20 YEARS OF LUZ

LUZ SAÚDE

ANNUAL REPORT 2020

LUZ SAÚDE, S.A.

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ANNUAL REPORT
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HOSPITAL DA LUZ

The network that connects our hospitals and clinics in Portugal

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Message from the President of the Executive Committee

2020 was a memorable year. For Luz Saúde, and in the context of Covid-19 pandemic, this was a moment of absolute commitment to the country, the Portuguese population, and the National Health System. We stood by our patients, independently of their pathologies, always guaranteeing the safety and humanization of care provided, in this exceptionally demanding year for health professionals.

In February 2020, Luz Saúde Group started preparing its private health units, along with Hospital Beatriz Ângelo, the NHS unit under our management in a public-private partnership regime, for the Covid-19 pandemic.

We did it, as always, as a team, with professionalism, competency and the spirit of service that distinguishes us even in the hardest situations.

Therefore, my first words are addressed, inevitably, to the Luz Saúde collaborators:

In the name of the Executive Committee, we cannot thank you enough for all that we were able to accomplish and for the pride we feel in being a part of what is Luz Saúde.

Luz Saúde Group and its professionals, from the north to the south of the country, and from all sectors and professional categories, mobilized right from the outset and along weeks, almost 24 hours a day. Hundreds of decisions were discussed, taken, and implemented in an efficient and effective manner, having an impact on our operational processes, on circulation in hospital areas, as well as in our clinics and central services, on articulating among our units in harmony, on our way of behaving and protecting ourselves and, most of all, on how we assisted and cared for all patients independently of their pathologies.

Through the private Hospital da Luz and Hospital do Mar network Hospital da Luz and Hospital do Mar, Luz Saúde Group made available to the NHS about 200 beds, with Hospital da Luz Lisboa reaching 50% occupation of the available medical-surgical inpatient area, and 80% of its intensive care capacity with Covid-19 patients.

In February-March 2021, by request of the Ministry for Health, Hospital da Luz Lisboa offered to receive two German military medical teams that came here to support the NHS in the most acute stage of Covid-19 in Portugal, assigning part of its capacity in intensive care beds and respective integration with the other hospital services, for the treatment of Covid-19 severe patients from public hospitals in the Lisbon region.

Also, worth noting is the extraordinary and unsurpassed effort of HBA, unit run in a public-private partnership by Luz Saúde Group, in the fight against the pandemic. Since the start of this pandemic crisis, over 2,000

patients resorted to this hospital. In the height of the crisis, during the first quarter of 2021, the HBA reached over 85% of its medical-surgical inpatient capacity with Covid-19 patients.

Right from April 2020, HBA was the hospital unit in the region of Lisboa e Vale do Tejo with the highest pressure from Covid-19 patients, considering its total capacity, reaching rates of effort 20 percentage points above the average in hospitals of the region.

Planned activity was reduced to the minimum, to continue saving lives. The Emergency Service dealt daily with an overwhelming number of new patients with and without Covid-19.

Admission to inpatient units and intensive care suffered unprecedented pressure, with all the remaining services trying to assist patients in need. The Infection Control and Engineering teams worked 24/7. All the hospital's human resources worked on all fronts, with an almost total blurring of the lines of their specialization. All together, all supportive, all HBA.

In this path, it is also worth noting that HBA counted on the strong spirit of the group, with the contribution of the human resources and assistance capacity of the other units of Luz Saúde Group, without which, it would have been surely impossible to achieve the exceptional levels of performance and competency shown in the fight against this pandemic.

But the story of Luz Saúde, in this unique year, is not limited to the fight against Covid-19.

In an effort of remarkable adaptability, professionalism, and resilience, 2020 was also a year where Luz Saúde Group proceeded, in a secure and determined way, with the implementation of its strategy, being able to materialize several structuring projects for its future.

We single out the conclusion of Hospital da Luz Lisboa expansion and its elevation to the status of University Hospital, in partnership with Universidade Católica Portuguesa, establishing the first private medicine school in Portugal. This was a special victory in a year where the Group celebrates 20 years of existence, always marked by innovation in this sector we are proud to serve in. But no reference point will be as significant as being the clinical and research partner in this new medicine course, and assuming the greater responsibility of contributing for the education of the future medical generations in our country.

In parallel, the Group also took firm steps regarding its strategy of digital transformation, 2020 having been the year of consolidation of its operational, clinical and client service platforms, with a particular emphasis for LUZ 24 Service, the Digital Clinical Centre in its various areas, in particular the launching of the urgent digital consultation, the development of the 2.0 version of MY LUZ platform with several new features, among many other structuring developments at the level of clinical documentation and data integration.

Finally, the Group proceeded with its clinical organization grounded in multidisciplinary groups specialized by pathology, lining up clinical and non-clinical professionals along a coherent path integrating the patients, from diagnosis to treatment or control of the disease and assessment of results in the perspective of the patient.

2020 was not a lost year. It was a year of personal and collective overcoming at all levels, and we came out winning. Because we kept innovating. Because we kept on putting the patient at the centre of our attention. Because, although exhausted, we kept the strength to go on. We were quick to react, quick to adapt and quick to recover. Finding opportunities where there seemed only to be problems. Taking part in the creation of a wonderful new world.

Economic Performance

No economic sector remained immune to the impact of the health crisis, and consequent economic crisis, caused by the Covid-19 pandemic. Luz Saúde Group, naturally, being no exception, was however not prevented from proceeding with our planned strategy nor in realizing an investment of 67.9 million euros, with 43.9 million applied to the expansion of Hospital da Luz private network.

With the general decrease in the assistance activity, strongly impacted by the postponing of elective acts, from March to May 2020, and despite a second quarter of the year already in recovery, the global consolidated performance of the year was negative.

The impact of Hospital Beatriz Ângelo was determinant, the operational result of the public segment being negative by 29.9 million euros.

Nevertheless, it is worth noting the exceptional performance of the Group's logistic platform, that allowed, despite the decrease in activity, a 4% growth of the Group's consolidated Operating Income, reaching 613.7 million euros.

The effort of Luz Saúde Group to ensure the full operation of its units, supporting all costs of the decrease in activity, and, in using its human resources without resorting to lay-offs, is reflected in a decline of the EBITDA to 22 million euros, which represents a decrease of 62.7% compared to 2019. The operational performance produced a negative consolidated net result of 16.3 million euros, in comparison with a positive result of 16.7 million euros in the previous year.

Future

A certainty: nothing will return to what it was. The vaccination plan at the European and world level is, no doubt, a light at the end of the tunnel. In hospitals, we are safer today, more aware, and much better than when we knew nothing about this new disease.

Today, Covid-19 is part of our reality, and as such, new circuits are established, infrastructures are prepared, and our safety and that of our patients is already based in science. The new challenges and how to recover what inevitably fell behind, as well as the sequelae of a disease that impacted approximately 10% of the Portuguese population, are the new stages to overcome to recover the health levels before the pandemic.

The year 2021 will be a year of growth and consolidation of Hospital da Luz Group as a support network to university education, at Hospital da Luz Lisboa, where one of the top medical simulation centres in Europe is located, it will help forge future generations of health professionals – physicians, nurses, health technicians and even operational and management professionals. And when we invest in future generations, the legacy of what we accomplish will remain forever.

This is also a message for our professionals that serve at Hospital Beatriz Ângelo, in this last year of contract with the NHS. The culture of excellence, the Luz Saúde culture is in each one of us, in each collaborator. These have been 10 extraordinary years, where we always and consistently made the difference. And this is a very strong legacy, that endures. Which is why I believe that the Luz Saúde Group will never die at Hospital Beatriz Ângelo. And within the Group as well, we will always proudly be HBA.

Apart from that... the future should be faced with optimism, based on a sector full of new opportunities where clinical and technological innovation are part of the DNA.

Resilience, adaptability, and creativity allied to a solid competency at all levels of our organization, will continue to establish Luz Saúde Group and its collaborators as front-line players in the designing of the health sector in our country.

I wish to all of you a 2021 we can be proud of, once again.

Isabel Vaz
President of the Executive Committee


HOSPITAL DA LUZ

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LUZ SAÚDE

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2 LUZ SAÚDE

2.1. Identity and structure

2.1.1. Identity

Luz Saúde, SA is the holding company of one of the largest healthcare services groups, by income, in the currently expanding Portuguese market. The Group renders its services by way of 28 units (including 14 private hospitals, one NHS hospital which is run by Luz Saúde under a Public-Private Partnership (PPP), 11 private outpatient clinics and two senior residences) located in the Northern, Central, Southern-Central and Madeira regions of Portugal. In certain regions, it owns the only private hospital in operation.

The Group's structure enables it to operate its health-care units in a complementary and integrated way. This is achieved by referring patients between the various units, sharing know-how (both clinical and related to process management) and facilitating access to some of the best acute hospital care units in the country. The Group stands out in the Portuguese healthcare services market with the specialized complex services it provides. For these, it has the benefit of technologically advanced equipment available in several of its units and which, in some cases, is the only such equipment in the country.

2.1.2. Luz Saúde's history

2000
Luz Saúde was established under the name of Espírito Santo Saúde. In the same year, it acquired a majority share in Clíria - Hospital Privado de Aveiro and in Hospital da Arrábida, in Vila Nova de Gaia.

2002
Luz Saúde (then Espírito Santo Saúde) started managing Hospital da Misericórdia de Évora, in partnership with other entities.

2003
In December, the construction of Complexo Integrado de Saúde da Luz began, including Hospital da Luz and Casas da Cidade - Residências Sénior.

2004
Clíria - Centro Médico de Águeda started its activity. The Clube de Repouso Casa dos Leões was fully integrated in Luz Saúde (then Espírito Santo Saúde);

In July, started the construction of Hospital do Mar, in Loures municipality.

2005
The construction of Hospital da Luz Clínica de Oeiras (former Clínica Parque dos Poetas), started in May.

2006
Hospital do Mar opened and Luz Saúde (then Espírito Santo Saúde) acquired the totality of the share capital of IRIO - Instituto de Radioterapia;

In March of the same year, Luz Saúde acquired the totality of the share capital of Hospor, including two hospital units – Hospital de Santiago, in Setúbal, and Clipóvoa - Hospital Privado, in Póvoa de Varzim, besides 3 outpatient clinics - Clínica de Cerveira, Clínica de Amarante and Clínica do Porto.

2007
Hospital da Luz Lisboa and Hospital da Luz Clínica de Oeiras (former Clínica Parque dos Poetas) started their activity.

2008
Hospital de Santiago renewed one of its inpatient floors.

2009
Casas da Cidade - Residências Sénior and Hospital da Luz - Centro Clínico da Amadora opened their doors;

Clíria – Clínica de Oiã was acquired;

At the end of the year, in the scope of the public-private partnership program, was signed a management contract for Hospital Beatriz Ângelo, located in Loures municipality.

2010
In January took place the first stone laying ceremony for Hospital Beatriz Ângelo;

Hospital da Arrábida, in Gaia, doubled its capacity, with new areas of ambulatory surgery and differentiated inpatient units, including a new maternity unit;

Clíria - Hospital Privado was also extensively renovated and began operating at its second location, doubling its ambulatory care offer;

In Póvoa de Varzim, Clipóvoa - Hospital Privado continued its renovation process, involving inpatient, surgery and maternity areas. Hospital de Santiago completed the renovation of the Permanent Medical Care.

2011
There was great emphasis on the preparation for Hospital Beatriz Ângelo opening, with the completion of all the finishing work, as well as the structuring of all hospital processes and the recruiting of medical and non-medical staff;

Hospital da Luz celebrated 5 years of activity and inaugurated a new outpatient paediatric unit;

Hospital de Santiago opened a new area dedicated to dentistry;

Luz Saúde (then Espírito Santo Saúde), was granted the Excellence at Work Award, awarded by Heidrick & Struggles.

2012

Hospital Beatriz Ângelo started its activity in January 19th, with the opening of Paediatrics and Dermatology consultations. Thus, started functioning the first Luz Saúde (then Espírito Santo Saúde) unit operating on a public-private partnership regime. The opening process was completed on February 27th, when the General Emergency Service started its activity;

In March, Hospital do Mar initiated expansion works to respond to the high demand on differentiated services. In July, Clíria - Clínica de Oiã began its remodelling process. Hospital de Santiago renewed its areas of orthopaedics and ophthalmology consultations;

Hospital da Luz was awarded the Valmor Prize 2007.

