4.162.727**

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

	WEBSITE AND SOFTWARE
1 JANUARY 2022	
Acquisition cost	6.204.460
Accumulated amortization	(4.200.340)
Accumulated impairment	–
Net book value	**2.004.120**
Changes in 2022	
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)
	926.975
31 DECEMBER 2022	
Acquisition cost	6.798.521
Accumulated amortization	(3.867.426)
Accumulated impairment	–
Net book value	**2.931.095**

In 2023 and 2022 the Group invested in new applications and actualizations of its existing software, so that it can continue its processes automatization, as well as reinforcing the cybersecurity procedures.

The most significant investment in 2023 relates to the new PMS Opera Cloud, a hotel management solution that provides fast and reliable information transfer, secure data storage and extensive integration with existing interfaces.

The other significant investments in 2023 and 2022 relate to the 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 other projects to improve the efficiency of the information that supports the planning and reporting process, such as the SAP Analytics Cloud project for the Shared Services Center as well as the beginning of SAP ECC ERP evolution project for SAP S/4Hana.

8. Investment properties

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

	31-12-2023	31-12-2022
1 JANUARY		
Acquisition cost	8.189.931	9.153.103
Accumulated depreciation	(3.020.051)	(2.947.785)
Accumulated impairment	(58.561)	(58.561)
Net book value	**5.111.319**	**6.146.757**
Changes		
Additions	831.468	–
Transfers to Tangible fixed assets – acquisition cost (Note 6)	(1.406.434)	–
Transfers to Tangible fixed assets – acc. depreciation (Note 6)	987.966	–
Transfers from Tangible fixed assets – acquisition cost (Note 6)	333.964	–
Transfers from Tangible fixed assets – acc. depreciation (Note 6)	(12.245)	–
Disposals – acquisition cost	–	(963.172)
Depreciation	(93.951)	(72.266)
	640.768	**(1.035.438)**
31 DECEMBER		
Acquisition cost	7.948.929	8.189.931
Accumulated depreciation	(2.138.281)	(3.020.051)
Accumulated impairment	(58.561)	(58.561)
Net book value	**5.752.087**	**5.111.319**

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

	31-12-2023	31-12-2022
Funchal land, Madeira	2.342.455	2.342.455
Commercial properties leased to third parties, Algarve	2.234.317	2.632.728
Buildings for expansion, Oporto	815.480	–
Others	359.835	136.136
	5.752.087	**5.111.319**

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

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

In January 2022, 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 32). 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.

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

	2023	2022
Rents obtained	149.691	231.992
Operating expenses	(41.881)	(43.569)
Amortizations	(93.951)	(72.266)
	13.859	**116.157**

9. Investments in joint ventures

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

	2023	2022
1 JANUARY	34.018.420	23.699.639
Share capital increases	20.681.065	1.423.961
Accessory contributions granted	8.000.000	–
Foreign currency translation (USD, GBP and MAD)	(794.392)	734.033
Losses from equity accounting (Note 34)	(1.226.759)	(4.262.093)
Reimbursements of loans granted	(5.548.876)	–
Incorporations	–	12.500.000
Acquisitions	–	6.500.000
Perimeter exits (Note 40)	–	(6.577.120)
31 DECEMBER	**55.129.458**	**34.018.420**

In 2023, there was a Share capital increase of 20.681.065 Euros (22.440.000 USD) in Pestana CR7 Manhattan, LLC to allow the company to pay in advance all its loans, with variable interest rates, due to the general increase in interest rates. Therefore, Pestana CR7 Manhattan has repaid all its financial debt and the loan granted by the Group of 5.548.876 Euros (6.000.000 USD). The Share capital increase in this investment in 2022 amounted to 1.423.961 Euros (1.500.000 USD). The foreign currency translation of this investment in 2023 was negative in 869.661 Euros (2022: positive in 877.967 Euros).

Accessory contributions were granted in 2023 to Pestana CR7 Holding, S.A., in the amount of 8.000.000 Euros, mainly to finance the construction of the new hotel of the joint venture between Pestana Hotel Group and Cristiano Ronaldo in Paris.

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 40), 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 34).

On 30 June 2022, Pestana Hotel Group acquired 50% of Ponta de Lança – Sociedade Imobiliária, Lda., 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 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 in 2022 Pestana CR7 Paris. 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 2023 Investments in joint ventures refer to the following entities:

Entity	% OWNED	EQUITY METHOD			ACESSORY CONTRIBUTIONS			TOTAL INVESTMENT
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	
Pestana CR7 Manhattan 39, LLC	51,00%	27.143.111	–	27.143.111	–	–	–	27.143.111
Pestana CR7 Holding, S.A.	50,00%	10.709.260	–	10.709.260	8.000.000	–	8.000.000	18.709.260
Ponta de Lança – Soc. Imobiliária, Lda.	50,00%	4.208.112	–	4.208.112	2.228.144	–	2.228.144	6.436.256
Solpor – Soc. Turismo do Porto Santo Lda.	50,00%	2.410.831	–	2.410.831	430.000	–	430.000	2.840.831
		44.471.314	**–**	**44.471.314**	**10.658.144**	**–**	**10.658.144**	**55.129.458**

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

Entity	% OWNED	EQUITY METHOD			ACESSORY 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 – Soc. Imobiliária, Lda.	50,00%	4.263.328	–	4.263.328	2.228.144	–	2.228.144	–	–	–	6.491.472
Solpor – Soc. Turismo do Porto Santo Lda.	50,00%	2.237.551	–	2.237.551	430.000	–	430.000	–	–	–	2.667.551
		25.739.667	**–**	**25.739.667**	**2.658.144**	**–**	**2.658.144**	**5.620.609**	**–**	**5.620.609**	**34.018.420**

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

	PESTANA CR7 MANHATTAN 39, LLC	PESTANA CR7 HOLDING, S.A.	PONTA DE LANÇA – SOC. IMOBILIÁRIA, LDA.	SOLPOR – SOC. TURISMO PORTO SANTO LDA.
Opening net assets 1 January (local currency)	**21.125.789**	**18.286.567**	**(172.566)**	**73.070**
Share capital increase	44.000.000	–	–	–
Profit for the period	(6.390.223)	2.981.413	(110.432)	(1.300)
Other comprehensive income	–	150.540	–	–
Closing net assets 31 December (local currency)	**58.735.566**	**21.418.520**	**(282.998)**	**71.770**
Closing net assets 31 December (EUR)	**53.221.787**	**21.418.520**	**(282.998)**	**71.770**
Group's share in %	51,00%	50,00%	50,00%	50,00%
Group's share in value	27.143.111	10.709.260	(141.499)	35.885
Adjustment of purchase price allocation	–	–	4.349.611	2.374.946
Carrying amount 31 December	**27.143.111**	**10.709.260**	**4.208.112**	**2.410.831**

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 – SOC. IMOBILIÁRIA, LDA.	SOLPOR – SOC. TURISMO PORTO SANTO LDA.
Opening net assets 1 January (local currency)	**20.708.687**	**–**	**–**	**74.395**
Share capital increase	3.000.000	25.000.000	–	–
Profit for the period	(2.582.898)	(6.718.876)	(17.056)	(1.325)
Change in perimeter	–	–	(155.510)	–
Other comprehensive income	–	5.443	–	–
Closing net assets 31 December (local currency)	**21.125.789**	**18.286.567**	**(172.566)**	**73.070**
Closing net assets 31 December (Euros)	**19.795.106**	**18.286.567**	**(172.566)**	**73.070**
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
Carrying amount 31 December	**10.095.504**	**9.143.284**	**4.263.328**	**2.237.551**

The summary of financial statements from these joint ventures is presented in Note 39.

10. Investments in associates

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

	31-12-2023	31-12-2022
1 JANUARY	11.439.033	14.578.964
Gains from equity accounting (Note 34)	401.116	547.378
Repayment of loans granted	(138.420)	(268.173)
Perimeter changes (Note 40)	-	(3.419.136)
31 DECEMBER	**11.701.729**	**11.439.033**

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

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 40). 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 Acessory contributions acquired at their nominal value. From that date onwards, Albar – Sociedade Imobiliária do Barlavento, S.A. was fully consolidated (Note 40).

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

Entity	% OWNED	EQUITY METHOD			LOANS GRANTED			TOTAL INVESTMENT	GOODWILL INCLUDED
		INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL	INVESTMENT AMOUNT	IMPAIRMENT LOSS	TOTAL		
Enatur – Empresa Nacional de Turismo, S.A.	49,00%	11.206.729	–	11.206.729	–	–	–	11.206.729	3.837.382
Lean Company Ventures II, S.A.	10,00%	–	–	–	495.000	–	495.000	495.000	–
Soehotur, S.A.	25,00%	596.403	(596.403)	–	172.521	(172.521)	–	–	–
Fantasy Land, Ltd.	33,33%	150.068	(150.068)	–	–	–	–	–	–
		11.953.200	**(746.471)**	**11.206.729**	**667.521**	**(172.521)**	**495.000**	**11.701.729**	**3.837.382**

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)	–	–	–	–	–	–
		11.552.084	**(746.471)**	**10.805.613**	**805.940**	**(172.521)**	**633.420**	**11.439.033**	**3.837.382**

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

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.
Opening net assets 1 January	**54.740.506**	**795.087**
Profit for the period	818.604	(115.745)
Other comprehensive income	(1.507.860)	33.152
Closing net assets 31 December	**54.051.250**	**679.342**
Group's share in %	49,00%	10,00%
Group's share in value	26.485.113	135.868
Goodwill	3.837.382	–
Conversion to IFRS	(19.115.766)	(135.868)
Carrying amount 31 December	**11.206.729**	**–**

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.
Opening net assets 1 January	**55.499.970**	**949.590**
Profit for the period	885.797	(154.503)
Other comprehensive income	(1.645.261)	–
Closing net assets 31 December	**54.740.506**	**795.087**
Group's share in %	49,00%	10,00%
Group's share in value	26.822.848	159.017
Goodwill	3.837.382	–
Conversion to IFRS	(19.854.617)	(159.017)
Carrying amount 31 December	**10.805.613**	**(159.017)**

The summary of financial statements from these associates is presented in Note 39.

11. Financial assets at fair value through profit and loss

The movements occurred in Financial assets at fair value through profit and loss during 2023 and 2022 are as follows:

	2023	2022
1 JANUARY	17.709.530	8.173.251
Acquisitions	9.894.697	9.672.150
Changes in fair value (Note 34)	(2.345.603)	660.514
Disposals	(505.215)	–
Capital reimbursement	(249.893)	(788.703)
Foreign currency translation	–	(7.682)
31 DECEMBER	**24.503.516**	**17.709.530**

In December 2023, two subsidiaries of the group subscribed 5.826 participation units in the Iberis Bluetech Fund III, FCR (Bluetech Fund III) for 6.000.780 Euros (2022: 9.001.170 Euros) and one subsidiary of the Group subscribed 3.000.000 participation units in Nowberry B for 3.000.000 Euros. These funds' policy is to invest in Research and Development (R&D) companies and projects, reason why the investment is eligible under SIFIDE II (Portuguese tax incentives for Research and Development). The subsidiaries will present the respective application until May 2024, which is expected to be approved by Agência Nacional de Inovação, S.A..

Also in 2023 other participation units (UP's) have been subscribed, namely in Faber Blue Pioneers I, Faber Tech II, FCR and Aldea Tech fund I-A,F.C.R. (Aldea Fund) for 513.394 Euros, 280.523 Euros and 100.000 Euros, respectively. In Faber Blue Pioneers I, 2.000.000 units were subscribed at a unit value of 0,98 Euro and the Group paid the aforementioned amount. As a result, on 31 December 2023, the Group has a commitment to pay the amount of capital relating to 1.475.882 UP's subscribed and not yet paid in the amount of 1.486.606 Euros.

