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◀ COMPANY FOUNDER ▶

**Manuel Pestana**, founder of the Pestana Group, was born in the small village of Ribeira Brava, some 20 kilometres outside the capital of Madeira, Funchal.

The son of a local farmer, he came from a large family and spent his formative years fulfilling the supportive role traditionally associated with such a background.

However, Sr. Pestana's ambitions went way beyond those he could hope to achieve in the mainly agrarian society in which he found himself, and at the age of 26 he set sail for the Portuguese colony of Mozambique to seek his fortune.

Having landed at Lourenço Marques (now Maputo), he soon found work and assiduously set about saving every escudo he could afford, eventually accumulating enough capital to invest in a small grocery store. From there on, aided by his acutely intuitive business sense, he never looked back.

The grocery store was followed in due course by property development ventures in both Mozambique and South Africa, and in 1961, he launched his first major project, the construction of Predio Funchal - now known as the Pestana Rovuma Carlton Hotel - a 213 room hotel in Maputo.

Although he had made a new life for himself in Africa, Sr. Pestana was still at heart a country boy from Madeira, and he always fostered a dream of returning to the island of his birth to build a luxury international hotel in Funchal.

To such a man, ambitions are there to be achieved, and in 1965 he purchased the Hotel Atlantico, a prime ocean front property in Funchal. A new 5 star hotel was built on the site and was completed in 1972. Known today as the Pestana Carlton Madeira Hotel, it remains the Madeira flagship of an ever expanding business.

In recognition of his contribution to Portuguese commerce and industry over the years, Sr. Pestana was awarded the title of 'Comendador', which is the Portuguese equivalent of a British Knighthood.

He is no longer intimately involved in the day-to-day running of the Group but has rather assumed the status of an elder statesman, whose vast knowledge and experience can be drawn upon when required. The reins of power have passed on to his only son, Dionisio, who is the current Chairman of the company, and this leaves Sr. Pestana with more time to devote to his other interests. ■



TOP:  
THE COMENDADOR MEDAL

ABOVE:  
PESTANA CARLTON MADEIRA HOTEL



◀ CHAIRMAN'S REVIEW ▶

Continued growth and development has turned the Group into Portugal's most successful leisure company currently owning and managing 27 hotel properties, 7 holiday ownership resorts, 3 golf courses, an airline and a casino.

Although leisure remains the core of the groups activities, diversification has occurred in other sectors such as real estate, breweries, wind energy, international business centre and travel. In 2001, the Group had net assets after depreciation of 600 million Euros. The last six years has seen impressive growth which is evidenced by the following property openings and acquisitions:

- 1997 · The opening of Pestana Village Hotel in Madeira.
- The purchase of a Lockheed Tristar by Euro Atlantic Airline.

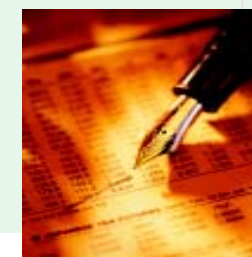


THE BOARD OF DIRECTORS

1. Dr. Florentino Rodrigues
2. Dr. Pedro Lopes
3. Dr. José Theotónio
4. Mr Peter Booth
5. Dr. Tomáz Metello
6. Dr. João Ferreira da Silva
7. Dr. J. Castelão Costa
8. Dr. Luigi Valle
9. Dr. Antonio Alves Dias
10. Dr. Dionisio Pestana

NOT PICTURED

- Dr. José Roquette
- Dra. Luiza Pestana



- 1998 · The opening of Pestana Carlton Rovuma Hotel in Maputo, Mozambique.
- The purchase of 100 hectares on the Troia Peninsula near Lisbon.
- 1999 · The completion of the Pestana Quinta da Beloura clubhouse including 17 suites.
- The purchase of the 5 star Rio Atlantica Hotel in Rio de Janeiro, Brazil.
- The extension of Pestana Levante Hotel in Armação de Pera, Algarve.
- 2000 · The purchase of a hotel with 30 luxury bungalows in Angra, Brazil.
- The purchase of the 500 room ex-Meridien hotel in Salvador, Brazil.
- The purchase of a prime 200 room beachfront hotel in Natal, Brazil.
- The opening of the historical Pestana Porto Carlton Hotel in the city centre.
- The opening of the Pestana Miramar Hotel in Madeira.
- 2001 · The opening of the Pestana Carlton Palace Hotel in Lisbon.
- The opening of the Alvor Beach Club in the Algarve.
- The opening of the Pestana Alvor Atlantico in the Algarve.
- The purchase of the Palm Gardens townhouse resort in Carvoeiro, Algarve.
- The purchase of 400 acres with hotel and golf planning in Silves, Algarve.
- The purchase of Quinta Amoreira with approval for 400 units in Alvor, Algarve.
- The opening of Pestana Atalaia Hotel in Madeira.
- 2002 · The purchase of the Malelane Gate Resort on the border of the Kruger National Park, South Africa.
- The extension of the Gramacho course in the Algarve to an 18 hole layout, par 72 and the completion of a new clubhouse. ▶



**DEVELOPMENT WORK IS WELL ADVANCED ON PROJECTS TO BE COMPLETED WITHIN THE NEXT TWO YEARS**

- ▶ The opening of a 4 star resort hotel in Curitiba, Brazil.
- ▶ The opening of a business and convention hotel in São Paulo, Brazil.
- ▶ The opening of a 5 star hotel and holiday ownership resort in Madeira.
- ▶ The opening of a self contained, low rise resort on the island of Porto Santo.
- ▶ The opening of a fourth holiday ownership resort in the Algarve.

**HOTELS**

Group Pestana currently owns and operates 27 hotels in mainland Portugal, Madeira, Brazil, Mozambique and South Africa branded Pestana Hotels & Resorts. By the end of 2004, it will have added a further five hotels which will be completed on land acquired by the Group, providing an additional 2,000 beds to the 10,000 beds already under ownership.

Pestana Hotels & Resorts has expanded from Portugal into Mozambique, South Africa and Brazil. The acquisition of the 5 star Rio Atlantica Hotel on the famous Copacabana Beach in Rio de Janeiro in 1999 was a first step in giving Pestana Hotels & Resorts a strategic presence in

the Brazilian hotel market. A further four hotels have subsequently been acquired raising considerably the profile of Pestana Hotels & Resorts in this fast-growing tourist destination.

A notable event which took place in 2001 was the opening of the Pestana Carlton Palace in central Lisbon which has established itself as the capital's premier hotel. This flagship property has been the recipient of many prestigious awards and has set new standards for luxury hotels in Portugal.

With occupancies averaging 65% in 2001 and revenues of 85 million Euros, the financial performance of the hotel division remains highly satisfactory providing a solid base for sustained growth and development.