2013

The expansion of Hospital do Mar and the renewal process of Clíria - Clínica de Oiã were completed. Hospital de Santiago renewed its main entrance and reception areas;

Clínica Parque dos Poetas was rebranded as Hospital da Luz Clínica de Oeiras;

Hospital da Luz received for the third consecutive year the award of Best Company in the Healthcare Sector. Granted by "Exame" magazine in partnership with Informa D&B and Deloitte;

Hospital Beatriz Ângelo obtained international quality accreditation by Joint Commission International (JCI).

2014

The new area from Hospital do Mar and the renewed area from Clíria – Clínica de Oiã, opened to the public;

In February, Luz Saúde (then Espírito Santo Saúde) entered officially in the stock market, through an initial public offering. It becomes the first private company in the health sector to be traded in Euronext Lisbon;

In October, after a highly competitive process of public offer acquisition, Fidelidade – Companhia de Seguros, S.A. acquired 96% of Espírito Santo Saúde shares, thus becoming its new majority shareholder. At the time, the new company´s name was announced: Luz Saúde, SA. This acquisition intended to guarantee the continuity of the project, maintaining its identity by means of an autonomous brand.

2015

In March, Hospital da Luz Lisboa opened to the public its extended parking lot, which represented a doubling of car places available;

In July, Luz Saúde acquired 100% of HME social capital, the society managing Hospital da Misericórdia de Évora;

In November, started the works of expansion of Hospital da Luz Clínica de Oeiras;

In December, Hospor acquired a property in Vila Real with the purpose of developing a new health unit to reinforce the presence of Grupo Luz Saúde in the North of the country.

2016

Luz Saúde concentrates its areas of business in three main brands: Hospital da Luz (by then with 5 hospitals and 9 clinics), Hospital do Mar Cuidados Especializados (Lisbon and Gaia) and Casas da Cidade Residências Sénior (Lisbon and Carnaxide);

In January, Hospital Privado de Guimarães and Clihotel de Gaia start to be explored by Hospital da Luz Guimarães, S.A., being renamed as Hospital da Luz Guimarães and Hospital do Mar Cuidados Especializados de Gaia, respectively.

The works of expansion of Hospital da Luz Lisboa are initiated aiming at an 80% increase of capacity;

At Hospital da Luz Clínica de Oeiras, expansion works continued, in order to double its capacity and widen the range of clinical competences, with opening expected in 2017;

At Hospital da Luz Arrábida, the works of adaptation of a new ambulatory area expanding the unit are concluded, with opening expected in January 2017;

Grupo Luz Saúde opened an ambulatory unit in Vila Real and acquired a clinic in Odivelas for the development of an ambulatory unit in that area.

2017

Luz Saúde acquired Clínica de Santa Catarina and Policlínica do Caniço, in Madeira Island, and the British Hospital, in Lisbon;

Works were initiated in the new ambulatory clinic in Odivelas – Hospital da Luz Clínica de Odivelas –, expected to open in January 2018;

The works of expansion of Hospital da Luz Oeiras were concluded and the new area was opened to the public. The renewal and reorganization of services in the original facilities were initiated, namely in the area destined to inpatient.

2018

In January 12th, a new outpatient clinic in Odivelas started its activity;

In March, Luz Saúde acquired the totality of the share capital of Grupo Idealmed, including one hospital Idealmed UHC – Unidade Hospitalar de Coimbra, besides 4 outpatient clinics located in the centre of Coimbra, Figueira da Foz, Pombal and Cantanhede;

The Hospital da Luz Vila Real moves to the new facilities in the center of the city, offering a wider range of health care services, namely Inpatient, Surgery and Urgent Care;

In Oeiras region, Hospital da Luz Lagoas Park started its activity.

2019

Hospital da Luz Funchal performs a complete remodelling of the facilities of its operating theatre;

Hospital da Luz Lisboa opens the expansion area built during 2018 and 2019 and begins the remodelling work on the existing building, which will allow a significant increase in installed capacity, as well as in the services rendered to customers, always guided by medical excellency and value based health care for the patient;

The Hospital da Luz Cínica de Odivelas develops the construction of the facilities of an operating theatre (opening in early 2020).

2020

20 ANOS DE LUZ

Hospital da Luz Lisboa concludes the process of opening its expansion area, maintaining, throughout the year, the remodelling works of the existing building;

Hospital da Luz Clínica de Odivelas opens its operating room as planned;

Luz Saúde alienated the Hospital da Luz Cuidados Especializados de Gaia, in a strategy to focus on healthcare in hospitals and outpatient clinics, in the Northern region;

Hospital Beatriz Ângelo started the internal process of transmitting the hospital to the State, scheduled for January 18, 2022;

In September 2020, A3ES - Agência de Avaliação e Acreditação do Ensino Superior, the authority that regulates higher education in Portugal - approved the first private medical course in Portugal, with Hospital da Luz Lisboa being the clinical partner of the course, thus becoming a University Hospital, with the possibility of contributing to the prestige of Medicine and Portuguese science.

2.1.3. Luz Saúde's structure and business segments

Luz Saúde has a diversified business model organised into three main operational segments: (i) private healthcare, which includes the main acute care hospitals and the Group's network of outpatient clinics; (ii) public healthcare, with the management of Hospital Beatriz Ângelo under the Public-Private Partnership Agreement (PPP) Agreement and (iii) other activities, including the two senior residences designed to offer an integrated residential solution for independent seniors or those needing assistance with their daily living, as well as GLSMED Trade, a company specialized in logistics and supply chain management and GLS Learning Health, focused on professional advanced training. In addition, the Corporate Center renders centralised services to the various units within the Group.

Private Healthcare

HOSPITALS
- Hospital da Luz Guimarães
- Hospital da Luz Vila Real
- Hospital da Luz Póvoa de Varzim
- Hospital da Luz Arrábida
- Hospital da Luz Aveiro
- Hospital da Luz Oiã
- Hospital da Luz Coimbra
- Hospital do Mar Cuidados Especializados Lisboa
- Hospital da Luz Lisboa
- Hospital da Luz Torres de Lisboa
- Hospital da Luz Oeiras
- Hospital da Luz Setúbal
- Hospital da Misericórdia de Évora
- Hospital da Luz Funchal

OUTPATIENT CLINICS
- Hospital da Luz Clínica de Cerveira
- Hospital da Luz Clínica de Amarante
- Hospital da Luz Clínica do Porto
- Hospital da Luz Clínica de Águeda
- Hospital da Luz Clínica de Coimbra
- Hospital da Luz Clínica de Cantanhede
- Hospital da Luz Clínica de Pombal
- Hospital da Luz Clínica da Figueira da Foz
- Hospital da Luz Clínica da Amadora
- Hospital da Luz Clínica de Odivelas
- Hospital da Luz Clínica do Caniço

MY LUZ SEMPRE ONLINE CONSIGO

LUZ 24 SEMPRE EM LINHA CONSIGO

Public Healthcare

HOSPITAL
- Hospital Beatriz Ângelo (PPP)

Other Activities

SENIOR RESIDENCES
- Casas da Cidade Residências Sénior de Lisboa
- Casas da Cidade Residências Sénior de Carnaxide

OUTRAS ÁREAS
- GLSMED Trade
- GLSMED Learning Health

Financial Holdings

- Genomed
- HL - Sociedade Gestora do Edifício

2.1.4. Management And Corporate Body Structure

At the top of the management structure of Luz Saúde, SA, a public company, is the Board of Directors, which is made up of a Chairman and nine Directors. From this group of Directors, four make up the Company's Executive Committee, which is responsible for the strategy and day-to-day management of the Group's businesses.

Jorge Manuel Batista Magalhães Correia | Chairman of the Board of Directors
Isabel Maria Pereira Aníbal Vaz | Vice-Chairman of the Board of Directors And Chief Executive Officer
Chen Qiyu |Vice-Chairman of the Board of Directors
Fang Yao | Director
Lingjiang Xu | Director
Ivo Joaquim Antão | Member of the Executive Committee
João Paulo Da Cunha Leite De Abreu Novais | Member of the Executive Committee
Rogério Miguel Antunes Campos Henriques | Director
Tomás Leitão Branquinho Da Fonseca | Member of the Executive Committee

Ivo Antão, Isabel Vaz, Tomás Branquinho da Fonseca and João Abreu Novais

The Central Directorates are part of the Group's holding structure, together with the structure of Luz Saúde - Serviços, ACE. Not only do the Central Directorates provide support to the Board of Directors, they also provide services to the Group's various operational units, thereby benefitting from economies of scale, knowledge and talent. This further ensures homogeneity in terms of strategy and standards in the various units. The Central Directorates are organised into specific areas: Accreditation and Quality Certification; Central Imaging Diagnostic; Central Pharmaceutical Services; Central Negotiation Procurement; Digital Clinical Center; Commercial; Clinical Design and Operational Control; Strategy and Business Analytics, Training, Development and Innovation; Finance and Audit; Risk Management; Value Based Healthcare Management; Infrastructures, Maintenance and Equipment; International Patient Services; Legal and Compliance; Logistics and Operational Support; Marketing and Communication; Business Development; Organization and Processes; Transversal Nursing Programs; Human Resources; Client Experience; Administrative and Financial Services and IT Systems.

2.2. Strategic positioning

Luz Saúde's competitive advantages allow it to benefit from trends that drive local and regional demand in the Portuguese healthcare services market and to expand by seizing new national and international opportunities. The Group's competitive advantages are, among others:

- market leadership in Portugal;
- a diversified network of healthcare service units that cover a vast geographical area;
- investment in modern hospital facilities;
- long-term relationships with the main paying entities in the Portuguese healthcare sector;
- a model built on the best services and infrastructures in the sector;
- highly qualified, experienced and motivated medical staff;
- integration in the healthcare sector's Public-Private Partnership Programme;
- an experienced management team, with a track record in growth management based on clinical excellence.

2.2.1. Vision

Luz Saúde vision is to be a leading healthcare provider recognised as a reference of excellence and innovation in highly specialised and complex medical care.

Luz Saúde commitment is absolute and unequivocal: to ensure the best diagnosis and medical treatment that talent, innovation and dedication can provide. Luz Saúde offers a full range of healthcare services that ensures continuity of care and can respond to changing health needs of people throughout their lives.

2.2.2. Mission

Achieve the best health outcomes from the perspective of patients through rapid and effective diagnosis and treatment, with absolute respect for the patients' individuality, and to build an organisation capable of attracting, developing and retaining exceptional people.
In order to fulfil its mission, Luz Saúde, through its employees, is committed to:

EXCELLENCE IN HEALTHCARE

- Placing the interests of patients ahead of the personal interests and of the organization;
- Adopting the highest ethical and professional standards, valuing team medicine and multidisciplinary collaboration to achieve the best health outcomes from the perspective of patients;
- Honouring patients' needs and preferences, respecting their values and involving them and the family in care decisions;
- Developing long-term relationships with our customers – patients and third party payers – based on efficacy, integrity and trust, thus contributing in an exemplary way to the economic sustainability of the healthcare system.

TECHNOLOGY AND INNOVATION

- Providing the best possible healthcare that scientific and technological advances allow;
- Practicing a personalized medicine based first and foremost on the doctor's inviolable trust relationship with his patient, enhanced by advances in clinical genetics and molecular diagnostics alongside the adoption of computational medicine and data science technologies;
- Investing in state-of-the-art technology to deliver innovative treatments with scientifically proven clinical value;
- Promoting scientific research that contributes significantly to the advancement of knowledge and focuses on achieving the best outcomes for patients.

TALENT AND TRAINING

- Working with the best professionals and fostering their continuous development through investment in their training and the implementation of a culture of high demand and self-improvement based on meritocracy;
- Managing an efficient, high-quality healthcare structure made up of competitive and dynamic employees who are strongly committed to the organization, to its mission and values;
- Collaborating with leading institutions in teaching and research to train the new generations of health professionals and researchers.