In 2023 and 2022 the Bluetech Fund made capital reimbursements to its investors. The Group received the amounts of 249.893 Euros and 788.703 Euros in 2023 and 2022, respectively, through a capital reduction without any redemption of participation units.

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

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

In 2022 Participation Units (UP's) of Faber Tech II, FCR and Aldea Fund 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 the Faber Tech II, FCR.

In 2023 changes in fair value correspond to the devaluation of the participation units based on the fund's quote of Bluetech Fund in the amount of 1.696.146 Euros (2022: 775.136 Euros), Faber Tech II, FCR in the amount of 413.504 Euros (2022: 44.606 Euros), Bluetech Fund III in the amount of 142.564 Euros (2022: 264.965 Euros), Aldea Fund of 47.180 Euros, Faber Blue Pioneers I in the amount of 46.206 Euros and Nowberry B of 3 Euros.

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

As at 31 December 2023 and 2022 the Financial assets at fair value through profit and loss have the following detail:

		FAIR VALUE	
Entity	% OWNED	2023	2022
Iberis Bluetech Fund III, FCR	n.a.	14.594.421	8.736.205
Iberis Bluetech Fund, FCR, EuVECA	n.a.	3.636.561	6.018.033
Nowberry B	n.a.	2.999.997	–
Faber Tech II, FCR	n.a.	1.891.239	2.024.220
Aldea Tech fund I-A,F.C.R.	n.a.	836.777	783.957
Faber Blue Pioneers I	n.a.	467.188	–
Others	n.a.	77.333	147.115
		24.503.516	**17.709.530**

12. Deferred tax assets and liabilities

As at 31 December 2023 and 2022 the balance recognized as Deferred taxes is presented in Consolidated statement of financial position at net value.

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

	2023	2022
Impact on income statement		
Deferred tax assets	449.636	(11.424.972)
Deferred tax liabilities	4.638.129	1.868.415
	5.087.765	**(9.556.557)**
Impact on equity, excluding foreign currency translation		
Deferred tax assets	–	(529.651)
Deferred tax liabilities	(449.655)	–
	(449.655)	**(529.651)**

In 31 December 2023 and 2022, the tax rate applied to measure the main deferred taxes are as follows: Portugal is comprised between 14,7% and 26%; Brazil is 34%, USA is comprised between 21% and 26,5% and Luxembourg is 24,94%.

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

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

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

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

The 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	LOYALTY PROGRAM (PPG)	OTHERS	TOTAL
1 JANUARY 2023	22.235.264	78.636	2.020.661	1.115.799	1.480.916	1.298.295	651.571	591.622	2.276.533	31.749.297
Constitution through income statement	952.269	1.194.635	680.639	110.701	–	–	497.232	–	1.220.527	4.656.003
Reversal through income statement	(3.050.546)	(78.636)	(4.377)	(380.508)	(398.939)	(51.422)	(173.669)	(68.270)	–	(4.206.367)
Foreign currency translation	203.391	–	983	–	54.062	24.289	(233.474)	–	(54.973)	(5.722)
Changes on period	**(1.894.886)**	**1.115.999**	**677.245**	**(269.807)**	**(344.877)**	**(27.133)**	**90.089**	**(68.270)**	**1.165.554**	**443.914**
	20.340.378	1.194.635	2.697.906	845.992	1.136.039	1.271.162	741.660	523.352	3.442.087	32.193.211
Offset of Deferred tax liabilities	(7.401.479)	–	(1.705.578)	(845.992)	(1.136.039)	(1.271.162)	(741.660)	(523.352)	(1.769.312)	(15.394.574)
31 DECEMBER 2023	**12.938.899**	**1.194.635**	**992.328**	**–**	**–**	**–**	**–**	**–**	**1.672.775**	**16.798.637**

	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
1 JANUARY 2022	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
Changes on period	**(467.120)**	**(7.812.130)**	**(110.548)**	**(427.407)**	**27.688**	**99.131**	**(739.384)**	**(1.335.503)**	**192.417**	**638.047**	**(9.934.810)**
	22.235.264	78.636	2.020.661	1.115.799	1.480.916	1.298.295	651.571	–	591.622	2.276.533	31.749.297
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)
31 DECEMBER 2022	**14.026.981**	**–**	**1.050.372**	**–**	**–**	**–**	**–**	**–**	**–**	**27.301**	**15.104.654**

Carry forward tax losses

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

In 2023, the reversal of deferred taxes on tax losses resulted from the increase in the results of the Pestana Hotel Group, which allowed the recovery of almost all the tax losses generated and aggravated by Covid-19, namely in the Netherlands, Brazil, Spain, Miami, Morocco, the United Kingdom, Germany and Luxembourg.

As of 31 December 2022 with the full recovery of activity, 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 were 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.

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

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

As of 31 December 2022, the remaining amount referring to deferred tax assets relating to the Portuguese incentives for investment (RFAI) and R&D (SIFIDE) acquired in previous years were fully recovered with all deferred taxes having been reversed in the amount of 7.890.766 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).

Others

This caption includes deferred taxes of approximately 1.100.000 Euros in respect of the start-up costs of setting up and establishing hotel businesses in New York and will be amortized over 15 years.

Net financing charges

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).

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
1 JANUARY 2023	38.954.040	827.971	529.651	1.946.248	42.257.910
Reversal through capital	–	–	(499.655)	–	(499.655)
Reversal through income statement	(4.500.985)	(11.815)	–	(125.329)	(4.638.129)
Transfers to Non-current liabilities held for sale (Note 19)	(1.459.904)	–	–	–	(1.459.904)
Foreign currency translation	507.800	(35.048)	–	(107.434)	365.318
Changes on period	**(5.453.089)**	**(46.863)**	**(499.655)**	**(232.763)**	**(6.232.370)**
	33.500.951	781.108	29.996	1.713.485	36.025.540
Offset of Deferred tax assets	(15.394.574)	–	–	–	(15.394.574)
31 DECEMBER 2023	**18.106.377**	**781.108**	**29.996**	**1.713.485**	**20.630.966**

	DEEMED COST (IFRS 1)	DIFFERENCES IN DEPRECIATION RATE	CHANGES IN FAIR VALUE	OTHERS	TOTAL
1 JANUARY 2022	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
Changes on period	**272.915**	**59.800**	**529.651**	**(209.928)**	**652.438**
	38.954.040	827.971	529.651	1.946.248	42.257.910
Offset of Deferred tax assets	(16.644.643)	–	–	–	(16.644.643)
31 DECEMBER 2022	**22.309.397**	**827.971**	**529.651**	**1.946.248**	**25.613.267**

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 2023 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 617.489 Euros (2022: 1.598.906 Euros) (Note 3.2 iv).

13. Financial assets and liabilities

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

31 DECEMBER 2023	AMORTIZED COST	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME	OTHER NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Financial assets					
Cash and cash equivalents	102.965.971	–	–	–	102.965.971
Trade and other receivables	60.874.881	–	–	15.980.048	76.854.929
Derivatives	–	–	152.830	–	152.830
Financial assets at fair value through profit and loss	–	24.503.516	–	–	24.503.516
	163.840.852	**24.503.516**	**152.830**	**15.980.048**	**204.477.246**
Financial liabilities					
Borrowings	317.689.243	–	–	–	317.689.243
Advances from customers	–	–	–	96.815.923	96.815.923
Trade and other payables	71.719.223	–	–	18.629.431	90.348.654
	389.408.466	**–**	**–**	**115.445.354**	**504.853.820**

31 DECEMBER 2022	AMORTIZED COST	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME	OTHER NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Financial assets					
Cash and cash equivalents	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
	299.342.666	**17.709.530**	**2.238.842**	**16.267.340**	**335.558.378**
Financial liabilities					
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
	502.445.043	**–**	**–**	**97.413.723**	**599.858.766**

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

	31-12-2023			31-12-2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Financial assets at fair value through profit and loss	–	3.636.561	20.866.955	–	–	17.709.530
Derivatives	–	–	152.830	–	–	2.238.842
	–	**3.636.561**	**21.019.785**	**–**	**–**	**19.948.372**

14. Derivatives

As at 31 December 2023 and 2022 Pestana Hotel Group had interest rate swaps as follows:

	31-12-2023		31-12-2022	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate swaps – non-current	152.830	–	2.238.842	–
	152.830	**–**	**2.238.842**	**–**

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 31-12-2023	FAIR VALUE AT 31-12-2022	VARIATION
Hóteis Atlântico – Soc. Imob. Gestão de Hóteis S.A.	Hedging	20.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	103.217	197.122	(93.905)
Hotel Rauchstrasse 22, S.à.r.l. (i)	Trading	11.500.000	16-06-2025	Semiannual	Eur 6M / 2,10%	25.854	54.741	(28.887)
M&J Pestana – Soc. de Turismo da Madeira, S.A.	Hedging	5.000.000	30-12-2027	Semiannual	Eur 6M / 2,36%	23.759	581.006	(557.247)
Pestana International Holdings S.A.	Hedging	17.921.875	28-05-2024	Quartely	Sonia 3M / 1,29%	–	1.405.973	(1.405.973)
						152.830	**2.238.842**	**(2.086.012)**

(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 35).

The change in the fair value of the derivatives financial instruments occurred in 2023 and 2022 were as follows:

	2023	2022
1 JANUARY	2.238.842	(358.128)
Derivative termination	(1.639.380)	-
Hedging derivatives - fair value changes	(417.745)	2.322.188
Trading derivatives - fair value changes (Note 35)	(28.887)	274.782
31 DECEMBER	**152.830**	**2.238.842**

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

	2023	2022
1 JANUARY	3.532.861	1.740.324
Derivative termination (Note 35)	(2.339.761)	-
Hedging derivatives - fair value changes	(417.745)	2.322.188
Deferred tax (Note 12)	499.655	(529.651)
31 DECEMBER	**1.275.010**	**3.532.861**

In 2023, Pestana Hotel Group entirely paid in advance one loan in GBP for which it had a hedging derivative associated. The fair value amount of that derivative was offset with the payment of that loan and the difference between that receivable and the fair value reserve constituted was recognized in Financial income in the amount of 2.339.761 Euros (Note 35).

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 3 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 2023 and 2022 Trade and other receivables are detailed as follows:

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables (i)	27.601.414	–	27.601.414	28.679.554	–	28.679.554
Other receivables (ii)	9.301.108	1.987.059	11.288.167	12.207.580	2.481.570	14.689.150
Prepayments (iii)	8.145.365	7.834.683	15.980.048	5.987.020	10.280.320	16.267.340
Accrued income (iv)	10.616.000	–	10.616.000	19.363.103	–	19.363.103
Taxes receivable (v)	11.369.300	–	11.369.300	12.266.982	–	12.266.982
	67.033.187	**9.821.742**	**76.854.929**	**78.504.239**	**12.761.890**	**91.266.129**
Advances from customers (vi)	**(71.921.575)**	**(24.894.348)**	**(96.815.923)**	**(40.760.746)**	**(42.447.509)**	**(83.208.255)**

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

(i) Trade receivables

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade receivables – group (Note 41)	5.008.853	–	5.008.853	3.239.157	–	3.239.157
Trade receivables – other	22.592.561	–	22.592.561	25.440.397	–	25.440.397
Doubtful debtors	7.116.808	–	7.116.808	6.710.354	–	6.710.354
	34.718.222	**–**	**34.718.222**	**35.389.908**	**–**	**35.389.908**
Impairment of trade receivables	(7.116.808)	–	(7.116.808)	(6.710.354)	–	(6.710.354)
	27.601.414	**–**	**27.601.414**	**28.679.554**	**–**	**28.679.554**

Impairment of Trade receivables – movements of the year:

	2023	2022
1 JANUARY	6.710.354	7.187.364
Increases	443.600	–
Foreign currency translation	22.854	50.913
Utilizations	(60.000)	(228.087)
Reversals	–	(299.836)
31 DECEMBER	**7.116.808**	**6.710.354**

(ii) Other receivables

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Other debtors	9.293.665	312.934	9.606.599	12.603.979	655.186	13.259.165
Other debtors – group (Note 41)	474.214	1.674.125	2.148.339	19.901	1.826.384	1.846.285
Personnel	19.903	–	19.903	25.486	–	25.486
Impairment	(486.674)	–	(486.674)	(441.786)	–	(441.786)
	9.301.108	**1.987.059**	**11.288.167**	**12.207.580**	**2.481.570**	**14.689.150**

As at 31 December 2022, Other debtors included the amount receivable from the Autonomous Region of Madeira for the sale in 2020 of SDM – Sociedade de Desenvolvimento da Madeira, S.A., in the amount of 3.406.529, which was received in 30 June 2023.