PESTANA CARLTON PALACE HOTEL IN LISBON



MADEIRA BEACH CLUB, PART OF PESTANA CARLTON MADEIRA HOTEL



**HOLIDAY OWNERSHIP**

Group Pestana entered this sector in 1985 when marketing and sales began at Madeira Beach Club. Under the guidance of company director Peter Booth, sales levels have surpassed expectations and the Group will open its fifth resort in Funchal at the beginning of 2004. Madeira Beach Club, Pestana Palms, Pestana Village and Pestana Miramar holiday ownership resorts have reached sellout, accounting for 22,000 weeks sold and 17,000 owners. Sales have started strongly at the Group's fifth holiday ownership resort in Madeira which will be a 5 star property including 200 hotel rooms and suites and 90 holiday ownership units.

In the Algarve, sellout has been reached at the Pestana Carlton Alvor Hotel's beachfront suites and at the Alvor Beach Club whose 33 suites adjoin the 5 star hotel. Palm Gardens resort was acquired in 2001 and its 79 luxury townhouses on the seafront is a further demonstration of the group's commitment to quality resorts in the Algarve. A fourth project is due to break ground at the end of 2002 on land in close proximity to four Pestana hotels in Alvor.

The success of the group in this sector has recently been exported to Brazil with the launch of a new Holiday Club targeting mainly the Brazilian market. The group will market a Points Club using the 5 hotels belonging to Pestana Hotels & Resorts.

The Group has received a number of international awards including numerous Gold Crown plaques and the Hall of Fame award, the highest recognition given by RCI (Resort Condominium International) - the world's largest holiday exchange company - to those enterprises making a substantial contribution to the industry.

**TRAVEL**

With the birth of Euro Atlantic Airways which has a fleet of one Lockheed Tristar and three Boeings, Group Pestana took a major step into the charter airline industry. The airline has been covering longhaul routes to Brazil, Moçambique, Cuba and the Dominican Republic as well as shorthaul routes in Europe. Results to date have been very encouraging with the operation posting healthy earnings every year since inception in 1997.

The group also owns a tour operator in Britain, Atlantic Holidays Ltd, which opened in Gloucester and started trading in November 1991. The company specializes in selling ▶

holidays to Madeira and to the Algarve and transported over 25,000 holiday makers in 2001. Atlantic Holidays under the guidance of João Camacho, has become the leading specialist tour operator to Madeira. The travel agency, Viva Travel in Madeira was established by Group Pestana in 1981 and has risen to become Madeira's leading travel agent. Recently the company opened new offices in Lisbon and the Algarve. Further expansion in this sector is expected as the Group seeks greater influence abroad with regard to the promotion of its overseas hotel properties in Brazil, Mozambique and South Africa.

### GOLF AND REAL ESTATE

With over 100,000 rounds of golf being played over its two courses in the Algarve and the course near Lisbon, Pestana Golf has established itself as a major golf operator in Portugal. 2002 saw the opening of a second nine hole course on land adjoining the Gramacho course in the Algarve and the completion of a new clubhouse. Nick Price, winner of three major golf championships, helped in the design of the new course and visited the Algarve to play the courses and offer his name to their promotion. The real estate division has witnessed very strong sales of the properties surrounding the golf course in Carvoeiro. The Gramacho estate has 270

properties which are mostly sold and completed, and the first sales of homes have begun on the Pinta estate. Further golf development is planned on 400 acres of land acquired in Silves, about 20 minutes drive from Carvoeiro.

The 18 hole golf course of Pestana Quinta da Beloura is located between the coastal resort of Estoril and the historical city of Sintra. The course attracts many local residents as well as tourists especially those staying at the group's hotels in Cascais and Lisbon.

### INTERNATIONAL BUSINESS CENTRE

In 1987, the Group diversified by taking a 70% share in the Madeira Development Company, a private project backed and fully supported by the Madeiran Regional Government.

The Group invested 15 million Euros to establish the International Business Centre on the island. The strategic nature of Madeira's location in the Atlantic in relation to America, Africa and Europe, its political and social stability, and the endorsement by the EU authorities, make the International Business Centre a viable proposition for companies seeking to invest in the free trade zone or offshore financial centre and shipping register.



VILLAS OVERLOOKING THE GRAMACHO COURSE



### INDUSTRY

The group is the majority shareholder in 'Empresa de Cervejas da Madeira' (E.C.M.), whose factory in Madeira produces the well-known local brands of 'Brisa' soft drinks and 'Coral' beer. The company also has the exclusive license to produce and bottle Coca-Cola products on the island. A new factory in Madeira was opened during 1996 and the large increase in capacity has provided the company with the opportunity to promote and sell its products to new markets outside Madeira. E.C.M. also owns two beer and soft drink production plants in the Azores and Cabo Verde islands.



With the Group keen to support environment friendly projects, an investment in wind energy was realized in Madeira. The wind power industry has seen rapid expansion and brings numerous advantages, such as lack of pollution, independence from the world's finite energy sources and cheaper power. These factors, along with attractive EU incentives, have led the Group to invest in wind power, supplied by the Neg Micon Energy Group in Denmark - one of the world's pioneering companies in this field.



### CONCLUSION

In 2001, approximately 350,000 guests stayed at Pestana Hotels & Resorts, reaffirming our position as a major player in the tourist and leisure industry. We pay particular attention to the standard of our accommodation, but most important is our ability to retain and motivate our 4,000 employees who are trained to offer friendly and attentive service to our clients. The nature of the hospitality industry is such that our continued success depends on efficient and service-minded staff. In recognition of this, our policy is to devote the necessary resources and training to ensure that our professionals are able to develop to their full potential. In 2001, over 127,000 hours were spent on a variety of training programmes for employees of the group.

The group continues to show impressive financial results and 2001 proved another excellent year despite the consequences for the tourist industry of the September 11 tragic attack on New York. In 2001, the group posted a turnover of 225 million Euros generating earnings before interest and tax of 65 million Euros.

The strong earnings of the last five years are being reinvested in property and new projects which will provide a solid platform for long term sustainable growth. ■

  
Dionisio Pestana CHAIRMAN OF GROUP PESTANA



WILLIAM BUXTON

HOTEL SECTOR

The year 2002 marks the 30<sup>th</sup> anniversary of Pestana Hotels & Resorts involvement in tourism in Portugal.

Ranked the largest hotel chain in Portugal, Pestana Hotels & Resorts currently owns and manages eighteen hotels of 4 and 5 star rating in Madeira and mainland Portugal, five hotels in Brazil, three hotels in Mozambique and one hotel in South Africa.

In 2002 a world survey conducted by "Hotels Magazine" ranked Pestana Hotels & Resorts within the top 50 largest hotel chains in Europe and 140<sup>th</sup> worldwide.