2.2.3. Values

Eight fundamental values lie at the core of the Luz Saúde culture:

A TIRELESS QUEST FOR RESULTS
We are determined to achieve ambitious and measurable results in fulfilling our mission. We continue to vigorously pursue our final objectives even when we encounter difficulties and obstacles along the way.

INTELLECTUAL RIGOR
We force ourselves to critically examine all we do, approaching each subject and decision with rigour and sound reasoning in our search for the best ideas and solutions.

ONGOING LEARNING
We reflect on and learn from our experience in order to improve our future performance.

PERSONAL ACCOUNTABILITY
We give the best of ourselves and assume responsibility for achieving the best results possible in our sphere of activity.

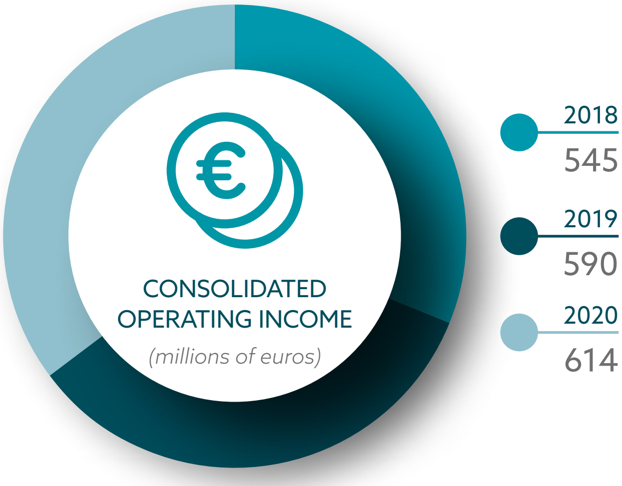
RESPECT AND HUMBLENESS
We respect others and their ideas and we count on their contributions. We recognise the limitations of our experience and value other perspectives.

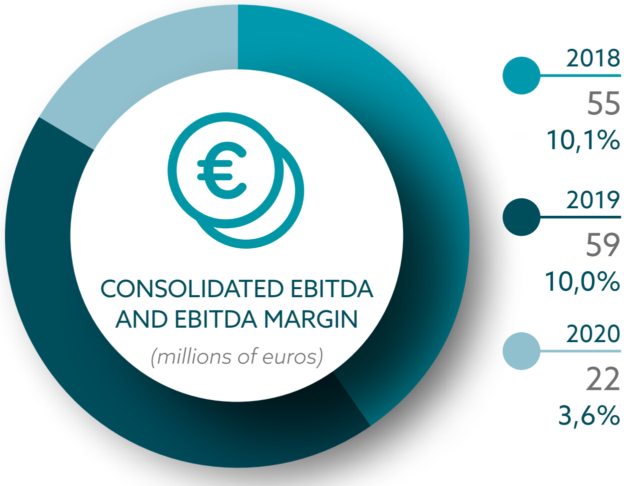
POSITIVE ATTITUDE
We are ambitious in our objectives, we enthusiastically embrace new ideas and we take pride in our results.

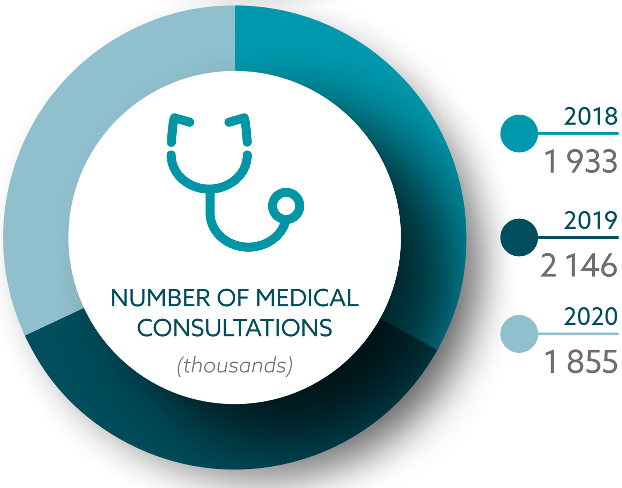
INTEGRITY
We are honest, loyal and serious in everything we do. Always mindful of our shareholders' values and expectations and, above all, those of our customers.

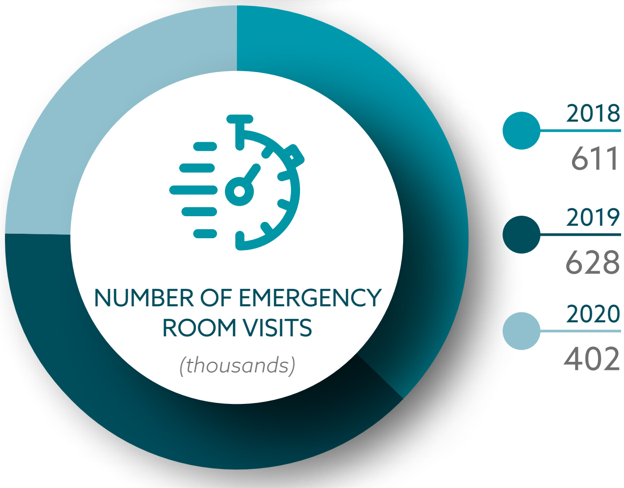
TEAM SPIRIT
We believe that collective effort is the best way to achieve our objectives and enhance the impact of our actions on the community.

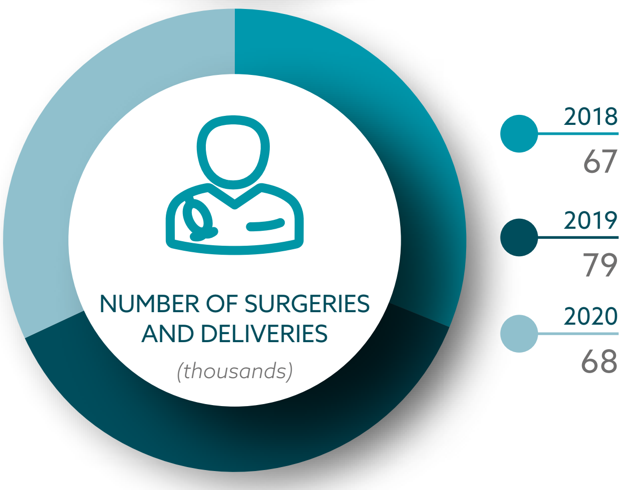
2.3. Luz Saúde Key Data

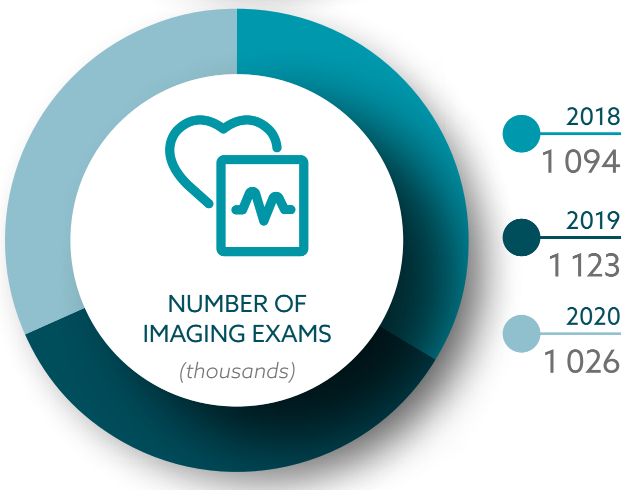












3
MANAGEMENT REPORT

3 MANAGEMENT REPORT

A. Overview of 2020

In 2020, both Portuguese and world economy were deeply affected by the spread of SARS-COV-2 pandemic, the containment measures, and the impact on the economic agents' behaviour. The economic losses were different between countries and economic sectors. Government responses - monetary, budgetary, and prudential - were unprecedented in terms of magnitude, speed and coordination, in order to mitigate the effects of this crisis on the world economy.

In this context, Portuguese GDP decreased by 7.6% in 2020 and Banco de Portugal forecasts a 3.9% growth in 2021, 5.2% in 2022 and 2.4% in 2023. The economy should recover to pre-pandemic levels only by the end of 2022, presenting from that time an improvement in the labour market, with an increase in employment and a reduction in the unemployment rates.

Economic perspectives remain highly uncertain, dependent not only on the evolution of the disease but also on the rate of large-scale vaccination. Although economic activity is expected to begin recovering in 2021, its pace is highly conditioned by the impact of the crisis on the productive capacity and the need to reallocate resources between companies and sectors.

The described macroeconomic scenario strongly impacted the Group's activity, whose priorities have remained unchanged since the beginning of this pandemic: safety of staff and clients who attend the health services, stability of the supply chain (especially focused on the most fragile suppliers and on personal protective equipment (PPE)), and maintenance of all operating services, in accordance to the high quality standards we aspire to and for which we are recognized for.

March to May 2020 was an especially difficult period, with a drastic reduction in healthcare activity levels. The Group took advantage of this period to redefine its medical services circuits and reorganize its teams, which allowed in June the Group to return to day-to-day operations and respond to the new challenges of the pandemic scenario.

In addition to the impact in terms of activity, it is important to highlight the pressure felt by the clinical workforce in terms of the job market, either directly to fight the pandemic (in many situations it was necessary to create separate circuits within the services to treat COVID and non-COVID patients, which implied more resources), either indirectly due to the pressure created by the increase in demand of the Portuguese NHS (not only to respond to the workforce reduction, but also to fight the pandemic effects), or the increased absenteeism in the workspace due to family support reasons, and long periods of absence related to prophylaxis or illness itself.

2020 brought unthinkable challenges and limitations to the planned activity, which was kept on hold and dependent on the evolution of the pandemic, systematically balancing the fight against COVID 19 and the assistance to non-COVID patients.

B. Luz Saúde overall and business segments performance

1. Consolidated income statement

Consolidated income statement

(Million Euro)

	2019	2020	Var.
Operating revenues	**589.9**	**613.7**	**4.0%**
Operating costs, without depreciation and amortization	(530.9)	(591.7)	11.5%
EBITDA	**59.0**	**22.0**	**-62.7%**
EBITDA margin	10.0%	3.6%	-6.4 p,p,
Depreciation and amortization	(34.5)	(37.9)	9.9%
EBIT	24.5	(15.9)	-
EBIT margin	4.2%	(2.6%)	-
Financial results	(9.8)	(11.9)	21.4%
EBT	**14.7**	**(27.8)**	**-**
Taxes	2.1	11.2	-
Net income	**16.8**	**(16.6)**	**-**
Non-controlling interests	(0.1)	0.3	-
Net Income attributable to Shareholders	**16.7**	**(16.3)**	**-**
EPS (Euro)	0.176	(0.170)	-

In 2020, Luz Saúde increased its consolidated operating income by 4.0% over the same period of 2019, reaching € 613.7 million. The negative impact that the pandemic had on the different units of the Group, in both private and public segments, was offset by the strong growth of the Group's logistics business, developed by GLSMED Trade.

EBITDA reached € 22 million in 2020, representing a decrease of 62.7% compared to 2019 and the EBITDA margin also decreased to 3.6%, as a result of the negative impact that the SARS-COV-2 pandemic had on activity, especially in the first half of the year, when there was a drastic decrease in the activity of providing health care with a considerable increase in costs, especially in the protection of employees and customers.

This evolution was reflected in the negative net result of € 16.3 million.

2. Operating revenues performance

2.1 By segment

Operating revenues by segment (Million Euro)	2019	2020	Var.
Consolidated operating revenues	**589.9**	**613.7**	**4.0%**
Private healthcare	477.5	440.9	(7.7%)
Public healthcare	107.4	89.8	(16.4%)
Other businesses	19.0	101.5	-
Corporate center	25.8	31.0	20.2%
Eliminations	(39.8)	(49.5)	-

Operating income from the private healthcare segment totalized € 440.9 million, 7.7% below the same period last year. This decrease was mainly caused by the effects of the SARS-COV2 pandemic, particularly in the first half of the year.

Operating income in the public health care segment decreased by 16.4% YoY to € 89.8 million, as a result of the aforementioned effect of the SARS-COV-2 pandemic. It should be noted that throughout the year, several orders and guidelines were issued by the Ministry of Health, for the cancellation of all scheduled activity, with a direct impact on the operating income of this business segment. Hospital Beatriz Ângelo since the beginning of the pandemic was one of the health units in the country most affected, not only due to the decrease in activity, but also due to the high number of treated COVID-19 patients.