As at 31 December 2023 and 2022, the caption Other debtors – group includes the receivable amount of 1.803.298 Euros and 1.830.921 Euros, respectively, from the sub-lease resulting from the derecognition of the Right of use asset concerning the sub concession agreement signed in 2016 for the private use of Pestana CR7 Funchal hotel until 2044, with Pestana CR7 – Madeira, S.A. (Note 3.18).

Impairment of Other receivables – movements of the year:

	2023	2022
1 JANUARY	441.786	332.121
Increases	44.888	113.922
Utilizations	–	(4.520)
Foreign currency translation	–	263
31 DECEMBER	486.674	441.786

The ageing of overdue balances without impairment is as follows:

	2023	2022
0 to 6 months	26.382.138	26.187.669
6 to 12 months	5.270.860	7.159.134
12 to 18 months	122.200	3.483.616
18 to 24 months	442.727	1.273.592
more than 24 months	6.671.656	5.264.693
	38.889.581	43.368.704

As at 31 December 2023 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 2.851.603 Euros (2022: 2.502.119 Euros) (Note 24). The remaining amount mainly refers to pledges granted to suppliers which are safeguarded by their open balances.

The ageing of overdue balances with impairment is as follows:

	2023	2022
0 to 6 months	527.226	408.073
6 to 12 months	1.147.745	888.557
12 to 18 months	239.837	483.400
18 to 24 months	170.824	184.637
more than 24 months	5.577.850	5.187.473
	7.663.482	7.152.140

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

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Contract costs	1.409.146	7.834.683	9.243.829	1.337.144	9.023.107	10.360.251
Maintenance services	2.223.573	-	2.223.573	2.253.287	-	2.253.287
Insurance	461.772	-	461.772	364.709	-	364.709
Rentals	18.051	-	18.051	8.887	-	8.887
Other services	4.032.823	-	4.032.823	2.022.993	1.257.213	3.280.206
	8.145.365	**7.834.683**	**15.980.048**	**5.987.020**	**10.280.320**	**16.267.340**

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

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

(iv) Accrued income

As of 31 December 2023 and 2022, this caption essentially refers to the amounts that will be received upon the completion of the deeds of the housing units already delivered to owners, in the amount of 7.337.920 Euros and 16.631.755 Euros, respectively.

(v) Taxes receivable

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

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

In 2023 there were also VAT refunds pending reimbursement in the amount of 2.470.400 Euros, of which it was already received in 2024 amount of 1.552.681 Euros.

(vi) Advances from customers

Refers, mainly, to the amounts received along the construction works, amounting in total to 86.992.802 Euros (31 December 2022: 69.078.503 Euros) and maintenance fees charged in advance under timeshare contracts amounting to 5.408.252 Euros (31 December 2022: 9.424.337 Euros). The residual amount in 31 December 2023 and 2022 are mainly related to reservations made by tour operators, groups and individual customers.

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

In 2023, there were transfers to Non current liabilities held for sale in the amount of 1.634.048 Euros (Note 19).

16. Inventories

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

	2023	2022
Goods	1.540.836	1.365.043
Raw and subsidiary materials	3.712.378	3.846.762
Finished goods	2.061.543	1.717.185
Work in progress	125.100.615	134.017.949
	132.415.372	**140.946.939**
Impairment of inventories	(326.482)	(369.421)
	132.088.890	**140.577.518**

Finished goods and Work in progress are as follows:

	2023	2022
Madeira Acqua Residences (Madeira, Portugal)	43.661.398	27.767.281
Porto Covinho (Sines, Portugal)	15.818.870	14.666.025
Pestana Comporta Village Residences (Tróia, Portugal)	12.196.441	7.862.318
Silves Golf Resort project (Algarve, Portugal)	11.118.614	11.951.080
Porto Covo (Sines, Portugal) (Note 40)	9.904.956	6.360.276
North of Gramacho land (Algarve, Portugal)	8.879.396	7.959.006
Abrunheira project (Portalegre, Portugal)	6.349.235	6.349.235
Vila Sol G3 (Algarve, Portugal)	5.314.276	–
The Valley – Nature Resort (Algarve, Portugal)	4.943.778	7.941.234
Quinta das Maravilhas (Madeira, Portugal)	2.654.250	2.654.250
Tróia Eco-Resort project (Tróia, Portugal)	1.789.794	2.664.375
Alvor land (Algarve) (Note 40)	1.584.615	1.062.579
Beverages and packaging	1.292.677	1.233.702
Bazaruto Villas (Mozambique)	1.155.708	1.179.197
Pine Village (Comporta, Portugal)	279.278	279.278
Oasis 28 (Lisbon, Portugal) (Note 40)	–	26.281.413
Fábrica, Apartaments & Lofts (Madeira, Portugal)	–	8.806.883
Others	218.872	717.002
	127.162.158	**135.735.134**

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

The Porto Covinho project concerns the acquisition in 2022 of a land in Porto Covo for the development of a real estate project for 14.500.000 Euros, with an expected total investment of 106.000.000 Euros.

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

The Silves Golf Resort project is a tourist project which will include two 4-star touristic resorts and 1 apart-hotel with a total of 269 accommodation units. The first tourist resort includes 175 accommodation units with an expected total investment of 17.000.000 Euros. In 2023, the construction of Phase 1 continued and 6 accommodation units were delivered to customers.

Porto Covo arises from the change in the consolidation method of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. (Note 40) in 2022 and corresponds to a land for the development of a 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. Construction of the infrastructure began in 2023 and all the apartments were already reserved by 31 December 2023.

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

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

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

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

The Quinta das Maravilhas project, which is still in its licencing stage, refers to a building located on Rua das Maravilhas, in Funchal, which has a privileged location for the development of a residential complex of apartments and luxury houses. This project was acquired in 2021 for 2.700.000 Euros and its estimated investment is 12.000.000 Euros. No expenditure was made on this project in 2023 and 2022.

The Tróia project is related to the construction of houses and the infrastructures of a touristic village. As at 2023 there were only 5 units to be delivered (2022: 7 units).

The Alvor land, arises from the acquisition of 50,19% of the share capital of Albar – Sociedade Imobiliária do Barlavento, S.A. (Note 40). 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^2 of construction and 60 accommodation units.

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

Oasis 28 arises from the change in the consolidation method of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. in 2022 (Note 40). 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 consisted of 61 exclusive apartments from studio to 4-bedroom, all with outdoor area, with balcony, terrace or garden. Deliveries to customers and public deeds were made in 2023 (Note 29).

The Fábrica, Apartaments & Lofts project, located in the heart of Funchal, Madeira island, refers to the urban rehabilitation of Madeira's old brewery into a close-gated luxury development. This project started in 2020 and was fully completed with the delivery of all the apartments to customers in 2023 (Note 29).

In 2023, the Cost of goods sold and materials consumed amounted to 103.529.093 Euros (31 December 2022: 55.117.087 Euros).

Impairment of Inventories – movements of the year:

	2023	2022
1 JANUARY	369.421	533.869
Reversals	(19.463)	–
Utilizations	(23.441)	(209.211)
Increases	–	44.456
Foreign currency translation	(35)	307
31 DECEMBER	**326.482**	**369.421**

17. Income tax

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

	31-12-2022		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Current income tax	14.215.694	6.871.621	574.084	5.880.663
	14.215.694	**6.871.621**	**574.084**	**5.880.663**

The balance of Current income tax is detailed as follows:

	2023	2022
Advance payments	15.814.271	550.852
Withholding taxes	2.522.066	23.232
Tax benefits from previous years (Note 36)	1.429.990	–
Claim for regional tax (Note 36)	446.494	–
Current income tax estimate (Note 36)	(5.997.127)	–
Corporate Income tax receivable	**14.215.694**	**574.084**
Advance payments	2.617.017	1.364.625
Withholding taxes	164.249	779.637
Reinstatement of tax benefits (Note 36)	(504.274)	–
Current income tax estimate (Note 36)	(9.148.613)	(7.692.699)
Compensatory interest (Note 12 and 36)	–	(332.226)
Corporate income tax payable	**(6.871.621)**	**(5.880.663)**

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.

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

Tax benefits from previous years relate to the excess tax paid in 2018 as a result of the investment scheme RFAI by two companies that are part of the tax consolidation in Portugal, which did not take into account the corresponding deduction to the localization of the investmets. Therefore, the tax benefit was calculated by applying a rate of 10 per cent instead of the 25 per cent that should have been applied according to the Investment Tax Code in force in 2018 in relation to investments made in the North of Portugal. As a result, income tax was overpaid in 2018 in the amount of 1.494.398 Euros. In June 2022 a tax act revision request was submitted for the 2018 tax period, which was partially approved at the beginning of January 2024 in the amount of 1.429.990 Euros.

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

Reinstatement of the tax benefits corresponds to the amount of the Portuguese benefit of the Investment Incentive Scheme ("RFAI") that has to be refunded, as the investment in two assets in Lisbon was considered as relevant investment for this incentive in 2022, but they are located in a non-eligible zone following the change in Portuguese law effective from 1 January 2022. Therefore, the tax not paid in 2022 is recognised as a liability in the amount of 490.095 Euros, as well as the corresponding compensatory interest of 14.179 Euros.

18. Cash and cash equivalents

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

	31-12-2023	31-12-2022
Cash	5.063.810	3.437.055
Bank deposits	97.902.161	220.906.822
	102.965.971	**224.343.877**

Cash and cash equivalents of the companies that entered the consolidation perimeter in 2022 with reference to the entry date amounted to 6.962.815 Euros (Note 40).

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the Consolidated statement of cash flows for the period ended 2023 and 2022 is as follows:

	31-12-2023	31-12-2022
Cash	5.063.810	3.437.055
Bank overdrafts	(2.062.287)	(6.035.816)
Bank deposits	97.902.161	220.906.822
	100.903.684	**218.308.061**

Balances in foreign currency are included in Bank deposits and are mainly composed by 7.334.636 USD and 3.859.643 GBP (31 December 2022: 8.840.463 USD and 5.239.229 GBP).

19. Non-current Assets and Liabilities held for sale

In 2016 the Group decided to close the hotel operation of Pestana Bahia, as this asset was no longer strategic. Since the hotel was part of a joint condominium, it was necessary to carry out work in the common areas in order to legally separate the two properties.

By 2023, the Group had already carried out all the necessary works that allowed for the creation of the two separate condominiums and in 2023 obtained the court's approval to do so.

As a result, in 2023 conditions were met for this asset to be sold and a buyer was identified, whose acquisition proposal, which was higher than its book value, was accepted by the Group, and the terms of the deed are currently being discussed. Thus, the Group considers that it is probable that the sale will take place within 12 months and have decided to classify all tangible assets and liabilities of the Pestana Bahia Hotel as a Non-current assets and liabilities held for sale.

In 2023, Non current assets and liabilities held for sale detail as follows:

	2023
Non current assets held for sale	
Tangible fixed asset - acquisiton cost (Note 6)	21.207.498
Tangible fixed asset - accumulated depreciation (Note 6)	(10.401.018)
	10.806.480
Non current liabilities held for sale	
Deferred tax liabilities (Note 12)	1.459.904
Advances from customers (Note 15)	1.634.048
	3.093.952

20. Capital

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

	2023	2022
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
	166.625.238	**220.000.000**

(i) Share capital

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

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

(ii) Other equity instruments

In 2023, considering the Group's current expectation of future reimbursements there was a transfer to current Borrowings in the amount of 53.374.762 Euros (Note 25).