The director of operations of the Group's hotels is Mr. William Buxton. In his previous appointment as senior vice-president with the Sheraton Corporation, Mr. Buxton was responsible for financial control at 160 corporate hotels in 65 countries worldwide. He joined Group Pestana in 1993 and has brought considerable international hotel experience to this position.



PESTANA CARLTON PALACE HOTEL



PESTANA CARLTON PALACE HOTEL WAS AWARDED FIRST PRIZE IN THE HOTEL CATEGORY OF THE PRESTIGIOUS MIPIM AWARDS - EUROPE'S LARGEST PROPERTY FAIR

HOTEL SECTOR



LISBON

Enjoying a privileged location and magnificent views over the river Tagus, the Pestana Carlton Palace is located in the original building and grounds of the 19<sup>th</sup> century Valle-Flôr Palace, today classified as a national monument.

Under the ownership of Pestana Hotels & Resorts, the palace has undergone extensive renovations carried out by international specialists who have restored the building to its former glory. Whilst respecting the property's intrinsic characteristics and cultural heritage, the palace has been skilfully adapted to its new role, incorporating the latest technology and the highest levels of comfort.

The main palace building is characterised by its sumptuous interiors and the art collection, which adorn its walls. An impressive entrance hall, four elegant lounges and the bar are full of paintings, sculptures, stained glass and other works of art to delight the eye. Especially attractive is the acclaimed Valle-Flôr Restaurant serving Portuguese cuisine to the highest standard.

The palace also houses the hotel's four Royal Suites and a consecrated chapel. A further 176 rooms and 14 suites are located in two new wings of contemporary architecture, which have been built in the





gardens of the palace. Lisbon's main sights and cultural attractions, as well as the city's financial district, are all within easy reach whilst the hotel itself offers a unique environment for meetings, conferences and banquets.

Fifteen rooms in a wide variety of configurations, 11 of which are located in the palace building, provide total versatility for functions between 10 and 650 participants. The latest audiovisual facilities and the attentive service of the dedicated conference and banqueting team ensure the smooth running and success of any event.

The palace gardens have also been classified as a national monument and are an oasis of calm away from the bustle of city life. A central feature of the gardens is the Casa do Lago, a 19<sup>th</sup> century oriental pavilion overlooking the outdoor pool, where drinks and light meals are served in the milder months. Nearby, the health club offers a fully equipped gymnasium, a spacious indoor pool, sauna, Turkish bath, jacuzzi and Scottish showers.



ABOVE:  
PESTANA ATLANTIC GARDENS  
IN CASCAIS  
  
BELOW:  
THE CLUBHOUSE AT PESTANA  
BELOURA GOLFE



## ESTORIL COAST

Pestana Atlantic Gardens, Cascais, is the Group's first hotel on the fashionable Lisbon coastline. Enjoying a superb location on the sea front, the 4 star hotel has 151 rooms and suites. Consistently achieving average annual occupancies of around 75% confirms the success of this impressive hotel. Facilities include an indoor/outdoor pool, tennis court, health club and conference and meeting space.

Forming part of the clubhouse at Pestana Beloura Golfe near Sintra, 17 superior hotel suites were opened in October 1999.

## PORTO

The Pestana Porto Carlton, opened in June 2000, providing Pestana Hotels & Resorts with a distinctive, superior hotel in Portugal's second largest city. The 50 room hotel is constructed within a listed building situated on the northern bank of the famous Douro River, overlooking the Porto wine lodges in Vila Nova de Gaia. The wooden sailing boats that for centuries have carried barrels of Port wine down the river Douro still pass in front of this historical building located in a Unesco world heritage site. ▶



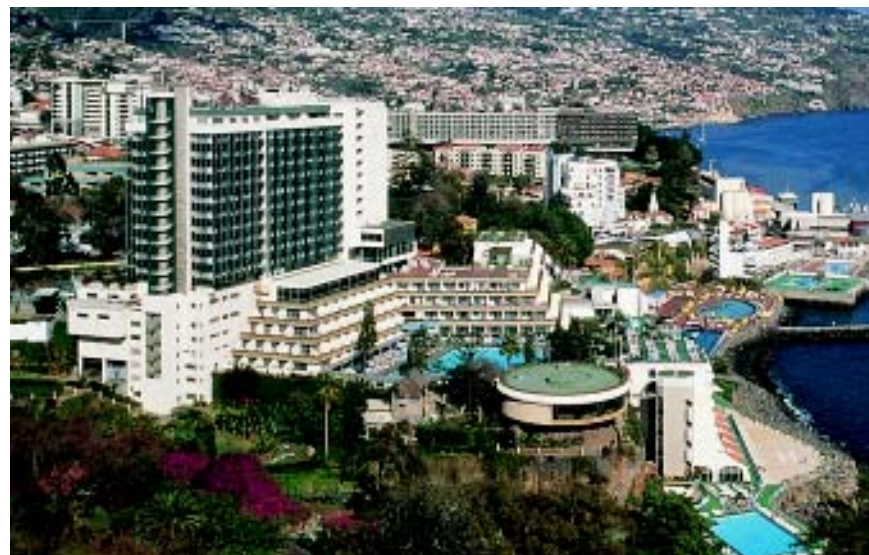


**MADEIRA**

Built in 1972, the 5 star Pestana Carlton Madeira Hotel is the flagship of the Group's eight hotels on the island. The hotel has consistently achieved high average annual occupancy levels which emphasise its popularity amongst visitors to Madeira. It commands a spectacular location set right on the sea front and offers guests direct access to sea sports and other leisure activities, including tennis and a fitness centre with an indoor pool complementing the two outdoor swimming pools.

ABOVE:  
FUNCHAL BAY IN MADEIRA  
BELOW:  
PESTANA CARLTON MADEIRA HOTEL

Acquired in the mid eighties, the Group's other 5 star hotel in Madeira is the Pestana Carlton Park. Designed by the famous Brazilian architect Prof. Oscar Niemayer, this luxury hotel is characterised by elegance, space and light. It is located on a clifftop overlooking Funchal harbour and is part of a development which includes the only casino in Madeira as well as the island's only purpose-built convention centre with a capacity for 1,000 people. For winter 2000/2001, the hotel received the "Gold Choice" award from First Choice.



ABOVE:  
PESTANA CARLTON PARK  
ABOVE RIGHT:  
PESTANA ATLANTIC BAY HOTEL



The concession for the Casino da Madeira belongs to Pestana Hotels & Resorts. After extensive renovations at the end of 1996, the Casino was re-launched with a colourful Brazilian "Carnival" theme and 200 new slot machines. Included in the facilities is a bar, restaurant and the Copacabana nightclub. Attracting both tourist and local residents, the Casino has become the leading entertainment centre in Madeira with live music, international shows, cabarets and theme evenings.