The other activities segment obtained € 101.5 million in operating income, an increase driven by the significant growth in GLSMED Trade operations, which played a key role, especially in the early part of the pandemic, to ensure the availability of Personal Protective Equipment and PCR diagnostic tests for SARS-COV-2, not only for all Group Units, but also for the Ministry of Health and private companies with a particular focus on the Iberian market.

3. Consolidated EBITDA and EBITDA margin

Consolidated EBITDA and EBITDA margin

(Million Euro)

	2019		2020		
	€ millions	Margin	€ millions	Margin	Var.
Consolidated EBITDA	**59.0**	**10.0%**	**22.0**	**3.7%**	**(62,7)%**
Private healthcare	63.0	13.2%	36.1	8.2%	(42,7)%
Public healthcare	(2.9)	(2.7%)	(28.9)	(32.2%)	-
Other businesses	0.1	0.6%	10.7	10.5%	.
Corporate center	(0.1)	N.A.	4.2	13.7%	-

In the private segment, EBITDA fell to € 36.1 million, with the EBITDA margin decreasing from 13.2% in 2019 to 8.2% in 2020. A substantial part of this decrease was due on the one hand to the decrease of the activity (especially during the general confinement period from March to May) aroused from the pandemic, and on the other hand to the effect of increased operating costs, especially related to Personal Protective Equipment (PPE), alongside the enormous pressure that was felt in terms of the job market of specialized health professionals. In addition, the general pressure to reduce prices by some relevant paying entities continued, not always recognizing the high differentiation of healthcare provided in the Group's units.

In the public segment, the EBITDA margin dropped to -32.2%, also due to the cumulative effect of decreased activity caused by the pandemic, with the increase in costs with PPE and other non-recurring costs (cleaning, security or transport, for example)) and the fact that most of the cost structure is fixed, namely personnel costs.

On the opposite cycle, the Other activities segment, specifically the subsidiary GLSMED Trade with the support of Luz Saúde's central structure, as mentioned above, reacted to the negative effect that this had on global supply chains, to put their know-how in the field, having implemented an air bridge between China and Portugal in a record time, and this effort resulted in the direct generation of EBITDA for the Group of € 10.7 million.

4. Consolidated balance sheet

(Million Euro)	2019 Dec	2020 Dec
Fixed assets	581.3	607.0
Working capital	36.2	34.5
Net debt	348.0	392.4
Net debt / EBITDA	5.9	17.8

In 2020, Luz Saúde's consolidated investment was € 68.9 million, of which € 43.9 million represents investment to expand the private network. The remaining € 23.2 million corresponded to replacement investments and technological updating/upgrading.

With this investment, the total of fixed assets reached € 607 million at the end of the period under analysis, explained by the company's strategy of holding most of its assets, with a significant real estate portfolio, which includes both healthcare units and the land where those units are located.

Despite the difficulties felt in the healthcare provision segments (private and public), consolidated net debt increased by € 44.4 million, less than the total investment, as a result of efforts made to optimize cash flow generated by the business. The net debt / EBITDA ratio reached 17.8 times, compared to 5.9 at the end of 2019, explained mainly by the impact of the pandemic on the profitability of the 2020 operation.

C. Main risks and uncertainties for Luz Saúde

The Group is exposed to a number of risks as a result of its operations.

Luz Saúde, SA as the parent entity of the Luz Saúde Group and whose main activity is the development and participation in businesses in the healthcare area, is largely dependent on the activity and performance of the entities that make up the Luz Saúde Group.

1. Financial risks

The Company relies on the financial structure of its subsidiaries and their ability to generate sufficient cash flow to distribute dividends, interest payments, repayment of loans entered by the company and settlement of services provided by the Company. As such the Company is exposed to the risks of the Group in a global way.

The following table summarizes the most significant financial risks to which the Group is exposed, as well as its monitoring and management:

Risk	Exposure	Monitoring	Management
• Credit risk	• Cash and equivalents • Trade and other receivables	• Analysis of the exposure and risk concentration of the credit portfolio • Monitoring of the ageing of the credit portfolio	• Concentration of bank deposits among the Group financing entities • Definition of customer acceptance procedures and credit limits
• Liquidity risk	• Financial debt • Other accounts payable	• Historic and previsional cash flows • Compliance of financial ratios	• Contracting credit lines to finance the Group's needs
• Market risk – interest rate	• Financial debt	• Sensitivity analyses	• Contracting of hedging instruments

These risk factors, as well as their impact on the Group's operations and management by the Group can be detailed as follows:

1.1. Credit risk

Credit risk results from the possibility of financial losses arising from a debtor's default on the contractual obligations established with the Group in the scope of its activity.

The Group's exposure to credit risk is essentially related to the receivables arising from the operating activity and the monetary funds managed within the scope of the Group's treasury activity.

The credit risk arising from the operating activity is monitored by means of a continuous monitoring of the debtors' portfolios and their outstanding balances. This approach is complemented by guiding procedures for the purposes of risk assessment in the stage of customer acceptance, classification and definition of credit limits, as well as collection procedures and collection circuits.

The monitoring of the Group's credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses due to uncollectibility, is carried out regularly by the Operational and Financial areas of each of the units, with the monitoring of the Financial and Audit area at Group level.

With regard to the management of monetary funds, the Group has as a guiding principle that it align the counterparty where it deposits its funds, the financial entities where it has the financing lines used, in order to create a natural hedge for a potential credit event that may at the level of the entity where the funds are deposited.

1.2. Liquidity risk

Liquidity risk arises from the potential inability to finance the Group's assets or to meet the liabilities contracted on the maturity dates.

Liquidity monitoring and management at the Group level is centralized in the Finance and Audit area. The purpose of the Group is to maintain a satisfactory level of cash and available credit lines to meet short, medium and long term financial needs.

In order to assess the global exposure to this risk, reports are prepared to identify treasury deficits and to trigger the procedures for its coverage.

1.3. Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or the evolution of stock exchanges may affect the Group's results and financial position. Given that the Group is not exposed to relevant exchange rate or securities market risks, the objective defined in terms of market risk management is mainly to monitor the evolution of interest rates that influence financial debt contracted based on interest rates indexed to the evolution of markets.

A substantial part of the financing lines contracted by the company are remunerated based on Euribor rates plus a spread.

In previous years to balance the exposure to interest rate fluctuations, the Group contracted cash flow hedging instruments, with the objective of fixing interest rates on some of its the financing lines, mitigating its exposure to the risk of interest rate changes.

Given the instruments contracted taking into account the level of financial debt that the Group has at 31 December 2020, and considering the level of efficiency expected (given the expected future positive evolution of interest rates in the European Union), it is reasonable to say that approximately 46% of the financial debt of the Group as at 31 December 2020 is exposed to the fixed interest rate (2019: 45%).

2. Economic risks

2.1. Economic environment

Luz Saúde's income comes from activities located in Portugal. As a result, operating results are, and are expected to remain, significantly affected by financial, economic and political developments in Portugal, or directly or indirectly affecting Portugal, and with particular emphasis and exposure at this time due to the effect that the pandemic has on Portuguese and European society.

At a social level, Portugal follows the trends in Europe with an increase in the average life expectancy due to improved living conditions and access to advances in medicine, which translates into an aging population that has new health problems and new diseases chronic diseases.

We face a longevity scenario associated with a higher level of purchase. The demand for health care will tend to increase and Luz Saúde needs to be able to adapt and respond to the evolution of socioeconomic changes in demand. Given this socioeconomic context Luz Saúde has adopted a strategy of expansion and technological innovation.

2.2. Competition

The health sector in Portugal is competitive and competition between hospitals and other health care providers has intensified in recent years, especially due to the growth of the private healthcare sector. Hospitals compete on factors such as reputation, clinical excellence, technology, customer satisfaction and price. Luz Saúde also faces competition from other health care providers such as public hospitals, outpatient clinics, and diagnostic and therapeutic centres, and may also face competition from international health care providers, who may begin to provide in the future services in Portugal.

In addition, in recent years the health sector in Portugal has witnessed a consolidation movement as health care providers seek greater operational efficiency as a result of the contraction of the economy and the adverse behaviour of the financial markets which is expected to continue to be verified, with a growing increase in the availability of healthcare with different resources through telematics and digital means, which represents the entry of new entities into the market acting in a massive way, with easy penetration capacity, a situation that not so long ago was not relevant.

If in the future the competition increases, and / or if it starts to provide services that Luz Saúde cannot provide, competition may attract patients who would otherwise have used Luz Saúde health units, which may adversely affect the volume of patients, prices, global market share and Luz Saúde margins. If these conditions are met, the financial position, results of operations or future prospects of Luz Saúde may be adversely affected.

3. Operational risks

3.1. Clinical risks

The activity of Luz Saúde involves the treatment of patients with a variety of infectious diseases. A person who is healthy, or is not infected, may contract serious transmissible diseases as a result of their stay or visit to a hospital, including those of Luz Saúde. This may give rise to significant claims initiated against Luz Saúde and damage as a consequence of the resulting news. In addition, these infectious agents can also infect professionals and thus significantly reduce the treatment and care capacity at Luz Saúde's medical units in the short, medium and long term. In addition to compensation claims, any of these events may directly entail limitations on the activities of Luz Saúde hospitals as a result of quarantine, closure of parts of hospitals for sterilization, regulatory restrictions on permits and authorizations, or withdrawal of those, and may result indirectly, due to reputational damages, in a reduction of the demand for Luz Saúde's healthcare units. Any of these factors or events may have a material adverse effect on Luz Saúde's businesses, financial position, results of operations or future prospects.

Luz Saúde through a Risk Management area seeks to disseminate, share and implement best practices in monitoring and managing clinical risks in order to prevent and mitigate the occurrence of the risks described.

3.2.Information security and information systems

Luz Saúde's information systems are essential for a number of critical areas of the Group's operations, including the health information system, customer billing, electronic document management systems, clinical and non-clinical material management, accounting and audit, logistics, human resources, among others areas. Any failure of the system, failure of the electrical supply or other disturbance that causes an interruption in the service or availability of its information systems or related infrastructures may adversely affect the business, financial condition, results of operations or future prospects of Luz Saúde.

In addition, Luz Saúde servers are potentially vulnerable to computer viruses, weather or natural disasters, intrusions, and similar disruptions caused by unauthorized access. The occurrence of any of these events may result in interruptions, delays, loss or corruption of data or unavailability of systems and may expose Luz Saúde to liability as a result of any theft or misuse of personal data stored on your systems.

The introduction of technological innovations associated with service platforms, as well as the reinforcement of technical safety measures in networks and systems are critical aspects that the Group follows on a constant basis to monitor and mitigate the described risks.

3.3. Technological innovation

Luz Saúde is a pioneer in the promotion of technological innovation and knowledge, seeking to satisfy the demand with better diagnoses and better treatments. The monitoring of innovation determines the evolution and the consequent success of the organization.

Investment in research and development is a strategic focus of Luz Saúde and a way to mitigate the risk of diminishing demand. In 2020, Luz Saúde, in association with other partners, saw the first private medical course in Portugal approved, making Hospital da Luz Lisboa a University Hospital, thus maintaining its position of leadership and innovation of medicine in our country, and in Europe.

Luz Saúde through GLSMed Learning Health (GLSLH), a company focused on training, research and innovation in the areas of health care delivery and management, in addition to developing partnerships with universities in a retention perspective for talent and obtaining new cooperation agreements. GLSLH also supports start-ups in the health area by promoting the development of innovative products and services.

Technological advances in medicine continue to happen rapidly. In order to compete for doctors and patients with other healthcare providers, Luz Saúde has to constantly evaluate its needs in terms of medical equipment and update the equipment in line with the technological advances verified and the needs of the clients. The cost of such equipment represents a significant investment expense. If Luz Saúde does not have the capacity to acquire new technology, in such a way that medical professionals cannot provide the necessary services or eventually leave Luz Saúde hospitals, this may have a material adverse effect on business, financial condition, operating results and in the future perspectives of Luz Saúde.

In addition to medical equipment, it is also essential that Luz Saúde create the necessary conditions to enable patients, in partnership with pharmaceutical and medical devices, to optimize patients' access to new treatments and innovative medicines.