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. Until 2022, it was not expected that its refund would occur.

21. Other reserves

As at 31 December 2023 and 2022 the movements occurred in Other reserves were as follows:

	LEGAL RESERVE (I)	FAIR VALUE RESERVE C.F.H. (II)	CUMULATIVE TRANSLATION ADJUSTMENTS (III)	TOTAL
1 JANUARY 2022	45.403.716	1.740.324	(55.335.027)	(8.190.987)
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
31 DECEMBER 2022	**47.597.272**	**3.532.861**	**(46.052.525)**	**5.077.608**
Profit for the period application	3.761.500	–	–	3.761.500
Change in fair value reserve – hedging derivatives (net of tax)	–	(2.257.851)	–	(2.257.851)
Foreign currency translation	–	–	(2.073.027)	(2.073.027)
31 DECEMBER 2023	**51.358.772**	**1.275.010**	**(48.125.552)**	**4.508.230**

(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 2023 and 2022:

	2023	2022
BRL – Brazilian Real	(29.478.640)	(31.812.663)
ARS – Argentinian Peso	(11.413.713)	(9.555.361)
MZN – Mozambican Metical	(7.192.707)	(6.928.591)
UYU – Uruguayan Peso	(1.568.504)	(1.479.457)
GBP – Pound sterling	(78.224)	(82.595)
ZAR – South African Rand	320.618	519.132
USD – US Dollar	769.349	3.366.257
Others	516.269	(79.247)
	(48.125.552)	**(46.052.525)**

22. Retained earnings

As at 31 December 2023 and 2022 Retained earnings movements were as follows:

	TOTAL
1 JANUARY 2022	**184.927.662**
Changes in the perimeter (Note 40)	(1.296.864)
Profit for the period application	20.247.648
Other changes recognized in equity (Note 23)	(259.469)
Dividends (Note 37)	(250.000)
Foreign currency translation	239.944
31 DECEMBER 2022	**203.608.921**
Profit for the period application	103.135.284
Dividends (Note 37)	(935.000)
Foreign currency translation	(751.649)
31 DECEMBER 2023	**305.057.556**

23. Non-controlling interests

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

	2023	2022
1 JANUARY	**11.730.344**	**8.446.110**
Profit for the period	3.542.375	2.571.477
Foreign currency translation	106.009	(16.063)
Dividends (Note 37)	(2.184.723)	–
Changes in the perimeter	–	469.351
Other changes recognized in equity (Note 22)	–	259.469
31 DECEMBER	**13.194.005**	**11.730.344**

In 2022, Changes in the perimeter 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 40).

Non-controlling interests relate to the following investments:

	31-12-2023		31-12-2022	
	% HELD	VALUE	% HELD	VALUE
Pestana S.G.P.S. Sub-group (Portugal) (i)	n.a.	12.215.957	n.a.	10.703.767
URP – Urban Renew – Projetos Imobiliários – SIC Imobiliária Fechada, S.A. (Portugal)	10%	237.856	10%	441.824
Hotéis do Atlântico Sub-group (Europe and North America) (i)	n.a.	1.093.927	n.a.	855.357
Pestana Inversiones Sub-group (Latin America) (i)	n.a.	14	n.a.	15
Salvintur Sub-group (Africa) (i)	n.a.	(353.749)	n.a.	(270.619)
		13.194.005		**11.730.344**

(i) Not disclosed because it relates to a subgroup aggregation. Corresponding financial information is disclosed in Note 39.

24. Provisions

As at 31 December 2023 and 2022 the movements in Provisions were as follows:

	LITIGATIONS AND CLAIMS IN PROGRESS (i)	CUSTOMER GUARANTEES (ii)	OTHER PROVISIONS (iii)	TOTAL
1 JANUARY 2023	7.364.347	78.117	1.330.134	8.772.598
Increases	17.137	–	113.514	130.651
Decreases	–	(1.559)	–	(1.559)
Utilizations	(1.808.049)	–	(56.134)	(1.864.183)
Interest charges (Note 35)	665.383	–	–	665.383
Foreign currency translation (iv)	186.474	–	–	186.474
Changes on period	(939.055)	(1.559)	57.380	(883.234)
31 DECEMBER 2023	**6.425.292**	**76.558**	**1.387.514**	**7.889.364**
Current balance	570.968	44.089	1.008.250	1.623.307
Non-current balance	5.854.324	32.469	379.264	6.266.057
	6.425.292	**76.558**	**1.387.514**	**7.889.364**

	LITIGATIONS AND CLAIMS IN PROGRESS (I)	CUSTOMER GUARANTEES (II)	OTHER PROVISIONS (III)	TOTAL
1 JANUARY 2022	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 35)	1.117.009	–	–	1.117.009
Interest income (Note 35)	(969.264)	–	–	(969.264)
Foreign currency translation (iv)	1.313.379	–	–	1.313.379
Changes on period	276.228	(88.170)	(93.438)	94.620
31 DECEMBER 2022	**7.364.347**	**78.117**	**1.330.134**	**8.772.598**
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
	7.364.347	**78.117**	**1.330.134**	**8.772.598**

In 2023, court deposits were made for provisioned lawsuits in the current balance in the total amount of 2.851.603 Euros (2022 2.502.119 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 2023, the Brazilian subsidiary Brasturinvest, S.A. is an involved party in several processes in the total amount of 3.522.171 Euros (31 December 2022: 4.452.639 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.

(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 2023, 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 2023 and 2022, 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).

25. Borrowings

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

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bank loans	19.873.488	158.976.282	178.849.770	33.337.380	240.668.005	274.005.385
Bond loans	–	56.100.000	56.100.000	–	89.000.000	89.000.000
Commercial paper	7.000.000	20.000.000	27.000.000	24.000.000	27.000.000	51.000.000
Shareholder's loans	53.374.762	–	53.374.762	18.000.000	–	18.000.000
Bank overdrafts	2.062.287	–	2.062.287	6.035.816	–	6.035.816
	82.310.537	**235.076.282**	**317.386.819**	**81.373.196**	**356.668.005**	**438.041.201**
Interests payable – accrual	1.620.508	–	1.620.508	2.210.820	–	2.210.820
Interests paid – deferral	(273.442)	(1.044.642)	(1.318.084)	(495.489)	(2.231.933)	(2.727.422)
	83.657.603	**234.031.640**	**317.689.243**	**83.088.527**	**354.436.072**	**437.524.599**

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

	2024	2025	2026	2027	2028	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	19.873.488	15.075.559	24.999.442	27.006.616	9.825.821	82.068.844	178.849.770
	19.873.488	**15.075.559**	**24.999.442**	**27.006.616**	**9.825.821**	**82.068.844**	**178.849.770**
Bond loans							
Euro	–	27.100.000	–	29.000.000	–	–	56.100.000
	–	**27.100.000**	**–**	**29.000.000**	**–**	**–**	**56.100.000**
Commercial paper							
Euro	7.000.000	2.000.000	2.000.000	16.000.000	–	–	27.000.000
	7.000.000	**2.000.000**	**2.000.000**	**16.000.000**	**–**	**–**	**27.000.000**
	26.873.488	**44.175.559**	**26.999.442**	**72.006.616**	**9.825.821**	**82.068.844**	**261.949.770**

	2023	2024	2025	2026	2027	FOLLOWING YEARS	TOTAL
Bank loans							
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
	33.337.380	**29.126.850**	**23.611.898**	**46.775.718**	**32.028.954**	**109.124.585**	**274.005.385**
Bond loans							
Euro	–	–	60.000.000	–	29.000.000	–	89.000.000
	–	**–**	**60.000.000**	**–**	**29.000.000**	**–**	**89.000.000**
Commercial paper							
Euro	24.000.000	2.000.000	2.000.000	2.000.000	21.000.000	–	51.000.000
	24.000.000	**2.000.000**	**2.000.000**	**2.000.000**	**21.000.000**	**–**	**51.000.000**
	57.337.380	**31.126.850**	**85.611.898**	**48.775.718**	**82.028.954**	**109.124.585**	**414.005.385**

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

	2023	2022
1st quarter	5.125.620	62.540.511
2nd quarter	4.593.914	31.514.955
3th quarter	3.707.332	141.192
4th quarter	5.061.234	6.937.376
	18.488.100	**101.134.034**

Fixed rate Borrowings

As at 31 December 2023 93,3% 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 Sonia plus spread. As at 31 December 2023 Borrowings with fixed interest rate with a total nominal amount of 296.836.432 Euros have a fair value of 248.060.794 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 38).

In 2023, considering the increase in interest rates and the expectaction of them remaining hight at least in the medium term, the Group decided to pay in advance loans remunerated at variable rate in the amount of 61.907.412 Euros (2022: 43.499.733 Euros).

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

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

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 40).

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.

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.

Bond loans

All bond loans have a fixed interest rate.

In 14 July 2023, the Group redeemed in advance, at a discount of 493.500 Euros (Note 35), the amount of 32.900.000 Euros of the bond loan signed in September 2019 with BBVA (Banco Bilbao Viscaia Argentaria) relating to the issue by private subscription of 600 green bonds, represented by securities in book-entry and registered form with a nominal value of 100.000 Euros, in the total amount of 60.000.000 Euros, called Pestana Green Bond. Green bonds are a debt instrument that allows companies to raise investment for existing projects or for new projects with associated environmental benefits. The funds raised from this issue were used to refinance sustainable investments. The remaining maturity date is September 2025.

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

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.

Commercial paper

These programs are remunerated at a fixed interest rate.

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

In 2023 the Group reimbursed to its Shareholder the amount of 18.000.000 Euros. In 2023, given the Group's current expectation of future reimbursements the entire amount of Other capital contributions (Note 20) has been transferred to Shareholder's loans.

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. In 2023 and 2022 the Group did not breach any covenants.

Unused contracted credit lines

Pestana Hotel Group holds, as at 31 December 2023, a set of unused contracted credit lines in Financial Institutions, with a total amount of 107.500.000 Euros related to authorized credit lines and overdrafts.

26. Lease liabilities

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

	31-12-2023	31-12-2022
Current	18.921.731	21.597.353
Non-current:		
1 to 5 years	60.707.934	66.627.925
More than 5 years	88.454.143	99.790.952
	168.083.808	**188.016.230**

As at 31 December 2023 and 2022 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 Blue Alvor Beach
- 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 Lisboa Historic Downtown
- Pestana Sintra Golf

- Pestana Tanger City Center
- Pestana Viking
- Pousada de Alfama Charming Hotel
- Pousada do Chiado – Palácio de Valadares
- Pousada de Lisboa
- Pousada de Vila Real de Santo António
- Pousada de Viseu
- Pousadas de Portugal (Network)

27. Deferred revenue

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

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Pestana Vacations Club (i)	17.374.791	65.279.147	82.653.938	17.887.631	70.631.272	88.518.903
Pestana Vacations Club – Options (ii)	3.308.245	25.372.125	28.680.370	2.987.850	27.237.291	30.225.141
Government grants (iii)	1.068.426	6.772.138	7.840.564	824.665	7.389.630	8.214.295
Customer loyalty program ("PGC") (iv)	1.916.021	–	1.916.021	2.400.541	–	2.400.541
Other deferred income (v)	637.294	2.279.700	2.916.994	1.157.669	2.395.163	3.552.832
	24.304.777	**99.703.110**	**124.007.887**	**25.258.356**	**107.653.356**	**132.911.712**

(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 3.21 ii)), which will end between 2024 and 2039.