Pestana Atlantic Gardens Aparthotel, on the outskirts of Funchal, was opened in June 1991. In a tranquil setting, right on the ocean front, the hotel's 56 suites all have private sun terraces with stunning views across the peaceful bay of Praia Formosa towards Cabo Girão, the highest sea cliff in Europe.

The Pestana Palms Hotel has proved to be the premier 4 star hotel on the island. Built in the grounds of an old manorial estate, the hotel is set in beautiful gardens with all rooms looking out over the Atlantic. A special feature of the complex is the stately "quinta" (manor house) which was converted into an elegant clubhouse offering a wide range of facilities for guests. Pestana Palms Hotel has received the "Holly Award" from TUI for the eighth consecutive year and in 2001 Pestana Palms Hotel was judged by TUI guests as the number one hotel worldwide. TUI is the largest tour operator in Europe and this award, the TUI "Oscar", is given annually to the top 100 out of 15,000 hotels worldwide and is based entirely on the comments and opinions of TUI guests. ▶







PESTANA VILLAGE HOTEL

Pestana Atlantic Bay Hotel, with 220 rooms and suites, opened in July 1995 and is located alongside Pestana Atlantic Gardens Aparthotel on the beach of Praia Formosa. All rooms, like those of its sister hotel, offer spectacular ocean views.

Pestana Village Hotel which opened in January 1997 is set in 5 acres of prime real estate in the heart of Funchal's tourist area. The architecture of the resort has carefully preserved the historical heritage of the site and major emphasis has been given to landscaped gardens which include a wide variety of subtropical plants. The Pestana Village was also awarded a TUI Holly Award in 2001.

Opened on August 31, 2000 the Pestana Miramar Hotel with 65 rooms and suites is

constructed where the venerable and elegant hotel Miramar once stood and now houses two restaurants, the bar and lounge and four elegant suites with superb sea views.

The luxurious atmosphere is reflected in the classical style furnishings and elegant decoration which includes carefully chosen works of art. The new hotel interlinks with Pestana Village Hotel and guests of either hotel are able to use the extensive facilities of both properties.

The Pestana Atalaia Aparthotel is comprised of a mix of one and two bedroom apartments and studios all with kitchen or kitchenette. It is located on a headland overlooking Atalaia Bay and close to the green belt village of Caniço. This 106 Key property provides yet another choice of accommodation for our guests in Madeira.



## ALGARVE

The 5 star Pestana Carlton Alvor Hotel is the flagship of the Group's hotel properties in the Algarve and has 217 rooms and suites. This impressive hotel is renowned for its outstanding location. From the large terraced swimming pool a lift carries guests down to the secluded sandy beach of Três Irmãos where dramatic sandstone cliffs are an added attraction.

All rooms and suites plus the main restaurant and bar, have recently been refurbished and upgraded, restoring Pestana Carlton Alvor Hotel to one of the Algarve's premier 5 star hotels.

Besides a wide range of watersports and amenities, the hotel has a tennis club which has five clay and two all weather tennis courts. Just a short 20 minute stroll from the hotel, lies the fishing village of Alvor where a daily fish auction is held at the water's edge and fresh fish is grilled on outdoor barbecues at family run restaurants.

Situated a few hundred metres from the Pestana Carlton Alvor Hotel and offering a superb view of the Três Irmãos beach is the 4 star Pestana Delfim Hotel with 312 rooms and suites. A pool bar in the centre of a large circular pool is one of the hotel's special features.

The hotel shares the seven court tennis club with the Pestana Carlton Alvor Hotel and offers

numerous other facilities for sporting enthusiasts. At the end of 1999 all rooms and suites underwent substantial refurbishment plus a new lobby bar and conference facility were added. An additional facility in the grounds of the Pestana Delfim Hotel is a golf driving range. Also in the Alvor area is the 4 star Pestana Dom João II Village Resort comprising the Pestana Dom João II Hotel with 260 rooms and suites and the adjoining newly renovated Pestana Alvor Atlantic Aparthotel and Villas with 80 rooms and 30 villas set in gardens extending down to the beach. This comfortable and friendly resort is set in an enviable ▶



PESTANA CARLTON ALVOR HOTEL

◀ HOTEL SECTOR ▶



ABOVE:  
PESTANA DOM JOÃO II HOTEL

BELOW:  
PESTANA DELFIM HOTEL

position right on the Alvor beach and boasts a large percentage of repeat guests. Extensive works have recently been completed in which public areas and guests rooms were refurbished. In 2001, Pestana Dom João II Hotel received the “Gold Choice Award” from First Choice. Overlooking the picturesque bay of Armação de Pera is the small and intimate Pestana Levante Hotel. Expanded to 88 rooms in 1999, the hotel offers various recreational and leisure facilities in tranquil surroundings combined with friendly and efficient service. From the boundary of the

property, steps take one down to the long sandy beach which also features a number of idyllic coves. In 2001 Thomson presented the hotel with its “Golden Award” for the best small and friendly hotel in Portugal. On a plateau overlooking the ocean near the picturesque fishing village of Carvoeiro, Pestana has recently acquired Palm Gardens Ocean Resort. The resort consists of 79 two-bedroom town houses set in 5 acres of carefully maintained gardens. Forty of the town houses will be operated as a resort hotel with the remainder sold under long term holiday ownership contracts.

All six hotels in the Algarve benefit from the Group’s ownership of two golf courses in Carvoeiro. Reduced green fees and preferred starting times are available to guests of Pestana Hotels & Resorts in the Algarve at these two courses. There are also special concessions for guests at other nearby golf courses.



Luis Pinheiro, who joined Pestana in December 2001 is the Area Manager of Hotel Operations in the Algarve. He began his career at the Carlton Westin Hotel in Johannesburg eventually specialising in the food and beverage area. In 1994 he was appointed deputy general manager and later hotel manager of the Mount Nelson Hotel (Orient Express Hotels) in Cape Town. His Portuguese experience began in 1998 as resident manager of Reid’s Palace, Funchal and later that year he moved to Lisbon as the general manager of the Lapa Palace, also an Orient Express Hotel.



DR.ª. LUÍZA PESTANA

◀ HOTEL SECTOR ▶

**MOZAMBIQUE AND SOUTH AFRICA**

Whilst living in South Africa, Mr. Manuel Pestana in 1962 built his first property complex in Lourenço Marques (now Maputo), the capital of Mozambique.

In 1974, all private property in Mozambique was nationalised and Mr. Pestana forfeited ownership of the property complex. Twenty years later, his son Dionisio, negotiated a long term renewable concession with the new government for the property, now proudly known as the Pestana Rovuma Carlton Hotel which reopened in September 1998. It is Maputo’s most modern hotel complex, with an African ethnic decor including 213 rooms, shopping centre with 40 boutiques and

business centre with over 2000m<sup>2</sup> of office space. In addition, it has ample and well-equipped convention and conference facilities.