3.4. Business relationships

Luz Saúde's income is mainly derived from private health insurance by patients or companies, public health subsystems (health plans for current and retired civil servants and their dependents), and since the opening of the HBA (public-private partnership) of the Portuguese Ministry of Health.

The future success of Luz Saúde depends, in part, on its ability to maintain good relations with the Paying Entities. If the relationship between Luz Saúde and Paying Entities deteriorates, Luz Saúde may be unable to negotiate favourable pricing agreements and / or business may be adversely affected.

Luz Saúde is also exposed to the risk that the Paying Entities may reject, alter, delay or fail to comply with payment requests submitted in the course of providing services to patients covered by relevant health plans. This risk may be caused by human or computer error, system and process compatibility failures between Luz Saúde and Paying Entities, or in financial difficulties, such as liquidity constraints and insolvency problems on the part of the Paying Entities.

Luz Saúde has invested significantly in the implementation of best practices in customer support, in order to make the experience of people who use their health units more efficiently.

3.5. Talent management

The performance of Luz Saúde depends on the ability to attract and retain physicians and other health professionals such as nurses and experienced, high-quality health technicians. The recruitment and retention of doctors and other qualified health professionals compete with other public and private health care providers, including those located in other EU countries.

The reputation, qualifications, skills and ability of healthcare professionals in the various units is critical to their ability to attract and retain clients. Thus, the success of Luz Saúde's activity depends on the number and quality of physicians and other health professionals and the maintenance of good professional relations with them.

Compensatory package, hospital reputation, size and composition of the client base, management and strategy of the hospital, quality of equipment and facilities, quality and number of doctors and support staff and leading position in the market are factors considered important by people for the decision-making about their employer's choice.

Matters such as the definition of career plans, definition and development of skills profiles, professional growth through on the job training or through participation in training programs (in e-learning format or face-to-face), participation in relevant sectoral events for the professionals of Luz Saúde, or the organization of internal actions that aim to promote the inclusion and participation of all employees in the Group's strategy, are part of the talent management policy promoted by the Group, through the Human Resources Department.

3.6 Evolution of the SARS-COV2 pandemic

In 2020 a new risk arose with a huge impact on the activity of the Group's units: the risk of a pandemic, in particular that of SARS-COV2.

As an example, GLSMED Trade guaranteed in 2020 the acquisition of more than 100 million PPE, with 13 charter flights, especially from China, allowing the supply not only to the Group's units, but also to countless Portuguese companies (including companies and public hospitals), as well as Spanish, French and English companies. Maintaining this strategy, and ensuring a minimum stock, is one of the ways to mitigate the risk of shortage of PPE.

At the operational level, the organization of the Group's units underwent a profound change, throughout the year, with the implementation of contingency models to diagnose and provide care to patients infected by SARS-COV-2, as well as by reducing elective activity, to minimize the risk of infection. These changes resulted in a very significant negative financial impact on all units, the effects of which are still being felt at the present time.

The financial and operational impact, although transversal to all the units of the Group, was especially relevant at Hospital da Luz Lisboa, which was at the forefront of the fight against COVID19, including with patients from the NHS, not allowing profitability of the opening of the new expansion area, and at the Hospital Beatriz Ângelo, exponentially affecting its activity, having even reached an occupancy rate of positive COVID19 patients exceeding 80% of its medical-surgical beds, with a very relevant impact on its financial performance .

Since the beginning of the pandemic, a division of the different group units was carried out between those that guaranteed the possibility of keeping circuits of respiratory and non-respiratory patients separate and safe, and those that did not meet these conditions, in order to guarantee the trust of customers, clients and professionals.

The role of the Infection Control Coordinating Group, together with the Groups of each of the units, was also fundamental to, with the support of the Board of Directors, allow the development of technical standards, processes and procedures in the approach to patients with COVID positive, with the use of PPE, the cleaning and disinfection of spaces and surfaces, among others.

The risk of exposure to SARS-COV2 is not yet mitigated, 2021 will still be a year of uncertainty, with the evolution of the pandemic, on the one hand, and national strategies for combating, on the other (such as the vaccination campaign) , to be decisive in the evolution of the activity of the different units.

4. Hospital Beatriz Ângelo management contract termination risks

On January 17, 2020, the Contracting Public Entity - Regional Health Administration of Lisbon and Vale do Tejo - informed the subsidiary SGHL that the Management Contract would not be renewed for an additional period of 10 years. In order to prepare the transmission of the Hospital, ten working groups were organized, distributed among the different areas, to structure the information and issues to be discussed with the Contracting Public Entity.

It should be noted that the economic benefit for the Portuguese State of the public private partnership of Hospital Beatriz Ângelo is clear from the comparative analysis of operating costs per standard patient of this unit at a national level and, in particular, in the context of ARS Lisboa and Vale do Tejo where it operates.

In terms of the main issues with a relevant financial impact, the most relevant are the Arbitrage Courts that are currently taking place, as well as the request for financial rebalancing already requested due to the effects that the pandemic had on HBA activity.

Regarding the recognition of the right of Hospital Beatriz Ângelo to finance additional health services provided in the scope of outpatient care for HIV / AIDS patients, during the year 2020, the Arbitrage Court, related to this topic, began the resolution mechanism of disputes provided for in the Management Contract for the resolution of this issue. It should be noted that the pandemic also caused delays in the progress of this Court, with the final decision expected during the first half of 2021.

The Arbitrage Court to discuss the disputes related to what SGHL considers to be a breach of contract by the Portuguese State of the obligations it assumed towards the Company in the Management Contract relating, on the one hand, to the criteria applicable in determining the remuneration to be attributed to SGHL for the different health services rendered and, on the other hand, to the methodology followed, and the respective consequences, in the assessment of SGHL's performance under the Management Contract, will also start in 2021.

Related to the impact on HBA's operations in 2020, in terms of decreased activity and increased costs, a reasoned request for financial rebalancing was also sent to the Contracting Public Entity, in accordance with the rules of the Management Contract, but still waiting for response.

D. Environmental information

Organizations devote special attention to resource and energy efficiency because of concerns with the sustainable development of the environment, so that future generations will be able to meet their needs. Efforts have been made to disseminate information on environmental protection in the Luz Saúde units: energy efficiency; resource efficiency to minimize the environmental impact on energy, gas and water; reduction of gas and liquid emissions and the appropriate triage of waste, among others.

The activities of some of Luz Saúde's subsidiaries are governed by specific waste treatment legislation and all the applicable rules and directives have been complied with at each site and for each specific activity. In addition, a series of training sessions have taken place for employees of various Luz Saúde units on the separation and treatment of various types of hospital waste.

Where relevant, the subsidiaries outsourced the destruction of medical and toxic waste to specialized companies, as prescribed by law.

In 2020, during the course of business, the Group did not incur significant environmental costs. No environmental liabilities have been recorded in the financial statements, nor has any environmental contingency been disclosed given Management's belief that, on that date, there are no obligations or contingencies arising from past events with significant material costs for the company.

E. Subsequent events

There were no subsequent events relevant for reporting purposes between 31 December 2020 and the date of approval of these consolidated financial statements by the Board of Directors.

F. 2021 Outlook

The evolution of the SARS-COV-2 pandemic will be undeniably determinant for the activity in the several Luz Saúde units. The third wave of the virus, which reached its peak between January and February 2021, did not allow the activity beginning as expected, with enormous efforts of the largest units of the Group (Hospital da Luz Lisboa and Hospital Beatriz Ângelo) mostly dedicated to COVID-19 positive patients care (emergency department and inpatient).

With the national COVID-19 vaccination plan progression and the gradual economic activity reopening, and with the absence of a new wave of infections, it is possible that Luz Saúde units can, on the one hand, return to previous activity levels, and on the other hand, engage the national effort to recover the non-COVID-19 patients' care.

Concurrently, throughout 2021, Luz Saúde will focus on the expanded and renovated units' development, in order to enhance growth and improve profitability, with a sharp focus on processes digitalization and operational structures optimization. Finally, Luz Saúde will continue to be active in achieving consolidation opportunities in the domestic market.

Additionally, the strengthening focus on digital media will be continued, boosting the investments already made in the My Luz and Luz 24 platforms, boosted by the pandemic, enabling the videoconsultations growth, scheduled and urgent, as well as the implementation of structured clinical programs, digital media-primarily based, in the fields of oncology, post-COVID-19, well-being and General and Family Medicine.

In the public health care segment, the Group will be focused on maintaining the high standards of quality and clinical effectiveness of the services provided to its users alongside the continued implementation of initiatives to increase efficiency.

In the begining of 2020 the Portuguese government notified SGHL of its intention not to renew the Public-Private Partnership (PPP) Agreement, ending on 18 January 2022. Since June 2020, 10 single coordinate working groups were established, which began to developed the unit transition preparation activities at the end of the Management Contract, whose work will take place throughout this year, pending the Contracting Public Entity representatives nomination.

Regarding the international expansion of Luz Saúde, the Group keeps an active analysis of expansion opportunities to other geographies, in the context of the shareholder Fidelidade/Fosun.

G. Profit allocation proposal

For the year ended on 31 December 2020, there was a negative net consolidated profit of €289,795 and a net profit in the individual accounts of €5,244.75.

In accordance with the applicable accounting standards, the Company recognized in the accounts for the year, a value of €387,767 as an estimate for profit distribution to employees and Executive Directors of the company. Regarding Executive Directors, the amount is dependent on the decision of the company's Remuneration Committee.

In this context and under the provisions set out by law and bylaws, the Board of Directors proposes that the 2019 net profit in the total amount of €5,244.75, determined based on the individual financial statements, be allocated as follows:

(i) Legal Reserve: €263.00
(ii) Free Reserve: €4,981.75

H. Authorizations granted for transactions between the company and its directors

No authorizations have been granted for transactions between the company and its directors under Article 397 of the Portuguese Companies Code.

I. Annex to the consolidated annual report

INFORMATION ON SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES IN THE COMPANY'S SHARE CAPITAL AS OF 31 DECEMBER 2020

Luz Saúde, SA hereby discloses, pursuant to article 447(5) of the Portuguese Companies Code, that no members of the management and supervisory bodies hold any shareholdings in the Company, as of 31 December 2020.

STATUTORY AUDITORS

The Statutory Auditors, Ernst & Young Audit & Associados - SROC, S.A., have no shareholding as of 31 December 2020, having made no transactions with any Luz Saúde, SA securities.

INFORMATION ABOUT OWN SHARES

During the period between 31 December 2019 and 31 December 2020 there were no transactions with Luz Saúde shares.

On 31 December 2020, there were no own shares of Luz Saúde, S.A. share capital.