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

	2023	2022
1 JANUARY	88.518.903	96.865.504
Increases/Reductions	9.173.991	9.187.445
Consumption	(15.164.648)	(16.989.276)
Foreign exchange translations	125.692	(544.770)
Movement	(5.864.965)	(8.346.601)
31 DECEMBER	**82.653.938**	**88.518.903**

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 3.21 ii)).

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

	2023	2022
1 JANUARY	30.225.141	32.186.482
Increases/Reductions	3.011.918	2.717.662
Consumption	(4.556.689)	(4.679.003)
Movement	(1.544.771)	(1.961.341)
31 DECEMBER	**28.680.370**	**30.225.141**

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.

As part of the Pestana Fisherman refurbishment and construction project, in 2022 the Group applied for an incentive from the Business Development Institute under the Valorizar 2020 (Integrated Project) Incentive System for the Enhancement and Qualification of the Autonomous Region of Madeira, in the amount of 500.000 euros. In 2023, after completion of the IDE's inspection process to validate eligible expenses and compliance with objectives, it received a total of 329.421 euros, of which 230.594 euros was considered a refundable incentive in 18 fixed semi-annual installments of interest-free capital ending in 2035 (Note 25) and 98.827 euros as a non-refundable investment incentive.

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

(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.

28. Trade and other payables

As at 31 December 2023 and 2022 the detail of Trade and other payables is as follows:

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Trade payables						
Suppliers	36.205.402	–	36.205.402	31.071.698	–	31.071.698
Other payables						
Other payables	1.487.266	21.564	1.508.830	2.050.873	33.471	2.084.344
Other payables – group (Note 41)	142.217	–	142.217	367.851	–	367.851
Suppliers of property, plant and equipment (i)	3.529.365	–	3.529.365	2.291.569	–	2.291.569
Taxes payable (ii)	8.561.334	–	8.561.334	6.230.466	–	6.230.466
Accrued expenses						
Wages and corresponding taxes	18.629.431	–	18.629.431	14.205.468	–	14.205.468
Construction works	3.102.162	–	3.102.162	3.750.039	–	3.750.039
Property taxes	1.008.102		1.008.102	1.429.771		1.429.771
Others (iii)	17.661.811	–	17.661.811	17.694.706	–	17.694.706
	90.327.090	**21.564**	**90.348.654**	**79.092.441**	**33.471**	**79.125.912**

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

(i) Suppliers of property, plant and equipment

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

(ii) Taxes payable

	31-12-2023			31-12-2022		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Personnel income tax withheld	1.380.565	–	1.380.565	1.057.180	–	1.057.180
Value added tax	4.044.294	–	4.044.294	2.380.368	–	2.380.368
Social security contributions	2.018.023	–	2.018.023	1.763.858	–	1.763.858
Others	1.118.452	–	1.118.452	1.029.060	–	1.029.060
	8.561.334	**–**	**8.561.334**	**6.230.466**	**–**	**6.230.466**

(iii) Other accrued expenses

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

29. Revenue

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

	2023	2022
Hospitality business (i)	373.811.823	325.776.089
Real estate (ii)	86.852.284	38.881.729
Beverages (industry) (iii)	36.754.685	30.804.664
Vacation club (iv)	29.839.522	31.345.873
Golf	12.740.459	11.411.436
Entertainment	10.955.272	9.701.320
Others	5.785.605	5.215.487
	556.739.650	**453.136.598**

(i) Hospitality business

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

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

In Portugal the revenue from hospitality business increased by 12,9%. This increase was mainly motivated by the increase in flights for both Algarve and Madeira, which led to an increase of the tourist flows to these areas, mainly from United Kingdom and French markets. The city destinations, Lisbon and Oporto, also had a significant increase in their revenue following the continued upturn in tourism to city destinations but also due to the opening of the two new hotel units, namely Pestana Rua Augusta Lisboa Historic Downtown and Pousada de Alfama Charming Hotel, and it was also reinforced by the World Travel Awards received, best city and best destination, respectively. It is also noteworthy that in Portugal the occupancy rate increased 3,4% and the average room rate increased 8,9% illustrating the Group's effort to use more direct sales channels. Also, 2022 still considered the revenue of Pestana Blue Alvor, which was sold last year.

In Europe, the trend of excellent results continued in 2023 where every hotel unit had a positive performance. The average increase in revenue was 20,8% and Pestana Amsterdam and Pestana Chelsea Bridge were its main contributors. The occupancy rate increase of the hotel units in Europe averaged 8,1% and the average room rate increased, on average, 10,4%.

In the United States, the hotels also had a good performance and increased their revenue, specially Pestana Park Avenue which increased its occupancy rate by 6,4%. This was the second year of operation of this hotel, and with its impeccable location, it is to be believed that this performance will carry on to the following years.

In South America, revenue increased by 35,2%, which was mainly motivated by the increase in the average room rate of 21,5%.

Africa was one of the most devasted continents by the Covid-19 pandemic and had a slower return to normality. However, in 2023 the hotel units in Africa turned the page and generally had good results and the revenue increased 15,7%. This result was mainly achieved by the first full year of operation of Pestana Tanger, in Morocco, and for the excellent results in Pestana Tropico, in Cape Verde. The occupancy rate and the average room rate increased 2,7% and 7,7%, respectively, when compared to last year. Despite this year's growth, some hotel units in Africa still have to recover the performance they had before the pandemic.

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

	Hospitality business	
Country	2023	2022
Portugal	24,5%	26,7%
United Kingdom	17,0%	17,8%
United States	9,5%	8,6%
Germany	8,2%	8,3%
France	5,0%	4,6%
Brazil	4,9%	4,6%
Spain	4,3%	4,3%
Netherlands	2,7%	2,7%
Ireland	2,2%	2,2%
Switzerland	1,7%	1,6%
Italy	1,6%	1,4%
Poland	1,3%	1,3%
Canada	1,3%	1,0%
Belgium	1,2%	1,3%
Argentina	0,9%	0,8%
Sweden	0,8%	0,7%
Denmark	0,7%	0,7%
Others	12,2%	11,4%
	100%	**100%**

(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 its upward trend in 2023 with total sales of approximately 86.900.000 Euros, representing 16% of Pestana Hotel Group's total revenue.

In 2023, two real estate projects were fully completed and delivered to customers, namely Oasis 28, where 61 exclusive apartments located in Lisbon were sold for around 31.500.000 Euros and A Fábrica, Apartments & Lofts, located in the heart of the city of Funchal, where 34 apartments were sold for around 12.400.000 Euros.

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

The Silves Golf Resort Project is a tourist project that will consist of two 4-star villas and an aparthotel. Resort 1 is currently underway, comprising 175 accommodation units. In 2023 and 2022, villas and apartments were sold for approximately 2.000.000 Euros and 1.800.00 Euros, respectively.

In 2022, 34 plots of Pestana Pine Village were sold for the amount of 13.754.350 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.

Real estate revenue also includes the residence activity, namely the tourist exploration contracts of Pestana Gramacho and Pinta which continued to show good results with revenue of 7.380.562 Euros (2022: 6.406.972 Euros) and Pestana Troia Eco-Resort, which in 2023 represented accommodation revenue in the amount of 4.832.378 Euros (2022: 5.136.267 Euros). The remaining amount essentially refers to real estate management, gardening and maintenance services, as well as other residence units.

(iii) Beverages (industry)

In 2023, the beverage industry business benefited from the continued increase in tourism and the 15% increase in net sales compared to 2022 in the On-Trade market, which is currently the most representative in this business. Despite this, the Off-Trade market also saw an increase of around 20%, with growth in the Porto Santo market of around 18% compared to the previous year. There was also an expansion of cask offer for Coral White and Pure Malt, as well as Coral Stout and Cider following the heavy investment in the acquisition of draught beer machines.

(iv) Pestana Vacation Club

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

The 2023 and 2022 detail of sales and services rendered in Vacation Club & Options by country of origin related to the number of customers are as follows:

	Vacation club	
Country	2023	2022
United Kingdom	60,3%	59,5%
Germany	11,0%	10,9%
Portugal	8,2%	7,8%
Finland	7,0%	7,7%
Sweden	2,7%	2,8%
Brazil	0,6%	2,5%
Others	10,2%	8,8%
	100%	**100%**

30. External services and supplies

The detail of External services and supplies is as follow:

	2023	2022
Professional fees	30.121.031	31.131.740
Cleaning	29.721.457	27.044.207
Commissions	19.988.535	17.701.333
Energy	17.538.507	17.620.313
Maintenance	10.824.506	9.296.606
Advertising	8.074.023	8.176.319
Rents	5.996.216	7.020.228
Subcontracts	5.752.403	5.117.577
Property management exploration counterpart	4.606.766	4.641.214
Travelling and transport expenses	2.662.102	2.334.300
Insurance	2.227.799	1.806.539
Others	7.841.181	7.579.385
	145.354.526	**139.469.761**

Pestana Hotel Group has a mostly variable cost structure, which allows the Group to be flexible in its management according to the evolution of demand. However, 2023 continued to be impacted by the effects of the war in Ukraine and also by the war in Palestine which began in October 2023, with inflation continuing to be felt generally throughout the economy, especially in the cost of energy. Despite this impact, the Group renegotiated its energy contracts in Portugal with effect from July and managed to significantly reduce its costs compared to the first half of 2023. Following the Group's sustainability policy and efforts, in 2023 the Group's carbon footprint was reduced by more than 10% when measured by CO_2 consumption per occupied room.

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

The 2023 Group auditor's consolidated audit fees for all subsidiaries amounted to 201.150 Euros. Audit services performed on the remaining companies included in the consolidation perimeter by other auditors amounted to 120.399 Euros. The fees for other services provided by Pestana Hotel Group's auditors amounted to 12.400 Euros.

31. Personnel expenses

The detail of Personnel expenses is as follows:

	2023	2022
Board of Directors (including subsidiaries)		
Wages and salaries	2.199.471	2.110.454
Social security contributions	679.913	684.384
	2.879.384	**2.794.838**
Staff		
Wages and salaries	89.717.156	72.897.564
Social security contributions	16.984.203	14.634.076
Others	3.067.698	3.181.232
	109.769.057	**90.712.872**
	112.648.441	**93.507.710**

The average number of employees of Pestana Hotel Group in 2023 was 4.211 (2022: 3.983). The average number of Board of directors of Pestana Hotel Group's subsidiaries in 2023 was 39 (2022: 39). Given the current economic situation, with rising inflation and interest rates affecting household incomes, the Group continued to strengthen the working conditions and remunerations of its employees.

In 2023 and 2022 Personnel Expenses includes 7.538.993 Euros and 4.558.459 Euros, respectively, of profit sharing expenses.

32. Other income

The detail of Other income is presented as follows:

	2023	2022
Supplementary income	3.104.446	3.443.950
Lease terminations	2.269.860	–
Operating government grants	1.820.569	1.013.041
Foreign currency exchange gains	1.381.585	1.464.355
Gains on disposal of assets / investment properties	1.002.572	41.933.304
Investment government grants	472.558	468.686
Others	1.227.430	1.318.263
	11.279.020	**49.641.599**

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

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

In 2023, Operating government grants essentially refer to subsidies granted under non-repayable Covid credit lines that were converted to non-refundable. In 2022, it mainly referred 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 and the Netherlands in the amount of 142.171 Euros.

In 2023, Gains on disposals includes the gain on the sale of 1 Gramacho Residences apartment in the amount of 187.400 Euros (2022: 719.714 Euros) (Note 6). In 2022, Gains on disposals essentially concerns the sale in May of Pestana Blue Alvor All Inclusive hotel, generating a gain in the amount of 40.002.992 Euros (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.