Two island properties off the coast of Mozambique also proudly operate under the flag of Pestana Hotels & Resorts. Pestana Bazaruto Lodge, comprising 25 traditional thatch bungalows, nestles within the vegetation and sand dunes of the island Bazaruto, an ecological paradise. The resort offers a multitude of delights including fishing, bird watching, wildlife, scuba diving and snorkelling along magnificent coral reefs.

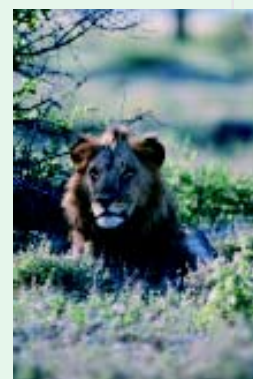
Pestana Inhaca Lodge, with 40 bright and airy chalets, is situated on the island of Inhaca, a mere 10 minutes flight from Maputo. It is a marine paradise set in the crystal clear waters of the Indian Ocean beneath the glorious African sun.

In April 2002, negotiations were completed to acquire the 55 acre Malelane Gate Resort which is located on the banks of the Crocodile River, the southern border of the world renowned Kruger National Park in South Africa. The Group’s strategy in the region is to market holiday packages that combine the fascination and thrill of a South African safari holiday, as well as the relaxation and pleasure of Mozambique with its stunning coastline, pristine beaches and the bustling capital of Maputo.

Dr.ª. Luíza Pestana is a Board Member responsible for the Group’s operations in Mozambique and South Africa. She was legal advisor to the Bank of Lisbon in Johannesburg before being admitted as an advocate in South Africa. Dr.ª. Pestana joined Group Pestana in 1987 as Manager of the International Business Centre in Madeira and relocated in 1996 to take up her current responsibilities. ▶



ABOVE:  
PESTANA BAZARUTO LODGE





DR. JOSÉ ROQUETTE

◀ HOTEL SECTOR ▶

**BRAZIL**

In 1999, Group Pestana recognized the enormous potential of the Brazilian tourist industry and set a strategy to become a major player within a five year time frame. The first acquisition was the 5 star Rio Atlantica Hotel on the famous Copacabana beachfront which provided the group with a flagship hotel in Brazil's major tourist city. The luxury hotel has 104 rooms and 114 suites, and on the top floor a swimming pool with bar terrace offers superb views along the Copacabana beach.

At the start of 2000, the Group acquired a small luxury resort, in the prestigious area of Angra dos Reis, 150 km south of Rio and known as the Brazilian Riviera. This beach resort, Pestana

Angra Hotel, consists of 30 luxury individual bungalows overlooking the magnificent bay of Angra where there are over 365 islands, many of which are privately owned. The resort covers an area of 55,000m<sup>2</sup> and the bungalows are set amongst the lush vegetation that extends to the waterfront.

In the last quarter of 2000, the Group also acquired two properties in the north-east of Brazil, in Natal and Salvador. In Natal, known for its golden sand dunes, unspoilt beaches and on average 300 sunny days per year, Pestana Natal Hotel opened a new 5 star beach resort with 200 bedrooms in August 2001. The resort enjoys a privileged position on Ponta



BELOW CENTRE:  
PESTANA RIO ATLANTICA  
HOTEL

BELOW RIGHT:  
THE SETTING FOR PESTANA  
ANGRA HOTEL



ABOVE:  
PESTANA NATAL HOTEL

BELOW CENTRE:  
PESTANA ANGRA HOTEL



◀ HOTEL SECTOR ▶

Negra beach which extends for 3 kilometres and offers excellent swimming and many water sports.

In Salvador da Bahia, the first capital of Brazil and known for its historical and cultural influence, the Group bought the ex-Meridien Hotel and undertook a full refurbishment and upgrade of this property. The luxury 5 star hotel has 500 rooms and suites with fantastic views over the beautiful bay of Todos-os-Santos and offers impressive conference facilities. Pestana Bahia Hotel was closed for 12 months as a result of an extensive refurbishment and decoration upgrade and was reopened in December 2001.

At the end of 2001, the Group launched the construction of its hotel in Curitiba, in the Southern State of Paraná, a city with very high lifestyle standards and also recognized for the European influence and rapid economic growth in recent years. The hotel will be a 4 star business hotel with 180 rooms and excellent conference facilities.

In February 2002, the Group decided to enter the sophisticated and competitive São Paulo market, and launched the Pestana São Paulo Hotel & Conference Center, a modern 4 star hotel with 200 bedrooms and state-of-the-art business and convention facilities.

Dr. José Roquette is a Pestana Board Member and responsible for the Group's operations in Brazil. He spent two years in Mozambique establishing the Pestana Hotels & Resorts brand in three destinations before moving to Brazil to initiate the entry of Pestana into this growing tourist market. ■

◀ HOLIDAY OWNERSHIP ▶

Group Pestana's philosophy in this sector is to give guests the opportunity to own holiday weeks in luxury apartments integrated into a hotel property which is managed and serviced by the hotel division of Pestana Hotels & Resorts.

MADEIRA

At Madeira Beach Club, owners enjoy the luxury of their own spacious apartment whilst also benefiting from the use of all outlets and facilities at the 5 star Pestana Carlton Madeira Hotel. The complex has 150 apartments and in 1999, 16,000 owners, exchange guests and their families enjoyed holidays there.

The marketing programme began in November 1985 and achieved sellout in 1990 with a total of 4,500 owner families, making it one of the fastest selling projects of its kind in Europe.

The success of Madeira Beach Club encouraged the Group to offer a similar concept at a new resort; in 1985 the famous Vila Lido estate was purchased which was later transformed into the Pestana Palms resort. Situated right on the coast, it includes 75 hotel rooms and 103 holiday ownership apartments set in delightful landscaped gardens. The estate's 19<sup>th</sup> century villa has been converted into an elegant clubhouse, where guests can enjoy a wide range of facilities. Over 3,700 owners have joined at Pestana Palms resort and total sellout was reached in 1995.



BELOW:  
PESTANA CARLTON MADEIRA  
HOTEL



ABOVE:  
PESTANA CARLTON MADEIRA  
HOTEL

BELOW RIGHT:  
PESTANA MIRAMAR HOTEL



◀ HOLIDAY OWNERSHIP ▶

Sales at the Group's third holiday ownership resort in Madeira, Pestana Village, began in October 1994, and by the time the resort opened in January 1997, 50% of weeks in the 94 apartments had been sold. Part of the considerable attraction of Pestana Village is its stunning architectural features and its location. Set in 5 acres of prime real estate in the heart of Funchal, the resort features a series of low-rise 'village' buildings. The resort has received high acclaim for its public areas especially the indoor courtyard with its black and white natural stone floor and central fountain. Enjoying views into the courtyard are the restaurant, library, clubroom and a wood-panelled bar. Special emphasis has been placed on landscaped gardens which feature a wide variety of subtropical plants and flowers.