(Jorge Manuel Batista Magalhães Correia)

(Isabel Maria Pereira Aníbal Vaz)

(Chen Qiyu)

(Lingjiang Xu)

(Frank Yao)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Rogério Miguel Antunes Campos Henriques)

(Tomás Leitão Branquinho da Fonseca)

Lisbon, April 30, 2021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NÃO RESPIRATÓRIOS
AMP

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CONSOLIDATED FINANCIAL STATEMENTS

LUZ SAÚDE
20 ANOS DE LUZ

4

CONSOLIDATED FINANCIAL STATEMENTS

(free translation from the original version in portuguese)

Consolidated statement of comprehensive income for the year ended 31 December 2020

Amounts expressed in euros	Notes	31-Dec-20	31-Dec-19
Income and gains			
Revenue from services rendered	4.2	529 583 545	587 041 598
Sale of goods	4.2	78 809 123	-
Other operating income	5	5 344 281	2 821 768
Finance income	10	386 310	439 913
Total income and gains		**614 123 259**	**590 303 279**
Expenses and losses			
Inventories consumed and sold	6	(156 045 109)	(92 227 051)
Costs of services and materials	7	(252 080 106)	(262 709 278)
Personnel expenses	8	(174 806 659)	(169 742 282)
Depreciation and amortisation	13	(37 878 518)	(34 505 621)
Other operating expenses	9	(8 233 359)	(5 220 972)
Provisions, net of reversals	15.1	2 269 922	299 332
Impairment of receivables, net of reversals	12.1.4	(2 783 207)	(1 257 117)
Finance costs	10	(12 330 788)	(10 263 861)
Total expenses and losses		**(641 887 824)**	**(575 626 850)**
(Loss) / Profit before income tax		**(27 764 565)**	**14 676 429**
Income tax expense	11.1	11 155 843	2 071 497
(Loss) / Profit for the year		**(16 608 722)**	**16 747 926**
Other comprehensive income:			
Itens that may be reclassified to profit or loss			
Cash flow hedges, net of tax	18	588 457	(329 071)
Other comprehensive income / (loss) for the year		**588 457**	**(329 071)**
Comprehensive (loss) / income for the year		**(16 020 265)**	**16 418 855**
(Loss) / Profit attributable to:			
Equity holders of the parent		(16 289 795)	16 692 533
Non-controlling interests	14.4	(318 927)	55 393
Comprehensive (loss) / income attributable to:			
Equity holders of the parent		(15 701 338)	16 363 462
Non-controlling interests	14.4	(318 927)	55 393
Basic (loss) / earnings per share	**14.3**	**(0,170)**	**0,176**
Diluted (loss) / earnings per share	**14.3**	**(0,170)**	**0,176**

Notes are an integral part of these consolidated financial statements

Consolidated balance sheet as at 31 December 2020

Amounts expressed in euros

	Notes	31-Dec-20	31-Dec-19
Assets			
Non-current assets			
Property, plant and equipment	13.1	348 356 031	343 037 913
Right-of-use assets	13.2	95 641 832	78 647 142
Intangible assets	13.3	154 444 472	154 462 558
Investments in associates	13.4	856 637	875 718
Other financial assets	13.5	7 671 048	4 315 319
Other non-current assets	12.4	1 474 243	1 653 176
Deferred tax assets	11.4	18 890 571	8 359 953
Total non-current assets		**627 334 834**	**591 351 779**
Current assets			
Inventories	12.2	20 142 619	13 177 955
Other current assets	12.4	7 651 576	3 992 822
Trade and other receivables	12.1	127 546 818	153 410 073
Current income tax	11.3	3 308 575	1 590 477
Cash and cash equivalents	14.5	17 164 116	67 371 794
Total current assets		**175 813 704**	**239 543 121**
Total assets		**803 148 538**	**830 894 900**
Shareholders' Equity			
Equity and reserves			
Share capital		95 542 254	95 542 254
Share premium		61 795 793	61 795 793
Reserves and retained earnings		90 300 473	105 980 986
Total equity attributable to equity holders of the parent	**14.2**	**247 638 520**	**263 319 033**
Shareholders' equity attributable to non-controlling interests	14.4	1 503 218	2 004 475
Total shareholders' equity		**249 141 738**	**265 323 508**
Liabilities			
Non-current liabilities			
Provisions	15.1	9 154 871	11 510 842
Borrowings	14.6	256 328 833	213 666 623
Derivative financial instruments	18	3 305 152	3 771 157
Lease liabilities	14.6	75 410 909	64 381 203
Total non-current liabilities		**344 199 765**	**293 329 825**
Current liabilities			
Trade payables	12.3	41 027 803	45 396 282
Other payables	12.3	79 524 053	80 661 798
Borrowings and bank overdrafts	14.6	59 729 214	120 795 212
Lease liabilities	14.6	18 045 907	16 501 218
Deferred income and other current liabilities	15.2	11 480 058	8 887 057
Total current liabilities		**209 807 035**	**272 241 567**
Total liabilities		**554 006 800**	**565 571 392**
Total shareholders' equity and liabilities		**803 148 538**	**830 894 900**

Notes are an integral part of these consolidated financial statements

Consolidated statement of cash flows for the year ended 31 December 2020

Amounts expressed in euros

	Notes	31-Dec-20	31-Dec-19
Operating activities			
Receipts from customers		643 188 773	585 972 566
Payments to suppliers		(433 266 459)	(353 393 876)
Payments to employees		(101 387 041)	(96 101 915)
Cash flow generated from operations		**108 535 273**	**136 476 775**
Income tax (paid) / received	11	(625 199)	604 548
Other receipts/(payments) related with operating activities		(82 478 648)	(75 472 222)
Net cash flow generated from operating activities		**25 431 426**	**61 609 101**
Investing activities			
Proceeds from:			
Sale of the business and assets of Gaia unit	5	7 700 000	-
Property, plant and equipment		187 994	74 063
Investment grants		420 653	573 344
Interest received		2 560	11 428
Payments related with:			
Property, plant and equipment		(34 656 321)	(55 008 557)
Intangible assets		(3 080 856)	(2 973 774)
Acquisition of non-controlling interests		(153 000)	(59 500)
Acquisition of other financial assets		(3 200 000)	(3 040 310)
Net cash flow used in investing activities		**(32 778 970)**	**(60 423 306)**
Financing activities			
Proceeds from:			
Borrowings		976 823 678	753 500 438
Other financing proceeds		6 706	-
Payments related with:			
Borrowings		(998 459 862)	(721 475 093)
Lease liabilities	13.2	(19 104 525)	(15 411 216)
Interest and other similar expenses	10	(9 490 817)	(10 323 202)
Net cash flow (used) / generated in financing activities		**(50 224 820)**	**6 290 927**
Change in cash and cash equivalents		**(57 572 364)**	**7 476 722**
Cash and cash equivalents at the beginning of the year	**14.5**	**67 371 794**	**59 895 072**
Cash and cash equivalents at the end of the year	**14.5**	**9 799 430**	**67 371 794**

Notes are an integral part of these consolidated financial statements

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2020

Amounts expressed in euros

	Share capital	Share premium	Reserves and retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2019	95 542 254	61 795 793	89 604 463	**246 942 510**	2 032 690	**248 975 200**
Transactions with owners in their capacity as owners						
Acquisition of non-controlling interests	-	-	13 061	**13 061**	(83 608)	**(70 547)**
Total direct change in shareholders' equity	-	-	13 061	**13 061**	(83 608)	**(70 547)**
Profit for the year	-	-	16 692 533	**16 692 533**	55 393	**16 747 926**
Other comprehensive income for the year	-	-	(329 071)	**(329 071)**	-	**(329 071)**
Balance as at 31 December 2019	**95 542 254**	**61 795 793**	**105 980 986**	**263 319 033**	**2 004 475**	**265 323 508**
Balance as at 1 January 2020	95 542 254	61 795 793	105 980 986	**263 319 033**	2 004 475	**265 323 508**
Transactions with owners in their capacity as owners						
Acquisition of non-controlling interests	-	-	20 825	**20 825**	(182 330)	**(161 505)**
Total direct change in shareholders' equity	-	-	20 825	**20 825**	(182 330)	**(161 505)**
Loss for the year	-	-	(16 289 795)	**(16 289 795)**	(318 927)	**(16 608 722)**
Other comprehensive income for the year	-	-	588 457	**588 457**	-	**588 457**
Balance as at 31 December 2020	**95 542 254**	**61 795 793**	**90 300 473**	**247 638 520**	**1 503 218**	**249 141 738**

Notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

(free translation from the original version in portuguese)

A. Reporting entity, relevant events and changes in the current year

1. Reporting entity

Luz Saúde, SA (hereinafter "Luz Saúde" or "Company" and together with its subsidiaries named as "Group") is a limited liability company, with registered office in Lisbon, Rua Carlos Alberto Mota Pinto 17 – 9º floor, registered at the Commercial Registry Office with the number 504 885 367, being the parent company of Luz Saúde Group. The Group is composed by companies that operate in healthcare industry, including the management of acute hospitals, outpatient clinics, residential hospitals, a National Health System (NHS) hospital under public private partnership (PPPs) and senior residences with services.

Luz Saúde is controlled by Fosun International Holdings Ltd ("Fosun") through Fidelidade - Companhia de Seguros, SA ("Fidelidade").

1.1. Relevant events of 2020

The Group's normal activity throughout 2020, its financial position and economic performance were impacted by the following events:

- Significant decrease in the Group's private healthcare services activity during the lockdown period declared by the Portuguese authorities due to the pandemic COVID-19, which occurred between the months of March and June 2020;
- Public private partnership activity, strongly influenced by the impact of the COVID-19 pandemic since its beginning until the end of the year. The minimum production values, stated in the management contract, were not achieved, leading to an economic and financial deficit in the activity of that healthcare unit;
- Increase in the activity of the subsidiary GLST, taking advantage of its knowledge of the supply chain for devices and clinical consumables, to leverage its level of activity significantly;
- Completion of the remodeling on the original building of Hospital da Luz Lisboa (HLL) healthcare unit, to adapt the facilities into the new organizational model of the hospital;
- Conclusion of the sale of Hospital do Mar healthcare unit, in Gaia (note B5);
- Favorable decision for the Group of the Supreme Administrative Court in respect of the dispute with the Portuguese Tax Authorities (PTA) regarding the acceptance as tax expense of interest paid by the Group in previous years (note E19.1.3).

1.2. SARS-COV-2 pandemic

2020 was significantly impacted by the context of great uncertainty, caused directly and indirectly by the pandemic SARS-COV-2, usually called COVID-19.

Since February 2020, Group's management has been closely monitoring all developments related to the pandemic, having implemented the measures considered appropriate considering the recommendations issued by the relevant national and international authorities, namely the World Health Organization, the European Prevention Center and Disease Control and in particular the Portuguese Directorate-General for Health.

Operational measures were implemented to reinforce the safety of employees, clients and other stakeholders, introducing the necessary adjustments in the different areas of the Group activities, in the phases of lockdown and deconfinement.

The pandemic had a very strong impact on the Group's operations, namely in terms of the activity of the different segments, as follows:

(i) in the private segment, the pandemic had a strong impact from March to May, as a consequence of the lack of knowledge about its effects, the lockdown rules and limitation of mobility to which the population was subject. Thus, in the aforementioned period, this business segment operated below its break-even level, despite the large capacity of its business model to adjust its cost structure to the decrease in the level of activity;

(ii) in the public segment, the impact was longer over time, from the beginning of the pandemic until the date of approval of these financial statements, if on one hand, the pandemic impacted operations due to the same factors that were mentioned in the previous point, we need to add the limitations imposed by the contracting entity, regarding the development of new activity, a situation that contributed to a significant decrease in activity that led this segment to operate below the operational break-even level (from March to December);

(iii) alternatively, the subsidiary GLST took advantage of the difficulties experienced by supply chains worldwide and set of relevant operations that generated additional revenues for the Group in approximately €78.8 million, through efforts to import individual protective equipment for the Group's healthcare professionals, the NHS and some private companies in the Iberian market.

If the quantification of the revenue loss in the segments of healthcare services proves to be a difficult exercise, in terms of expenses for all the Group units, it is estimated that the total of additional expenses incurred by the Group, amount to approximately €10 million as a direct result of the measures, procedures and contributions related to the pandemic.

As a result of these effects, the Group in the current year presents a loss of around €16.6 million, which leads to an equity value of around €249.1 million with a level of equity to assets of 31%.

In terms of liquidity management, the Group renegotiate a significant part of its credit lines during 2020, seeking to achieve two objectives, being able to ensure adequate liquidity levels for its operations and extending the maturity of its credit lines. The efforts made in 2020, allowed in both cases to reach the defined objectives, and as a consequence the Group at the end of the year had unused financing lines of approximately €54.7 million euros, which added to the second tranche of the bond loan, in the amount of €15 million, carried out on 31 March 2021, allows to ensure the Group's financing needs until the end of the year 2021.

Considering the facts that have occurred so far, and even though the coming months continue to be surrounded by uncertainty regarding the epidemiological situation and the measures implemented, the Board of Directors, considering the recent history of operations and the levels of financing contracted, does not estimate that the impacts of the pandemic could jeopardize the continuity of the operations of the Company and its subsidiaries, and as such these financial statements have been prepared on a going concern basis.