33. Other expenses

The detail of Other expenses is as follows:

	2023	2022
Taxes	6.374.690	7.251.658
Credit card commissions	4.076.943	2.999.871
Foreign currency exchange losses	1.136.490	1.097.615
Losses on inventories	312.156	183.513
Donations	281.959	178.275
Others	2.818.181	2.147.921
	15.000.419	**13.858.853**

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

34. (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:

	2023	2022
Gains/(losses) from equity method in Joint ventures (Note 9):		
Pestana CR7 Manhattan 39 LLC	(2.835.530)	(1.225.983)
Ponta de lança, S.A.	(55.216)	(8.528)
Solpor, Lda.	173.280	(662)
Pestana CR7 Holding, S.A.	1.490.707	(3.356.716)
Pestana CR7 – Madeira Hotel Investimentos Turísticos, S.A.	–	187.318
Pestana CR7 Madrid, S.L.	–	147.833
Pestana CR7 Marrakech S.à.r.l.	–	9.001
Pestana CR7 Manchester, Ltd.	–	(14.356)
Gains/(losses) from equity method in Associates (Note 10):		
Enatur – Empresa Nacional de Turismo, S.A.	401.116	434.040
Albar – Sociedade Imobiliária do Barlavento, S.A.	–	113.338
(Losses)/gains in Financial assets at fair value through profit or loss (Note 11)	(2.345.603)	660.514
Disposal of joint ventures Pestana CR7's (Madeira, Marrakech, Madrid, Manchester) (Note 40)	–	830.236
Aquisition of URP – Urban Renew – Projetos imobiliários SICAFI, S.A. (Note 40)	–	412.880
	(3.171.246)	**(1.811.085)**

35. Financial expenses and income

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

	2023	2022
Financial expenses		
Interest expenses	12.661.800	12.400.740
Lease liabilities interest	8.570.868	8.096.560
Commissions and guarantee fees	2.754.208	1.818.236
Foreign currency exchange losses	858.337	263.000
Provisions interest charges (Note 24)	665.383	1.117.009
Interest rate swaps	561.942	634.355
Taxes	452.274	749.730
Derivatives fair value (Note 14)	28.887	–
	26.553.699	**25.079.630**
Financial income		
Interest income	3.871.401	850.941
Derivatives termination (Note 14)	2.339.761	–
Foreign currency exchange gains	1.762.266	913.735
Interest rate swaps	812.921	253.644
Guarantee fees	71.695	121.780
Provision interest income (Note 24)	–	969.264
Derivatives fair value (Note 14)	–	274.782
Others	930.275	320.068
	9.788.319	**3.704.214**

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).

Interest income include the judicial deposits made to the court.

In 2023, derivatives termination in Financial income refers to the impact of the hedging derivative liquidation, which was terminated at the time of the loan payment. The difference between the fair value reserve and the fair value amount of that derivative at the date of the loan liquidation was of 2.339.761 Euros.

36. Income tax

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

	2023	2022
Current income tax:		
Current period income tax	13.773.530	7.692.699
Tax benefits from previous years (Note 17)	(1.429.990)	–
Claim for regional tax (Note 17)	(446.494)	–
Reinstatement of tax benefits (Note 17)	504.274	–
Compensatory interest (Note 17)	–	332.226
Adjustments in respect of prior year estimates	(201.799)	81.753
	12.199.521	**8.106.678**
Deferred income tax (Note 12):		
Origin and reversal of temporary differences	(5.087.765)	9.556.557
	(5.087.765)	**9.556.557**
	7.111.756	**17.663.235**

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:

	2023	2022
Profit before tax	**112.175.731**	**127.131.496**
Tax calculated at domestic tax rates applicable to profits in the respective countries	20.731.100	26.600.694
Adjustments in respect of prior year estimates	(201.799)	81.753
Expenses not deductible for tax purposes	735.283	1.650.655
Income not subject to tax	(5.584.131)	(10.274.790)
R&D incentives	(7.425.254)	(7.425.966)
Tax benefits from previous years	(1.429.990)	–
Differences of taxes rates on income and deferred taxes	(1.324.934)	60.867
Investment incentives (RFAI)	(1.290.915)	2.431.583
Claim for regional tax	(446.494)	–
Tax losses (Note 12)	(367.566)	–
Reinstatement of tax benefits	504.274	–
Portuguese state and municipal surcharge	2.961.471	3.975.826
Compensatory interest	–	332.226
Other taxation	250.711	230.387
	7.111.756	**17.663.235**

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

Until the 2022 tax period, the subsidiaries operating in the Autonomous Regions of Madeira and the Azores were taxed through the tax consolidation in Portugal (RETGS), so their result contributed to the tax consolidated result calculated at Grupo Pestana, S.G.P.S., S.A. level. This change is included in the caption of Differences of taxes rates on income and deferred taxes and had an impact of 1.534.577 Euros in results due to the change in the tax rate on deferred taxes.

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

Income not subject to tax consists mainly of non-taxable income from the Funchal gaming concession and reversals of impairment losses on tangible fixed assets. In 2022 also included part of the capital gain on disposal of the Pestana Blue Alvor All Inclusive hotel. The tax on the capital gain was calculated based on the assumption that the amount realized will be fully reinvested in the period between 2021 and 2024. Based on the Portuguese tax law, under the current assumption, the tax capital gain of 19.709.109 Euros had a tax payable of 4.138.913 Euros.

In December 2023, two subsidiaries of the group subscribed for 5.826 participation units in the Iberis Bluetech Fund III, FCR (Bluetech Fund III) for 6.000.780 Euros (2022: 9.001.170 Euros) and another subsidiary of the Group subscribed 3.000.000 participation units in the Nowberry B Fund for 3.000.000 Euros. These funds' policy is to invest in Research and Development (R&D) companies and projects, reason why the investment is eligible under SIFIDE II (Portuguese tax incentives for Research and Development). The subsidiaries will present the respective application until May 2024, which is expected to be approved by Agência Nacional de Inovação, S.A..

Tax benefits from previous years relate to the excess tax paid in 2018 as a result of the investment scheme RFAI by two companies that are part of the tax consolidation in Portugal, which did not take into account the corresponding deduction to the localization of the investmets. Therefore, the tax benefit was calculated by applying a rate of 10 per cent instead of the 25 per cent that should have been applied according to the Investment Tax Code in force in 2018 in relation to investments made in the North of Portugal. As a result, income tax was overpaid in 2018 in the amount of 1.494.398 Euros. In June 2022 a tax act revision request was submitted for the 2018 tax period, which was partially approved at the beginning of January 2024 in the amount of 1.429.990 Euros.

In 2023, deferred tax assets of 1.194.635 Euros were recognized in relation to Portuguese benefit of the Investment Incentive Scheme ("RFAI") related to the investment in the future Pestana Dunas hotel, on the island of Porto Santo, that it has not yet possible to deduct. These deferred taxes are expected to be recovered over the next nine years. Investment incentives (RFAI) included in 2022 the reversal of the incentives acquired in previous years in the amount of 3.022.369 Euros as a result of the sale of Pestana Alvor Blue, which had been considered as a relevant investment for Investment incentive (RFAI) between 2017 and 2020. This amount was repaid to the Portuguese tax authority since the minimum period for holding the asset for 5 years was not met. Compensatory interest relating to the return of this benefit amounted to 332.226 Euros.

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

Reinstatement of the tax benefits corresponds to the amount of the RFAI investment scheme in Portugal that has to be refunded, as the investment in two assets in Lisbon was considered as relevant investment for this incentive in 2022, but they are located in a non-eligible zone following the change in Portuguese law effective from 1 January 2022. Therefore, the tax not paid in 2022 is recognised as a liability in the amount of 490.095 Euros, as well as the corresponding compensatory interest of 14.179 Euros.

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

	2023	2022
Argentina	29%	29%
Brazil	34%	34%
Cape Verde	22%	22%
Germany	33,75%	30%
Luxembourg	24,94%	24,94%
Morocco	31%	31%
Mozambique	32%	32%
Netherlands	25,8%	25,8%
Portugal	14,7% - 31,5%	14,7% - 31,5%
São Tomé and Principe	25%	25%
South Africa	27%	27%
Spain	25%	25%
United Kingdom	19% - 25%	19%
United States	21% - 35,95%	21% - 35,95%
Uruguay	25%	25%

37. Dividends

In 2023 and 2022, dividends were paid to the shareholders in the total amount of 935.000 Euros and 250.000 Euros, respectively.

In 2023, dividends paid to Non-controlling interests amount to 2.184.723 Euros.

38. Contingencies

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

	2023	2022
Mortgages over lands and buildings	158.908.146	233.006.729
Bank guarantees	48.660.288	64.387.918

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.

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

Contingent liabilities

As at 31 December 2023, Pestana Hotel Group has ongoing claims, assessed as contingent liabilities of, approximately, 11.200.000 Euros (local currency: approximately 1.700.000 Euros and 50.700.000 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.

39. Consolidation perimeter

The Subsidiaries of Pestana Hotel Group as at 2023 are as follows:

Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Afrotours, S.A.	São Tomé	Hospitality	12.590.646	12.919.767	329.121	4.100.118	277.880	100,00%	100,00%
Amesteldijk Hotel Ontwkkeling B.V.	Netherlands	Hospitality	15.865.432	40.929.621	25.064.189	12.744.045	2.393.702	100,00%	100,00%
Amoreira – Aldeamentos Turísticos, Lda.	Portugal	RealEstate	5.063.548	6.450.901	1.387.353	–	(37.808)	99,00%	100,00%
Argentur Inversiones Turisticas S.A.	Argentina	Hospitality	883.542	1.254.468	370.926	4.276.865	1.982.455	100,00%	100,00%
Bazaruto, Lda.	Mozambique	Hospitality	4.234.648	5.988.552	1.753.904	236.025	(481.014)	96,97%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	44.358.050	60.005.668	15.647.619	18.115.680	2.839.052	100,00%	100,00%
Carlton Palácio – Soc. Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	49.392.161	130.041.315	80.649.154	51.222.837	12.413.278	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hospitality	716.200	751.070	34.871	–	(37.407)	100,00%	100,00%
Carvoeiro Golfe – Sociedade de Mediação Imobiliária, Unip. Lda.	Portugal	Real Estate	53.876	326.147	272.271	16.460.312	46.376	99,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf / Real Estate	50.505.547	95.315.524	44.809.977	92.390.298	10.810.856	99,00%	100,00%
Cota Quarenta – Gestão e Admin. Centros Comercias, Unip., Lda.	Portugal	Real Estate	17.323.950	18.181.181	857.231	14.551.003	2.537.730	99,00%	100,00%
Desarollos Hoteleros Barcelona S.A.	Spain	Hospitality	22.776.692	23.508.710	732.018	3.938.160	1.870.823	100,00%	100,00%
Djebel, S.A.	Portugal	Sub-Holding	43.148.358	64.386.290	21.237.933	158.400	(854.050)	100,00%	100,00%
ECM – Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	11.353.460	33.705.542	22.352.082	37.746.152	942.776	99,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	2.553.879	2.996.876	442.997	3.403.094	842.283	100,00%	100,00%
Eurogolfe, Unipessoal, Lda.	Portugal	Golf / Real Estate	15.622.502	17.622.927	2.000.425	2.851.651	570.929	99,00%	100,00%
Global Mandalay, S.L.	Spain	Hospitality	9.161.612	10.357.676	1.196.064	9.182.438	1.122.342	100,00%	100,00%
Grupo Pestana – S.G.P.S., S.A.	Portugal	Sub-Holding	288.064.559	351.696.040	63.631.481	7.700.000	105.627.485	99,00%	99,00%
Grupo Pestana Pousadas – Investimentos Turísticos, S.A.	Portugal	Hospitality	46.987.552	58.282.999	11.295.447	42.250.701	3.120.150	99,00%	100,00%
Herdade da Abrunheira – Proj. de Desenv. Turístico e Imob., Lda.	Portugal	Real Estate	6.774.147	6.793.722	19.575	–	(31.635)	99,00%	100,00%
Hotéis do Atlântico – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Sub-Holding	119.549.209	188.981.357	69.432.148	5.552.352	1.461.751	100,00%	100,00%
Hotel Rauchstrasse 22, S.à.r.l.	Luxembourg	Hospitality	13.167.359	17.372.686	4.205.326	2.151.153	1.079.893	96,04%	100,00%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality / Real Estate	1.726.390	4.452.708	2.726.318	4.211.242	1.126.390	99,00%	100,00%
Intervisa Viagens e Turismo, Unipessoal Lda.	Portugal	Distribution	4.219.001	8.952.864	4.733.863	6.561.274	3.979.001	100,00%	100,00%
ITI – Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality / Entertainment	57.203.248	73.023.228	15.819.980	44.691.295	15.367.819	99,00%	100,00%
M. & J. Pestana – Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / Timeshare	101.910.650	367.238.852	265.328.202	86.753.965	29.851.337	99,00%	100,00%
Mundo da Imaginação – Proj. Anim. Turística, Unipessoal, Lda.	Portugal	Entertainment	361.658	2.751.283	2.389.625	549.213	(633.180)	99,00%	100,00%
Natura XXI, Lda.	Portugal	Real Estate	1.816.010	1.828.391	12.381	–	(51.802)	99,00%	100,00%

Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
Pestana Berlin S.à.r.l.	Luxembourg	Hospitality	1.278.477	2.351.428	1.072.950	6.737.399	51.567	100,00%	100,00%
Pestana Cidadela – Investimentos Turísticos, S.A.	Portugal	Hospitality	11.666.151	19.067.890	7.401.739	8.615.011	1.645.389	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	524.926.337	595.451.310	70.524.973	281.950	91.742.537	100,00%	100,00%
Pestana Inversiones Unipessoal, Lda.	Portugal	Sub-Holding	10.556.044	10.630.866	74.822	264.000	(419.928)	100,00%	100,00%
Pestana Management – Serviços de Gestão, S.A.	Portugal	Services	6.419.724	28.414.922	21.995.198	44.680.713	5.419.724	100,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hospitality	798.874	2.478.686	1.679.812	14.116.046	681.307	75,00%	75,00%
Pestana Marrocos, S.à.r.l.	Morocco	Hospitality	824.636	4.490.822	3.666.186	5.306.195	567.392	100,00%	100,00%
Pestana Miami, LLC	United States	Hospitality	14.820.620	15.678.953	858.333	4.881.462	739.230	100,00%	100,00%
Pestana Newark LLC	United States	Hospitality	353.832	360.625	6.793	–	(15.429)	100,00%	100,00%
Pestana NY East Side 39 LLC	United States	Hospitality	30.863.693	45.321.410	14.457.717	6.562.912	(869.687)	100,00%	100,00%
Pestana Orlando LLC	United States	Hospitality	45.306	588.982	543.675	–	–	100,00%	100,00%
Pestana Properties – SIC IMOBILIÁRIA FECHADA, S.A.	United States	Hospitality	32.210.536	32.347.435	136.899	–	(789.464)	100,00%	100,00%
Pestana Segurança – Serviços de Seg. e Vigilância, Unip., Lda.	Portugal	Services	484.279	982.916	498.636	1.801.049	12.410	100,00%	100,00%
Pestana USA, Inc.	United States	Hospitality	78.173.969	78.572.409	398.440	1.044.126	2.179.785	100,00%	100,00%
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	15.375.929	22.292.350	6.916.421	12.822.779	3.881.359	51,48%	52,00%
Porto Carlton – Soc. de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality	12.088.719	16.889.194	4.800.475	8.728.435	2.881.526	59,40%	60,00%
Rotas de África – Inv. turísticos e imobiliários Unipessoal, Lda.	Portugal	Services	1.362.934	1.371.698	8.764	–	(226.760)	100,00%	100,00%
Rotas de África – Investimentos turísticos e imobiliário, Lda.	São Tomé	Hospitality	1.007.850	1.017.188	9.338	–	(297.057)	100,00%	100,00%
Salvintur – Soc. de Investimentos Turísticos, S.A.	Portugal	Sub-Holding	16.656.718	34.971.897	18.315.179	217.275	(4.335.518)	100,00%	100,00%
Salvor – Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	154.886.048	238.424.533	83.538.485	62.611.148	37.478.596	99,00%	100,00%
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	Mozambique	Hospitality	11.194.129	13.172.897	1.978.768	1.169.430	(517.280)	97,06%	97,06%
São Tomé Invest Unipessoal, Lda.	São Tomé	Hospitality	590.319	835.054	244.734	812.259	(398.132)	100,00%	100,00%
Sociedade de Investimentos Hoteleiros D. João II, Lda.	Portugal	Hospitality / Timeshare	1.175.283	3.423.158	2.247.875	655.336	(139.046)	99,00%	100,00%
Surinor, S.A.	Uruguai	Hospitality	5.361.360	5.371.505	10.145	–	(55.342)	100,00%	100,00%
URP – Projetos imobiliários – SIC IMOBILIÁRIA FECHADA, S.A.	Portugal	Real Estate	17.153.959	49.946.926	32.792.967	–	16.189.320	90,00%	90,00%
Wild Break 29 (PTY), Ltd	South Africa	Hospitality	2.052.386	2.958.312	905.926	1.391.556	(245.965)	100,00%	100,00%

The Joint ventures of Pestana Hotel Group as at 31 December 2023 are as follows:

	PESTANA CR7 HOLDING, S.A.	PESTANA CR7 MANHATTAN 39 LLC	PONTA DE LANÇA – SOCIEDADE IMOBILIÁRIA, LDA	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.
Headquarters	Portugal	USA	Portugal	Portugal
Activity	Holding	Hospitality	Real estate	Real estate
% Owned	50,00%	51,00%	50,00%	49,50%
% Control	50,00%	50,00%	50,00%	50,00%
Total non-current assets	105.509.891	75.957.185	38.251	–
Total current assets				
Of which cash and cash equivalents	23.549.294	3.526.051	7.318.858	2.768
Others	3.180.541	98.566	5.373.854	929.291
Total assets	**132.239.726**	**79.581.803**	**12.730.963**	**932.059**
Total non-current liabilities				
Of which financial liabilities	29.213.032	–	–	–
Others	50.165.344	21.828.180	–	–
Total current liabilities				
Of which financial liabilities	1.443.758	–	–	–
Others	13.999.072	4.531.836	8.557.674	289
Total liabilities	**94.821.206**	**26.360.016**	**8.557.674**	**289**
Total equity	**37.418.520**	**53.221.787**	**4.173.289**	**931.770**
Revenue	26.940.955	11.601.601	–	–
Charges of depreciation and amortization	(4.378.633)	(1.828.696)	–	–
Others	(17.155.477)	(7.823.372)	(208.690)	(1.300)
Operating results	**5.406.845**	**1.949.533**	**(208.690)**	**(1.300)**
Financial expenses	(1.523.595)	(5.134.517)	(20)	–
Financial income	216.272	68.855	79.703	–
Income tax	(1.118.109)	(3.274.093)	18.575	–
Profit for the period	**2.981.413**	**(6.390.223)**	**(110.432)**	**(1.300)**
Dividends received from joint ventures	**–**	**–**	**–**	**–**

The Associates of Pestana Hotel Group as at 31 December 2023 are as follows:

	ENATUR – EMPRESA NACIONAL DE TURISMO, S.A.	LEAN COMPANY VENTURES II, S.A.
Headquarters	Portugal	Portugal
Activity	Real Estate	Tech innovation
% Owned	46,43%	10,00%
% Control	49,00%	20,00%
Total non-current assets	69.241.153	1.290.984
Total current assets	2.660.936	15.791
Total assets	**71.902.089**	**1.306.775**
Total non-current liabilities	14.109.292	596.196
Total current liabilities	3.741.547	31.237
Total liabilities	**17.850.839**	**627.433**
Total equity	**54.051.250**	**679.342**
Revenue	2.703.278	–
Profit for the period	818.604	(115.745)
Dividends received from associates	–	–

The Subsidiaries of Pestana Hotel Group as at 2022 are as follows:

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 Ontwkkeling 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 Turisticas 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 Const. 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 – Soc. de Mediação Imobiliária, Unip. Lda.	Portugal	RealEstate	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 Adm. 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, Soc. Unip. 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, Unipessoal, Lda.	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. de 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 – Proj. Desenv. Turístico e Imob., S.A.	Portugal	Real Estate	6.655.783	6.666.586	10.803	–	(42.294)	99,00%	100,00%
Hoteis do Atlântico – Soc. Imob. 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 – Soc. 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%

Name	HEADQUARTERS	ACTIVITY	EQUITY	ASSETS	LIABILITIES	SALES	PROFIT/ (LOSS)	% OWNED	% CONTROL
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%
Mundo da Imaginação – Projectos de Animação Turística, Unipessoal, Lda.	Portugal	Entertainment	1.008.071	3.393.647	2.385.576	443.862	(146.600)	99,00%	100,00%
Natura XXI, Lda.	Portugal	Real Estate	1.467.810	1.636.259	168.449	–	(36.358)	99,00%	100,00%
Pestana Berlin S.à.r.l.	Luxembourg	Hospitality	1.226.911	2.066.829	839.918	5.753.093	107.499	100,00%	100,00%
Pestana Cidadela – Investimentos Turísticos, S.A.	Portugal	Hospitality	10.820.762	20.167.743	9.346.981	7.479.211	1.380.876	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	435.285.819	542.480.549	107.194.729	292.659	33.332.292	100,00%	100,00%
Pestana Inversiones Unipessoal, Lda.	Portugal	Sub-Holding	11.017.070	11.159.141	142.071	240.000	43.261	100,00%	100,00%
Pestana Management – Serviços de Gestão, S.A.	Portugal	Services	11.255.337	22.323.325	11.067.988	35.908.683	2.027.215	100,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hospitality	744.775	3.054.863	2.310.087	11.462.953	518.075	75,00%	75,00%
Pestana Marrocos, S.à.r.l.	Morocco	Hospitality	247.765	3.083.860	2.836.094	4.341.974	200.218	100,00%	100,00%
Pestana Miami, LLC	United States	Hospitality	15.509.796	16.099.066	589.270	5.424.274	337.132	100,00%	100,00%
Pestana Newark LLC	United States	Hospitality	352.479	363.517	11.038	–	(6.460)	100,00%	100,00%
Pestana NY East Side 39 LLC	United States	Hospitality	17.851.582	47.958.725	30.107.143	5.768.267	(959.762)	100,00%	100,00%
Pestana Segurança – Serv. de Seg. e Vigilância, Unip. Lda.	Portugal	Services	521.870	1.133.426	611.556	1.601.898	4.155	100,00%	100,00%
Pestana USA, Inc.	United States	Hospitality	48.426.970	48.850.909	423.939	216.888	377.401	100,00%	100,00%
Ponta da Cruz – Soc. Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / Timeshare	14.626.881	26.558.368	11.931.487	11.101.850	3.307.696	51,48%	52,00%
Porto Carlton – Soc. de Constr. e Exploração Hoteleira, S.A.	Portugal	Hospitality	9.207.193	15.660.095	6.452.902	7.064.424	1.884.655	59,40%	60,00%
Rotas de África – Investimentos turísticos e imobiliários Unipessoal, Lda.	Portugal	Services	1.344.694	1.351.043	6.349	–	(1.199.937)	100,00%	100,00%
Rotas de África – Investimentos turísticos e imobiliário, Lda.	São Tomé	Hospitality	1.099.906	1.129.048	29.142	–	(287.551)	100,00%	100,00%
Salvintur – Sociedade de Investimentos Turísticos, S.A.	Portugal	Sub-Holding	18.529.183	37.868.307	19.339.125	180.000	(6.088.740)	100,00%	100,00%
Salvor – Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hospitality / Timeshare	138.907.452	264.228.840	125.321.388	69.384.237	66.129.989	99,00%	100,00%
Salvorhotéis Moçambique – Investimentos Turísticos, S.A.	Mozambique	Hospitality	10.668.355	12.619.250	1.950.895	1.243.926	(496.710)	97,06%	97,06%
São Tomé Invest Unipessoal, Lda.	São Tomé	Hospitality	838.451	983.602	145.151	619.679	(104.034)	100,00%	100,00%
Sociedade de Investimentos Hoteleiros D. João II, Lda.	Portugal	Hospitality / Timeshare	1.314.328	3.854.007	2.539.679	600.588	(44.704)	99,00%	100,00%
Surinor, S.A.	Uruguai	Hospitality	5.514.956	5.537.379	22.423	–	(39.412)	100,00%	100,00%
URP – Urban Renew – Projetos imobiliários SICAFI, S.A.	Portugal	Real Estate	6.164.639	43.625.352	37.460.712	–	1.589.374	90,00%	90,00%
Wild Break 29 (PTY), Ltd	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 are as follows:

	PESTANA CR7 HOLDING, S.A.	PESTANA CR7 MANHATTAN 39 LLC	PONTA DE LANÇA, S.A.	SOLPOR – SOCIEDADE TURISMO DO PORTO SANTO, LDA.
Headquarters	Portugal	USA	Portugal	Portugal
Activity	Hospitality	Hospitality	Real estate	Real estate
% owned	50,00%	51,00%	50,00%	50,00%
% control	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
Total assets	**92.204.547**	**83.859.745**	**5.570.727**	**933.088**
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
Total liabilities	**73.917.980**	**64.069.779**	**1.287.006**	**18**
Total equity	**18.286.567**	**19.789.966**	**4.283.721**	**933.070**
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)
Operating results	**(6.981.190)**	**584.548**	**(36.716)**	**(1.325)**
Financial expenses	(183.985)	(4.068.534)	(17)	–
Financial income	23.471	4.421	–	–
Income tax	422.828	1.027.602	19.676	–
Profit for the period	**(6.718.876)**	**(2.451.963)**	**(17.056)**	**(1.325)**
Dividends received from joint ventures	–	–	–	–

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

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

40. Changes in the perimeter

With reference to 1 January 2023, the subsidiary ESGAP – Empresa de Serviços de Gestão e Administração Partilhados, S.A. was merged into the subsidiary Pestana Management – Serviços de Gestão, S.A.. There was no impact on the consolidated financial statements.

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

On 4 December 2023 the Group incorporated a new company, Pestana Orlando LLC. Pestana Orlando will explore a newly acquired hotel in 2024 with 127 rooms, located near Walt Disney World, in Orlando, Florida.

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 34).

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 34) and 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).

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

	2022				
	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
Purchase price	**4.271.856**	**–**	**3.290.724**	**699.135**	**8.261.715**
ASSETS					
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
Total Assets at fair value	**13.003.100**	**25.000.000**	**39.504.349**	**1.478.121**	**78.985.570**
LIABILITIES					
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
Total Liabilities at fair value	**4.459.387**	**–**	**34.019.825**	**85.145**	**38.564.357**
Net assets	**8.543.713**	**25.000.000**	**5.484.524**	**1.392.976**	**40.421.213**
Investment already held by Pestana Hotel Group	**–**	**–**	**1.232.468**	**582.300**	**1.814.768**
Pestana Hotel Group interests acquired	**4.271.856**	**12.500.000**	**4.252.056**	**810.676**	**21.834.589**
Non-controlling interests	**–**	**–**	**548.452**	**–**	**548.452**
% acquired	**50,00%**	**50,00%**	**60,00%**	**50,19%**	
% owned at 31 december 2022	**50,00%**	**50,00%**	**90,00%**	**100,00%**	
Gains on entry (Note 34)	**–**	**–**	**412.880**	**–**	**412.880**

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

	2022		
	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)
Operating profit	**(275.312)**	**(6.543)**	**(281.855)**
Financial income	38	–	38
Profit before tax	**(275.274)**	**(6.543)**	**(281.817)**
Income tax	–	14.958	14.958
Profit for the period	**(275.274)**	**8.415**	**(266.859)**
Profit for the period attributable to:			
Shareholders of the group	(247.747)	8.415	(239.332)
Non-controlling interests	(27.527)	–	(27.527)
	(275.274)	**8.415**	**(266.859)**

41. Related parties

As at 31 December 2023 and 2022 Pestana Hotel Group is owned and controlled by Mr. Dionísio Pestana, who owns 99,99% of the capital.

Board of Directors' remuneration

Pestana Hotel Group's Board of Directors as well as the members of the Board of Directors of the Pestana Hotel Group's subsidiaries were considered, in accordance with IAS 24, as the only key management personnel of the Group. The remuneration paid is detailed in Note 31.

Transactions and balances with related parties

During the year of 2023 Pestana Hotel Group carried out the following transactions with those entities:

	DIVIDENDS PAID	SERVICES OBTAINED	SALE OF ASSETS	SERVICES RENDERED	INTEREST EARNED
Shareholder	**935.000**	**–**	**–**	**–**	**–**
Dionísio Fernandes Pestana	935.000	–	–	–	–
Joint ventures	**–**	**164.247**	**31.018**	**6.757.020**	**391.682**
Pestana CR7 – Madeira Inv. Turísticos, S.A.	–	82.426	31.018	1.461.005	101.183
Pestana CR7 Holding, S.A.	–	–	–	27.867	–
Pestana CR7 Marrakech S.à.r.l.	–	21.770	–	1.094.531	–
Pestana CR7 Manhattan 39, LLC	–	49.927	–	1.848.102	290.499
Pestana CR7 Madrid, S.L.	–	10.124	–	2.286.135	–
Pestana CR7 Manchester, LLC	–	–	–	17.488	–
Pestana CR7 Paris SAS	–	–	–	21.892	–
Associates	**–**	**2.703.278**	**–**	**–**	**3.269**
Enatur – Empresa Nacional de Turismo, S.A.	–	2.703.278	–	–	3.269
Non-controlling interests	**1.503.510**	**–**	**–**	**–**	**–**
AJJ, SGPS, S.A.	1.503.510	–	–	–	–
Key management personnel	**–**	**–**	**466.015**	**–**	**–**
	2.438.510	**2.867.525**	**497.033**	**6.757.020**	**394.951**

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
Shareholder	**250.000**	**–**	**–**	**–**	**–**	**–**	**3.290.724**	**–**
Dionísio Fernandes Pestana	250.000	–	–	–	–	–	3.290.724	–
Joint ventures	**–**	**68.452**	**29.350**	**–**	**3.100.064**	**446.455**	**–**	**7.407.356**
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	–	–
Associates	**–**	**2.407.314**	**–**	**–**	**–**	**4.033**	**–**	**–**
Enatur – Empresa Nacional de Turismo, S.A.	–	2.407.314	–	–	–	4.033	–	–
Other related parties	**–**	**–**	**–**	**1.770.947**	**2.473**	**–**	**1.300.000**	**–**
Quanlux, S.A.	–	–	–	1.770.947	2.473	–	–	–
Cristiano Ronaldo dos Santos Aveiro	–	–	–	–	–	–	1.300.000	–
Key management personnel	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	250.000	**2.475.766**	**29.350**	**1.770.947**	**3.102.537**	**450.488**	**4.590.724**	**7.407.356**

The balances arising from transactions with related parties as at 31 December 2023 are as follows:

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
Joint ventures	**4.112.940**	**1.674.125**	**–**	**5.787.065**	**87.336**
Pestana CR7 – Madeira Investimentos Turísticos, S.A.	827.648	1.674.125	–	2.501.773	61.136
Pestana CR7 Holding, S.A.	8.648	–	–	8.648	–
Pestana CR7 Manhattan 39, LLC	1.848.732	–	–	1.848.732	16.989
Pestana CR7 Madrid, S.L.	1.416.618	–	–	1.416.618	9.211
Pestana CR7 Paris SAS	6.361	–	–	6.361	–
Pestana CR7 Manchester, LLC	4.933	–	–	4.933	–
Associates	**1.370.127**	**–**	**(1.298.399)**	**71.728**	**54.881**
Enatur – Empresa Nacional de Turismo, S.A.	71.728	–	–	71.728	54.881
Soehotur, S.A.	1.298.399	–	(1.298.399)	–	–
Key management personnel	**–**	**–**	**–**	**–**	**–**
	5.483.067	**1.674.125**	**(1.298.399)**	**5.858.793**	**142.217**

The balances arising from transactions with related parties as at 31 December 2022 were as follows:

	TRADE RECEIVABLES CURRENT	TRADE RECEIVABLES NON CURRENT	IMPAIRMENT OF TRADE RECEIVABLES	NET TRADE RECEIVABLES	TRADE PAYABLES CURRENT
Joint ventures	**1.888.931**	**1.826.384**	**–**	**3.715.315**	**271.847**
Pestana CR7 – Madeira Investimentos 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
Associates	**1.370.127**	**–**	**(1.298.399)**	**71.728**	**96.004**
Enatur – Empresa Nacional de Turismo, S.A.	71.728	–	–	71.728	96.004
Soehotur, S.A.	1.298.399	–	(1.298.399)	–	–
Key management personnel	**–**	**–**	**–**	**–**	**–**
	3.259.058	**1.826.384**	**(1.298.399)**	**3.787.043**	**367.851**

42. Note to the Consolidated cash flow statement

Reconciliation of the changes recognized in financial liabilities with the cash flow from financing activities presented in the Consolidated cash flow statement in 2023 and 2022:

		CASH FLOWS		CASH FREE TRANSACTIONS						
	2022	RECEIPTS	PAYMENTS	INCREASES / DECREASES	TERMINATIONS	DISCOUNTS	TRANSFERS	EFFECTS OF EXCHANGE DIFFERENCES	ACCRUAL / DEFERRAL	2023
Bank loans	272.942.141	2.168.190	(96.844.792)	–	–	–	(926.361)	447.348	1.119.131	**178.905.657**
Lease liabilities	188.016.230	–	(20.703.833)	8.085.979	(15.617.333)	–	–	(268.103)	8.570.868	**168.083.808**
Bond loans	89.339.223	–	(32.406.500)	–	–	(493.500)	–	–	(125.914)	**56.313.309**
Commercial paper	51.207.419	20.000.000	(44.000.000)	–	–	–	–	–	(174.191)	**27.033.228**
Shareholder's loan	18.000.000	–	(18.000.000)	–	–	–	53.374.762	–	–	**53.374.762**
Cash flow from financing activities	**619.505.013**	**22.168.190**	**(211.955.125)**	**8.085.979**	**(15.617.333)**	**(493.500)**	**52.448.401**	**179.245**	**9.389.894**	**483.710.864**

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

43. Other information

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 and other low value items.

	NOTES	2023	2022
Profit for the period		**105.063.975**	**109.468.261**
Financial income	35	16.765.380	21.375.416
Income tax	36	7.111.756	17.663.235
Gambling tax paid by Casino		1.475.001	1.161.865
Charges of depreciation and amortization	6;7;8	54.032.280	53.577.444
Annual proportion of government grants	32	(472.558)	(468.686)
Reversals and impairment losses of tangible assets	6	4.743.437	(2.810.887)
Others		51.957	80.272
EBITDA		**188.771.228**	**200.046.920**

44. Subsequent events

Following the international growth of the Group, in 31 January 2024, Pestana Hotel Group acquired a new hotel in Orlando, Florida, for the amount of 21.000.000 US dollars which began operating under the Pestana brand on 1 February 2024. This is a newly built hotel with 127 rooms, located near Walt Disney World, which was already in operation.

Luxembourg, 26 March 2024

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

Audit report

To the Shareholders of
Pestana International Holdings S.A.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Pestana International Holdings S.A. (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 2023;
- 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, including material accounting policy information and other explanatory information.

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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R.C.S. Luxembourg B 65 477 - TVA LU25482518

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Electronically signed by:
Mickaël Le Bras

Mickaël Le Bras

Luxembourg, 28 March 2024

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