In keeping with the Group's objective of establishing holiday ownership resorts in prime locations, the site of the old Hotel Miramar, which borders Pestana Village, was purchased. Hotel Miramar was built in 1924 and in those former times the hotel, along with Reids, was considered a special place to stay. ▶



◀ HOLIDAY OWNERSHIP ▶



ABOVE:  
PESTANA PALMS HOTEL  
BELOW:  
PESTANA'S NEW FLAGSHIP  
HOTEL / HOLIDAY OWNERSHIP  
RESORT OPENING IN MARCH  
2004

The Group renovated the former hotel and included both hotel rooms and holiday ownership units on the 3 acre site. As with Pestana Village, special attention was given to the elegance of the architecture, whilst allowing guests to enjoy the fantastic views across Funchal and the bay area.

The facilities of Pestana Miramar Hotel include both indoor and outdoor pools, a choice of four restaurants, two bars and a health club. Neighbouring properties, Pestana Village and Pestana Miramar allow their guests full access to facilities at both resorts.

Construction is well advanced at Pestana's fifth fully integrated hotel / holiday ownership resort. Set on the southern-most point of the island of Madeira, the resort will have spectacular 270° sea views, from the bay of Funchal to the south-east around to the world's second highest sea cliff, Cabo Girão in the south-west. The resort will attain a 5 star status and boast an extensive range of facilities, restaurants, bars and public areas. The outdoor pool will cover an area of 1,000m<sup>2</sup> and an indoor pool will be a central feature of a spacious health spa. Over 2 acres of the property has been set aside for landscaped gardens and water features.

With a view to further expansion in the holiday ownership sector, Pestana recently acquired an oceanfront property close to Funchal which would allow construction of 200 mixed use hotel rooms and apartments.



◀ HOLIDAY OWNERSHIP ▶

ALGARVE



At the Pestana Carlton Alvor Hotel in the Algarve, 20 hotel units were converted into holiday ownership apartments which were sold out in 1998. A second resort Alvor Beach Club comprising 33 beachfront units and integrated into the same 5 star hotel has been completed and is close to reaching sellout. Pestana Palms Gardens, situated in the charming village of Carvoeiro, consists of 79 two-bedroom townhouses of which 40 are being sold



ABOVE:  
THE TERRACE AT THE  
PESTANA CARLTON ALVOR  
HOTEL

BELOW:  
NEWLY RENOVATED  
INTERIORS AT PESTANA  
PALM GARDENS

under the holiday ownership concept. The low rise, village-style property has wonderful sea views and the beautiful beach of Vale Centeanes is within easy reach. The resort is undergoing extensive refurbishment which will be completed by the end of 2004. Pestana has two further holiday ownership projects planned in the Algarve which are in close proximity to the group's hotels in the Alvor area.

The first is a project comprising 55 apartments which is expected to open for sales in October 2002. The second project of Quinta da Amoreira

will be Pestana's largest holiday ownership project to date and has 22,000m<sup>2</sup> of construction approved in a property comprising 33 acres.

Over the years, Group Pestana has received many awards and distinctions from Resort Condominium International (RCI), the world's largest holiday exchange company. Pestana has six resorts affiliated with RCI, all of which carry the coveted Gold Crown Award which is



presented to the top 5% of the 4000 resorts in the RCI worldwide exchange programme in recognition of superior quality and excellent service. Pestana is also affiliated with RCI Points, a concept that offers Pestana owners greater trading power for their weeks and far greater flexibility than the traditional exchange system. Research is also being carried out on the merits of a Pestana Holiday Club which would be a private exchange system for Pestana owners to allow exchange within both Pestana hotels and holiday ownership properties. ■



In 1996, Group Pestana took the strategic decision to become a major player in the Portuguese golf market.

### ALGARVE

In that same year, the group acquired 100% of the shares in Carvoeiro Golfe S.A. This luxury golf and leisure resort lies in tranquil, open countryside near the picturesque fishing village of Praia do Carvoeiro. Occupying a total area of 500 acres, the resort has two magnificent golf courses, the Pinta and Gramacho courses. The Pinta course is a par 71, 18 hole championship course rated in the top 100 golf courses in Europe and has been chosen as the venue for the PGA European Seniors Tour qualifying tournaments.

Until the end of 2001, Gramacho was a double nine-hole course with 18 full size greens. Land was acquired bordering Gramacho and a further nine holes was completed in March 2002. The Gramacho course now offers a par 72, 18 hole layout in an area of great natural beauty and gently undulating landscape. Nick Price, the world's number one ranked golfer for two years in the Nineties and winner of the prestigious British Open Golf Championship, agreed to consult on the expansion of Gramacho to a par 72 course and worked alongside the American golf architect, Rick Elliott, in achieving a spectacular and challenging golf course.

Pestana Golf now offers 36 holes on two top quality courses in the Carvoeiro area which is noted for its olive groves with many trees well over 600 years old. Both courses provide a testing round for the low handicap player as well as great enjoyment for the holiday golfer. Another big attraction for golfers is the David Leadbetter Golf Academy.

ABOVE:  
THE PINTA AND GRAMACHO COURSES AT PESTANA CARVOEIRO GOLF  
BOTTOM LEFT:  
NICK PRICE  
BOTTOM RIGHT:  
THE GRAMACHO CLUBHOUSE



The Academy enables golfers of varying ability and ages to benefit from the expertise of two leading teachers. Tuition takes place on two purpose built fairways with six target greens, special chipping and bunker play areas and a large practice putting green.

125 acres of land adjoining the Gramacho course has recently been acquired which, when added to the existing golf facilities, will eventually provide Pestana Golf in Carvoeiro with three golf courses and two golf academies.

With the objective of owning five golf courses in the Algarve, Pestana acquired a magnificent site of over 400 acres in the Silves area of the Algarve about twenty minutes drive from the

group's golf properties in Carvoeiro. The Silves area is a picturesque and charming area of the Algarve with particular historical significance. An American firm of golf architects is currently working on this project which will feature 27 interesting and scenic golf holes.