1.3. Group composition and changes

1.3.1. Composition of the Group as at 31 December 2020

As at 31 December 2020, the entities that compose the Group were:

	Registered office	Percentage of share capital held (1)		Segment
		31-Dec-20	31-Dec-19	
Parent company:				
Luz Saúde, SA	Lisbon	-	-	Corporate Center
Subsidiaries:				
Capital Criativo Health Care Investments II, SA ("CCHCI II") (2)	Lisbon	80.00%	80.00%	Private
Casas da Cidade - Residências Sénior de Carnaxide, SA ("CASAS CARNAXIDE")	Oeiras	100.00%	100.00%	Other activities
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100.00%	100.00%	Other activities
CRB - Clube Residencial da Boavista, SA ("CRB")	Oporto	100.00%	100.00%	Private
GLSMED Learning Health, SA ("GLSLH")	Lisbon	100.00%	100.00%	Other activities
GLSMED Trade, SA ("GLST")	Lisbon	100.00%	100.00%	Other activities
HME - Gestão Hospitalar, SA ("HME")	Évora	100.00%	100.00%	Private
Hospital da Arrábida - Gaia, SA ("HAG")	V. N. Gaia	100.00%	100.00%	Private
Hospital da Luz - Aveiro, SA ("HLA")	Aveiro	95.33%	93.45%	Private
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100.00%	100.00%	Private
Hospital da Luz - Coimbra, SA ("HLC")	Coimbra	80.00%	80.00%	Private
Hospital da Luz - Guimarães, SA ("HLG")	Guimarães	100.00%	100.00%	Private
Hospital da Luz - Oeiras, SA ("HLO")	Oeiras	100.00%	100.00%	Private
Hospital da Luz, SA ("HLL")	Lisbon	100.00%	100.00%	Private
Hospital Residencial do Mar, SA ("HRM")	Loures	75.00%	75.00%	Private
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100.00%	100.00%	Private
Luz Saúde - Serviços, ACE ("ACE") (3)	Lisbon	100.00%	100.00%	Corporate center
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI") (4)	Lisbon	100.00%	100.00%	Mix
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75.00%	75.00%	Private
Hospital da Luz Funchal, SA ("HLF")	Funchal	81.35%	81.35%	Private
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	99.99%	99.99%	Public
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100.00%	100.00%	Private
Vila Lusitano - Unidades de Saúde, SA ("VLUSITANO")	Lisbon	75.00%	75.00%	Private

(1) the percentage of share capital held includes the direct and indirect holding of Luz Saúde in the subsidiaries.
(2) Luz Saúde, SA holds an option to purchase the remaining 20% of the company's shares, therefore, for the purposes of consolidation, it was considered that the Group's interest in these companies is of 100%. On March 2021 Luz Saúde, SA exercised this option.
(3) Luz Saúde - Serviços, ACE, constituted without share capital, groups thirteen subsidiaries of the Group. The percentage indicated refers to the votes held.
(4) Luz Saúde - Unidades de Saúde e de Apoio à Terceira idade, SA belongs simultaneously to the Private and Other activities segments.

As at 31 December 2020, the associated companies are:

	Registered office	Percentage of share capital held	
Associated companies:		**31-Dec-20**	**31-Dec-19**
GENOMED - Diagnósticos de Medicina Molecular, SA ("GENOMED")	Lisbon	37.50%	37.50%
HL - Sociedade Gestora do Edifício, SA	Oeiras	10.00%	10.00%

1.3.2. Changes in the consolidation perimeter

As in 2019, in 2020 there were no relevant transactions that change the composition of the Group compared to the Group scope as at 31 December 2019.

Although it does not affect the Group's structure, it is important to highlight the completion in October 2020 of the sale of the healthcare unit of Hospital do Mar in Gaia (note B5).

1.4. Subsequent events

From the reporting date until the date of approval, there have been no significant events that are not reflected in these consolidated financial statements.

2. Financial statements approval

These consolidated financial statements were approved and authorized for disclosure by the Board of Directors on 30 April 2021. These consolidated financial statements are still subject to the approval by the General Shareholders' Meeting, under the terms of the commercial legislation in force in Portugal.

3. Basis of presentation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (note A1.3.1) based on historical cost, in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU) as at 31 December 2020, modified by the application of the fair value to derivative financial instruments and other financial assets at fair value through profit or loss.

These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

The financial statements are presented in euros, that is also the functional currency.

3.1. Basis of preparation

These consolidated financial statements include the assets, liabilities, equity, results and cash flows of Luz Saúde and its subsidiaries, and the profit or loss attributable to the Group from the interests in associated companies.

The accounting policies have been applied consistently by all companies of the Group, for all periods covered by these consolidated financial statements.

3.1.1. Subsidiaries

Companies over which the Group has control are classified as subsidiaries. Control is normally assumed when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to influence those returns through its power over the entity, even if the percentage it holds is less than 50%.

Subsidiary companies are consolidated from the moment the Group takes control over its activities until the moment when that control ceases.

In accordance with the full consolidation method, assets, liabilities, income, expenses and cash flows of the Group companies are consolidated, internal transactions, balances, unrealized gains on transactions and dividends distributed between Group companies are eliminated in the consolidation process. Unrealized losses are also eliminated unless the transaction reveals evidence of impairment of the transacted asset.

Equity and net income of the companies included in the consolidation corresponding to the participation of third parties are disclosed, respectively in a separate line, in the consolidated balance sheet in equity, and in the consolidated statement of profit or loss under the heading non-controlling interests.

The Group uses the acquisition method to account for business acquisitions. The acquisition value of a subsidiary is given by the fair value of the assets delivered, liabilities assumed with the previous holders of the business and equity issued by the Group. The acquisition value includes the fair value of any assets and liabilities that result from any contingent agreements. The identifiable assets and liabilities acquired, and the contingent liabilities assumed in the acquisition of a business are measured at fair value on the acquisition date.

In transactions for the acquisition of additional interests in associated companies resulting in the taking of control, the associate becomes consolidated, and the fair value of the interest previously held is considered as part of the purchase price. The difference between the book value of the interest in the associate and its fair value, is recorded in the statement of profit or loss on the date of the acquisition of control. At the time of a partial sale, which results in the loss of control over a subsidiary, any remaining interest is remeasured at market value on the date of the sale and the gain or loss resulting from that revaluation is recorded against results.

Expenses directly attributable to a business acquisition transaction are recognized in the statement of profit or loss when incurred.

3.1.2. Associates

All companies over which the Group has significant influence over its financial and operating policies and does not have control or joint control are classified as associates. It is normally assumed that the Group has significant influence when it holds between 20% and 50% of the voting rights of the associate. Even when voting rights are less than 20%, the Group may have significant influence through participation in the management of the associate or in the composition of the Boards of Directors with executive powers.

Investments in associates are consolidated using the equity method, from the moment the Group acquires significant influence until the moment it ends. In accordance with this method, financial investments in associated companies are initially recognized in the consolidated balance sheet at cost and are subsequently and periodically adjusted by the amount corresponding to the participation in their net results, with a corresponding entry to gains and losses recorded directly in the consolidated statement of profit or loss. In addition, financial investments may also be adjusted by recognizing impairment losses.

Dividends attributed by associated entities are recorded as a decrease to financial investments, at the time they are attributed.

When the amount of accumulated losses incurred by an associate and attributable to the Group equals or exceeds the book value of the interest and any other medium and long-term interests in that associate, the equity method is discontinued, unless the Group has a constructive obligation to recognize these losses or made payments on behalf of the associate.

3.1.3. *Goodwill*

Goodwill resulting from acquisitions until 1 January 2005 is recorded in intangible assets in the consolidated balance sheet, by the amount determined on the date of transition to IFRS in accordance with previous accounting policies, according to the option permitted by IFRS 1, adopted by Group on the date of transition to IFRS.

After 1 January 2005 the Group started to account for its acquisitions of subsidiaries and associates according to the acquisition method.

Goodwill represents the difference between the acquisition value and the fair value of the Group's portion of the identifiable assets and liabilities acquired. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets (negative goodwill), the difference is recognized as a gain in the consolidated statement of profit or loss.

Goodwill is recorded in assets at cost and is not amortized. In the case of investments in associates, goodwill is included in the respective amount in the balance sheet determined based on the equity method.

The recoverable amount of goodwill recorded in assets is reviewed annually, in the last quarter, regardless of the existence of indication of impairment. The determined impairment losses are recognized in the consolidated statement of profit or loss, and they cannot be subsequent reversed.

Impairment losses are calculated by comparing the goodwill value with the recoverable value, which is the highest value between value in use and fair value, net of selling costs.

In the analysis of goodwill impairment, goodwill to be tested is added to the unit or cash-generating units to which it relates. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable value of the cash-generating units to which goodwill is allocated is determined based on the value in use of the assets, being calculated using valuation methodologies, supported by discounted cash flow techniques, considering market conditions, the time value and business risks. The discount rate used to discount cash flows reflects the Weighted Average Cost of Capital (WACC) pre-tax of the Group for the business segment to which the cash-generating unit belongs.

The gain or loss on the sale of a business includes the carrying amount of goodwill, except when the business to which that goodwill is associated continues to generate benefits for the Group.

3.1.4. Non-controlling interests

The interests of non-controlling shareholders are disclosed by the respective proportion of the book value of the identified assets and liabilities. Accumulated losses are attributed to non-controlling interests in the proportion held, which may imply the recognition of negative non-controlling interests.

Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions, that is, as transactions with owners in their capacity as owners. The difference between the fair value of any amount paid and the relevant portion acquired from the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are recorded in equity.

3.1.5. Balances and transactions eliminated on consolidation

Balances, transactions, and cash flows between Group companies, as well as unrealized gains and losses resulting from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses on transactions with associates and jointly controlled entities are eliminated in proportion to the Group's interest in these entities.

3.2. Changes in accounting policies

During 2020, accounting standards and interpretations were approved and published in the Official Journal of the European Union, with application in subsequent years, although their early adoption is permitted. Below, we briefly present the standards or changes adopted by the Group in the preparation of its financial statements, as well as the standards not early adopted.

3.2.1. New standards, changes or interpretations applicable to years beginning on or after 1 January 2020

As a result of the European Union (EU) endorsement, the following issues, revisions, amendments and improvements to the Standards and Interpretations occurred, among others, with effect from 1 January 2020, which, when applicable, were adopted by the Group:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
March 2018	Amendments to references to the conceptual framework in IFRS standards	1 January 2020
October 2018	IAS 1 and IAS 8: Definition of material (amendment)	1 January 2020
October 2018	IFRS 3: Business combination (amendment)	1 January 2020
September 2019	IFRS 9, IAS 39, IFRS 7: Interest rate benchmark reform	1 January 2020
May 2020	IFRS 16 Leases COVID19 – Related rent concessions (amendment)	1 June 2020

The adoption of these standards, interpretations and amendments to the standards, had no significant impact on the Group's financial statements.

3.2.2. New standards, amendments and interpretations issued by the IASB, endorsed by the European Union (EU), with application for periods beginning after 1 January 2020

As at 31 December 2020, the following amendment to the Standards and Interpretations, issued by the IASB, was already endorsed by the EU, however their application is only mandatory for years beginning after 1 January 2020.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
June 2020	IFRS 4 Insurance contracts – deferral of IFRS 9 (amendment)	1 January 2021

The Group did not carry out the early adoption of the aforementioned amendment, and does not expect significant impacts on the financial statements resulting from its adoption.

3.2.3. New standards, amendments and interpretations issued by the IASB, which were not endorsed by the European Enion (EU) until 31 December 2020

As at 31 December 2020, the following Standards, revisions, amendments and improvements to the Standards and Interpretations, issued by the IASB, were still in the process of approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2017	IFRS 17 Insurance contracts (new)	1 January 2023
January and July 2020	IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current and classification of liabilities as current and non-current – deferral of effective date (amendment)	1 January 2023
May 2020	Amendment to • IFRS 3 Business combinations • IAS 16 Property, plant and equipment • IAS 37 Provisions, contingent liabilities and contingent assets • Annual improvements IFRS 2018-2020	1 January 2022
August 2020	IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (amendment)	1 January 2021

The impact of the adoption of these standards or changes is being analyzed by the Group, however no significant impacts on the financial statements are expected resulting from the adoption of these standards.