ABOVE:  
PINTA COURSE  
BOTTOM LEFT:  
DAVID LEADBETTER GOLF ACADEMY  
BOTTOM RIGHT:  
BELOURA COURSE



### SINTRA

At the end of 1996, Group Pestana purchased the 18 hole golf course of Pestana Quinta da Beloura which is located between the coastal resort of Estoril and the historical city of Sintra. Designed by the well-known golf architect Rocky Rockmore, the par 73 parkland course is set amongst trees and features six lakes. The course continues to grow in popularity appealing to residents of Sintra, Estoril and Cascais as well as holidaymakers, especially those staying at Group Pestana's nearby Pestana Atlantic Gardens Hotel and Pestana Carlton Palace Hotel. Recently completed is a spacious clubhouse which also includes 17 superior hotel suites. ■



TOWNHOUSES AT PESTANA QUINTA DO GRAMACHO

With the acquisition of Carvoeiro Golfe in 1996, the Group took control of a project to develop around 450 homes bordering the fairways and greens of the two golf courses, Gramacho and Pinta.

The development in the Algarve offers a wide selection of properties including luxury villas, townhouses and apartments. Clients can choose a villa site from a wide variety of golf frontage plots and can select a villa design suited to individual taste. These designs have been prepared by the company's on-site architect who spends time with each client and adapts designs to suit individual needs. The architect is supported by a project management team, including civil engineers and site foremen,

who ensure all properties are built to the highest possible standards using superior quality materials and fine Portuguese craftsmanship.

On Gramacho, 270 golf frontage villas and apartments were approved for construction and by the end of 2001, 240 of these homes had been sold. All properties on Gramacho are expected to be sold and construction fully completed by the end of 2003. Each of these villas is set in landscaped gardens complete with irrigation system and its own swimming pool. The architecture is in the traditional Algarvean style with spacious terraces taking advantage of the panoramic views and wonderful climate. The apartments architecture is



strongly influenced by the area's Moorish heritage and care has been taken to ensure seclusion and privacy.

On Pinta, infrastructure works have commenced and sales have begun on the first phase of cluster homes and townhouses. In total, 180 homes have been approved for construction on the Pinta golf estate comprising an interesting variety of individual villas, cluster villas, townhouses, duplexes and apartments. The Pinta course will have its own clubhouse and a number of exclusive properties are planned to be integrated into the clubhouse. The properties will be marketed under fractional ownership allowing customers to purchase between 4 to 12 weeks ownership each year.

A further major real estate development is planned near the historical Algarve town of Silves. Land has been acquired for a 27 hole golf course and a number of choice parcels of land have been set aside for the development of luxury golf homes.

In Madeira, the Group has built and marketed four high quality residential developments selling to both local and foreign markets. In the city centre of Funchal, an office building which accommodates Madeira's International Business Centre was recently completed. The remaining office space as well as shops and parking were sold to third parties. ■



ABOVE:  
A LUXURY VILLA ON THE GRAMACHO COURSE

BELOW:  
THE BOWLING GREEN AT PESTANA CARVOEIRO GOLF



The need for Group Pestana to diversify outside the tourist and leisure market prompted the Group to seek opportunities in the industrial sector.

### BEER AND SOFT DRINKS

In September 1994, Group Pestana purchased a major share in the Atlantic Island Breweries of Madeira and the Azores, Empresa de Cervejas da Madeira (E.C.M.) and Fábrica de

Cervejas e Refrigerantes João Melo Abreu, respectively. In July 1999, Group Pestana in partnership with the Miles family, founders of the beer industry in Madeira, purchased the shares of Central de Cervejas in E.C.M. gaining absolute control of the company with a 68% controlling interest. Both breweries cater in particular for the tastes of the consumer in their own markets, with strong regional brands in the beer sector, such as Coral in Madeira and Melo Abreu Especial in the Azores, and Brisa and Kima in the soft drinks sector.



Both breweries also bottle and distribute Coca-Cola, Sprite and Fanta under licence from the Coca-Cola Company.

The strength of the regional brands is evident with Coral having an 86% share of the beer market in Madeira, and in the soft drink market Brisa and Coca-Cola products account for 47% and 40% respectively. Hence E.C.M. has a dominant position, which is due to the quality of its products, its distribution system (DIFEL, the distribution company, is wholly owned by E.C.M.) and its attention to building value for its customers.

In the Azores João Melo Abreu is also market leader with its regional brands, and has a very strong position with Sagres, the national brand, which represents 30% of the market.

Besides beer and soft drinks, both companies also distribute such well known brands as Luso Mineral Water, Camy (Nestlé) Ice Creams, Pescanova Frozen foods, and well known wines and spirits such as Esporão and Monte Velho wines, Whyte and Mackay Whisky, Drambuie Liqueur, and Miles Madeira Wine.

The Company has invested heavily and consistently in building brand loyalty over the years, as well as in plant and equipment, with a state of the art new brewery in Funchal coming into operation in the summer of 1996. Recently, to commemorate 30 years of the Coral brand and to coincide with the New Millennium, a new image of Coral was launched.



A similar process is under way in the Azores, giving the image of a dynamic efficient company, attentive to its inheritance and tradition, which spans over 100 years.

The success of the brands in both islands, has opened access to other markets. Coral and Brisa are currently being exported to various markets, beginning with those with close ties to Madeira, namely mainland Portugal, United Kingdom and the Channel Islands, France and Switzerland, whereas Melo Abreu Especial and Kima are exported to the USA and Canada where there are large Azorean communities.

### WIND ENERGY

Group Pestana has always made efforts to keep its energy consumption to a minimum, concerned not only with cost, but also with pollution and the world's ever-decreasing unrenewable energy sources. In 1992, the Group took this concern a step further and invested 5 million Euros in 18 wind generators for the island of Madeira. In doing so, Group Pestana became a pioneer in the field of wind energy in Portugal.

Of the 18 generators, each of 150kw, six can be seen on the eastern tip of the island, near Caniçal; the other 12 being situated on the remote Pául da Serra plain. The total energy potential of the two wind farms is 900kw in Caniçal and 1800kw in Pául da Serra. Together, the farms account for approximately 2.5% of the total electricity produced on the island.

The good results produced from the two wind farms help considerably towards offsetting Group Pestana's electricity costs of over 2 million Euros per year. ■

PESTANA WIND FARM ON THE EASTERN COAST OF MADEIRA





◀ BUSINESS SECTOR ▶



ABOVE:  
THE INTERNATIONAL BUSINESS  
CENTRE IN MADEIRA

Madeira's economy has long been based on tourism and exports such as wine, agricultural produce and embroidery.

MADEIRA'S INTERNATIONAL BUSINESS CENTRE

With the objective of diversifying the island's economy, the Regional Government of Madeira, in partnership with Group Pestana, created the Madeira Development Company (S.D.M.) whose aim was to establish an International Business Centre on the island, comprising four sectors of activity: an Industrial Free Trade Zone, a Financial Services Centre, International Services and an International Shipping Register. S.D.M. became operational in 1987, with Group Pestana taking a 75% share holding. For industrial companies, Madeira offers a 296 acre free trade zone, 30 kilometres from the capital, Funchal, and eight kilometres from the international airport. All raw materials and components imported into the zone are exempt from customs duties.

In certain cases, duties may be levied only on raw materials from third countries incorporated into finished products and exported to the European Union (E.U.). Analysts say the free trade zone is especially attractive to non-EU companies as a manufacturing centre for adding, in a tax efficient environment, the necessary EU local content before their products are exported into Europe. Companies operating in the industrial trade zone are entitled to a very attractive tax regime.

Although industrial plants must be built in the free trade zone in Caniçal, all other business activities may be carried out anywhere in the Madeiran archipelago. These activities, allowed within the scope of the International Business Centre, include amongst other things, banking, insurance, fund and trust management, as well as all the usual services of a management company. The International Shipping Register, also known as MAR, figures among those international registries that uphold the highest standards, with all ships flying the Portuguese flag. The creation of an International Business Centre was part of a development process which was expected to diversify and modernise the Madeiran productive structure of goods

and services. It was designed to attract new industries, new technologies and know-how, and is already creating thousands of new jobs. Conditions are favourable for this programme, given the island's modern and efficient telecommunications network, a lower cost of living than in most other European countries and the availability of a semi-skilled and trainable workforce. ■

Number of licensed entities	1992	2001
Industrial Free Trade Zone – factories	20	36
Financial Services – financial institutions	25	45
International Services – companies	700	4091
International Shipping Register – vessels	25	262



◀ TRAVEL SECTOR ▶

The group's ability to provide its customers with convenient travel arrangements took on greater significance with the rapid expansion of Pestana Hotels & Resorts.

In 1997, Group Pestana founded the airline Air Madeira to serve transatlantic holiday destinations on behalf of Portuguese tour operators. Later the charter airline changed its name to Euro Atlantic Airways and concentrated its strategy on providing sub-charter services to all the major airlines in the world, as well as providing tour operator charter flights, ad hoc charters and travel related services for business travel and corporate incentives. Euro Atlantic has a fleet of four planes including a Lockheed Tristar, one Boeing 757 and two Boeing 737. Tomaz Metello is the President and CEO of Euro Atlantic Airways. Before joining Group Pestana, Tomaz Metello spent 20 years with the Portuguese national airline TAP. He held senior executive positions in France, Brazil, South Africa, United Kingdom and Benelux and rose to the position of European Regional Director for TAP based in Paris. His wealth of experience in the travel industry has added a new force to the Group's development in this sector.

The group owns a tour operator in Britain, Atlantic Holidays Ltd. which is based in Gloucester and runs a year round charter operation with departures from London Gatwick, Manchester, Glasgow, Luton, Birmingham and Bristol to Madeira, every Monday. From May 2002, the company started operating flights from Cardiff and Bournemouth and from November, new routes were added from East Midlands and Exeter to Madeira.

In 2001 Atlantic Holidays carried over 25,000 holidaymakers to Madeira making the company the largest specialist tour operator to the island and the third amongst the British operators. Atlantic Holidays has also begun operations to the Algarve and transports

holidaymakers who will mostly stay in the six hotels owned and managed by Pestana Hotels & Resorts in the region. João Camacho is the Managing Director of Atlantic Holidays and worked in the Pestana hotel division before being assigned to launch the group's tour operator business in the United Kingdom.

In Madeira, Group Pestana owns Viva Travel which has been operating since 1981 and the group also has representative travel offices in Germany, Holland, Spain and North America, whose aims are to promote the interests of Pestana Hotels & Resorts. ■

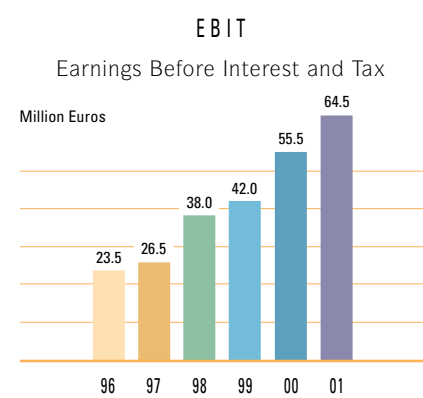
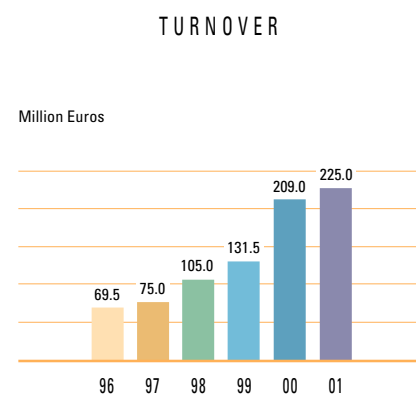
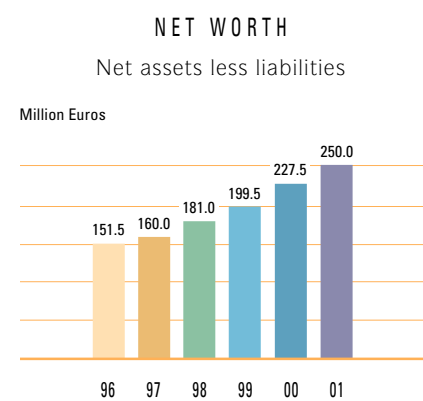
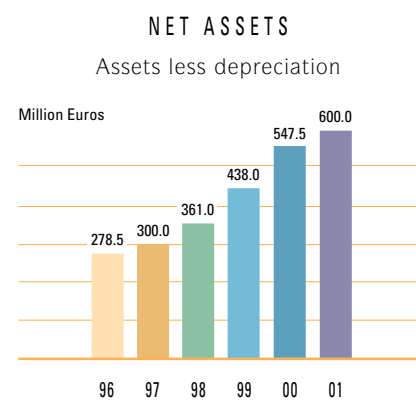


◀ HOTEL STATISTICS ▶

Pestana Hotels & Resorts, with a total of 27 properties and 5080 rooms, is Portugal's major hospitality group.

	HOTELS	ROOMS	%
Madeira	8	1980	39%
Algarve	6	1127	22%
Lisbon and Cascais	3	356	7%
Porto	1	50	1%
<b>TOTAL IN PORTUGAL</b>	<b>18</b>	<b>3513</b>	<b>69%</b>
Brazil	5	1152	23%
Mozambique	3	330	6%
South Africa	1	85	2%
<b>TOTAL OVERSEAS</b>	<b>9</b>	<b>1567</b>	<b>31%</b>
<b>GRAND TOTAL</b>	<b>27</b>	<b>5080</b>	<b>100%</b>

◀ FINANCIAL HIGHLIGHTS ▶



1 - The financial highlights were based on consolidated group figures supplied by Arthur Anderson, Lisbon.  
2 - 2001 figures are estimated.