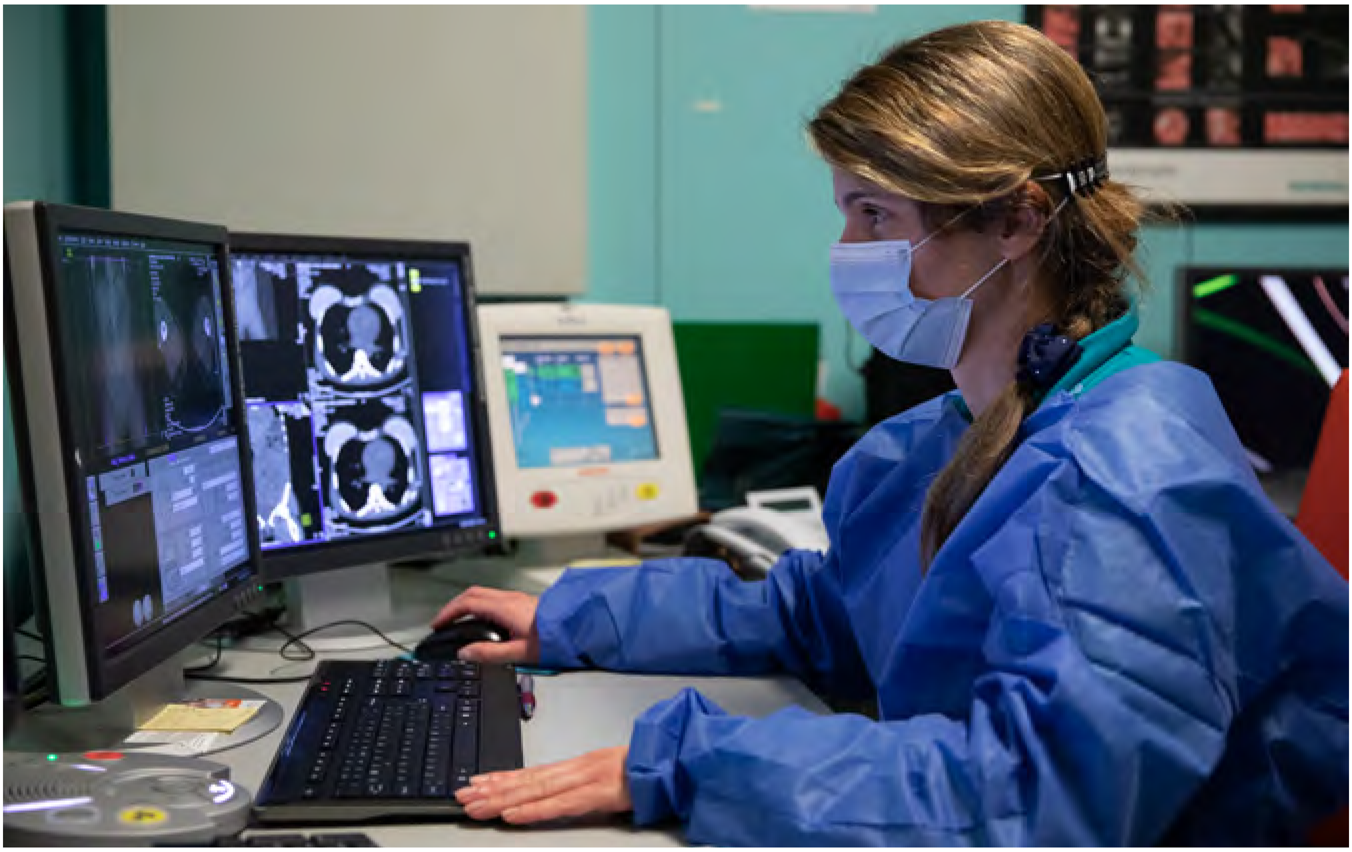
3.3. Estimates and judgments used in the preparation of the financial statements

IFRS establish a series of accounting treatments and require the Board of Directors to make judgments, estimates and decide which accounting treatment is most appropriate for the Group's operations, thus, the main accounting estimates and judgments used in the preparation of these consolidated financial statements are presented throughout the notes of these consolidated financial statements.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the financial position and results reported by the Group could be different if a different policy was chosen. The Board of Directors considers that the choices made are appropriate and that the consolidated financial statements adequately present the Group's financial position, results and cash flows from its operations in all materially aspects.

3.4. Comparability

The consolidated financial statements are comparable in all material respects to the comparatives for the year ended 31 December 2019.



B. Performance for the year 2020

4. Revenue and report by segments

POLICY

Report by segments

An operating segment is a component of the Group: (i) which develops business activities from which it can earn revenue and incur in expenses; (ii) whose operating results are regularly reviewed by the Group's chief operating decision maker with the purpose of making decisions on the allocation of resources to the segment and assessment of its performance; and (iii) for which separate financial information is available.

The Executive Committee and the Board of Directors of Luz Saúde monitor the Group's operations based on the business segments presented in this note, using total revenue and operating profit or loss by business segment as the main monitoring measures. Financial results and income tax are not analyzed in terms of business segment, as they are dependent on decisions taken at the Group level.

Revenue

Revenue or income is recognized whenever economic benefits are likely to flow to the Group and it can be reliably estimated, being measured at the fair value of the consideration received or receivable, net of discounts granted and taxes. The revenue associated with the transaction is recognized with reference to the stage of completion of the transaction at the reporting date.

Healthcare revenue

The scope of healthcare services rendered in the private segment, revenue is recognized based on the activity produced in the period, as it is understood that in the majority of the activities the fulfillment of the performance obligation is substantially completed at the time of the medical act, valued by the price lists defined for each medical procedure, regardless of its actual billing.

In the case of the activity performed in the healthcare services rendered in the public segment (under the PPP regime), most of the revenue is recognized in accordance with the activity produced, measured based on a price list contracted with the Contracting Public Entity and another part is recognized over the time, when referring to the remuneration of service availability. According to the contract, invoicing is performed monthly for an amount equivalent to 1/12 of 90% of the production amount agreed for each year, with an adjustment invoice for the value of the actual production issued, in the period of the six months following the end of each year. The difference between the amounts billed and the actual production is recorded in other payable or other receivable on an accrual basis.

Sale of goods

In the sale of goods made by the Group, there is only one performance obligation, so revenue is recognized when the goods are transferred to the customer.

The criteria for recognizing the remaining activities are presented in note E22.1.7.

ESTIMATE

Revenue valuation

The valuation of the healthcare acts performed is estimated based on the price lists agreed with the clients, with the final amount of the consideration being billed only after acceptance by the client, a situation that for a part of the revenue is only known in the following year. The amount of revenue to be invoiced on 31 December 2020 amounts to €26.8 million (2019: €47.1 million), being recorded as an accrued income in trade and other receivables heading in the balance sheet.

PPP revenue

Management contract of Hospital de Loures, provides that the billing of medical acts rendered is carried out monthly for an amount equivalent to 1/12 of 90% of the total agreed annual amount, the remainder being billed in the following year after completion of the validation process between the parties. On each reporting date, part of the services rendered by this business unit are not yet billed and are pending completion of their validation process with the contracting entity.

As at 31 December 2020, and despite the payments provided for in the contract having been made, there are still amounts related to services rendered in the years 2012 to 2019, which are still being validated by the Administração Regional de Saúde de Lisboa e Vale do Tejo ("ARS-LVT").

Despite the uncertainty that this represents, the Board of Directors assumed the best estimate for the amounts recorded in accounting terms and has assumed that the impact of closing accounts with the ARS-LVT, for the years 2012 to 2019, and the completion of the monitoring process for the year 2020, will have no significant effect on the consolidated financial statements. Of the total amounts recorded as an accrued income in the Group's balance sheet as at 31 December 2020, approximately €11.3 million (2019: €8.6 million) refer to values from previous periods which are still in the process of being validated by the ARS-LVT.

4.1. Segment reporting

The main activities carried out by the Group are grouped into the following business segments:

- Private healthcare;
- Public healthcare;
- Other activities;
- Corporate center.

As at 31 December 2020, the private healthcare segment included the following business units:

- Thirteen hospitals dedicated to acute differentiated care, namely surgery, inpatient treatments and specialized diagnostics, which are complemented by a strong capacity in the provision of non-acute primary care on an outpatient basis. Also worth mentioning is the activity carried out in terms of health promotion and protection, through the performance of check-up exams and other preventive actions;

- Eleven outpatient clinics dedicated to non-acute primary care, including external consultations in a wide range of medical and surgical specialties, complementary means of diagnostics and therapy (namely in the area of imaging and clinical analysis), and permanent medical care;

- One residential hospital, specialized in the provision of healthcare involving rehabilitation, medical or post-surgical convalescence, neurostimulation and general support for dementias (particular in the case of Alzheimer's disease), long-term care, palliative care and geriatric care, day-center or inpatient basis.

The public healthcare segment includes the Hospital Beatriz Ângelo ("HBA") in Loures, managed by the SGHL subsidiary in partnership with the State, being part of the National Health System. The partnership contract has a period of 10 years, starting on the hospital's start date (January 2012). This unit serves the population of the municipalities of Loures, Odivelas, Mafra and Sobral de Monte Agraço.

The other activities segment is where Luz Saúde's other business areas can be found. In this segment, the Group has two senior residence units for individuals of 65 years and older that seek a complete package of services in terms of accommodation, leisure and health. The logic behind these senior residences is to integrate and complement the residential hospitals and acute residences. This business segment also includes the logistics, training and research business.

The corporate center segment provides management services in the following areas: strategic and operational consulting, human resources, financial services, quality certification, legal support, information systems, maintenance of infrastructures, training, management of call centers, negotiation and provisioning, marketing and communication to the units of the different business segments.

The financial information related to performance for the years ended 31 December 2020 and 2019 for the different business segments is as follows:

December 2020

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating Income						
Third party customers	435 054 958	89 034 185	84 303 525	-	-	608 392 668
Intersegment	1 787 016	-	16 705 372	30 705 203	(49 197 591)	-
Other operating income and gains	4 095 873	739 713	473 508	335 338	(300 151)	5 344 281
Total operating income	**440 937 847**	**89 773 898**	**101 482 405**	**31 040 541**	**(49 497 742)**	**613 736 949**
Operating expenses	(437 875 796)	(119 638 114)	(91 400 188)	(30 140 680)	49 497 742	(629 557 036)
Operating result by segment	**3 062 051**	**(29 864 216)**	**10 082 217**	**899 861**	**-**	**(15 820 087)**
Finance costs						(12 330 788)
Finance income						386 310
Financial results						**(11 944 478)**
Profit before income tax						**(27 764 565)**
Income tax expense						11 155 843
Profit/(loss) attributable to non-controlling interests	(303 058)	(15 869)	-	-	-	(318 927)
Loss attributable to owners						**(16 289 795)**

December 2019

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating income						
Third party customers	473 683 462	106 754 240	6 603 896	-	-	587 041 598
Inter-company	1 861 287	-	12 146 114	25 520 351	(39 527 752)	-
Other operating income	1 932 212	654 054	203 317	295 855	(263 670)	2 821 768
Total operating income	**477 476 961**	**107 408 294**	**18 953 327**	**25 816 206**	**(39 791 422)**	**589 863 366**
Operating expenses	(443 994 410)	(112 160 805)	(19 316 008)	(29 628 531)	39 736 765	(565 362 989)
Operating income by segment	**33 482 551**	**(4 752 511)**	**(362 681)**	**(3 812 325)**	**(54 657)**	**24 500 377**
Interest and other financial expenses						(10 263 861)
Other financial income and gains						439 913
Financial results						**(9 823 948)**
Income before tax						**14 676 429**
Income tax						2 071 497
Profit/(loss) attributable to non-controlling interests	(57 091)	1 698	-	-	-	(55 393)
Profit attributable to owners						**16 692 533**

Regarding to the size of the Group's main customers in terms of healthcare service revenue, only two represent a percentage greater than 25% of the operating income of the respective segment. In the private healthcare segment, the public healthcare subsystems represents around 27.5% of the segment's operating income, including the co-payments made directly by customers; in the public healthcare segment, the Contracting Public Entity (ARS-LVT) represents 99% of the segment's operating income. In the segment of other activities, although there are customers that exceed 25% of the segment's turnover, it should be noted that the values do not assume a level of recurrence similar to that described before for the segments of healthcare services.

Intersegmental transactions are carried out at arm's length, on a similar basis to transactions with third parties.

Other information

December 2020

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortization	45 305 668	926 951	607 780	3 349 675	(12 311 556)	37 878 518
Investment in property, plant and equipment	30 070 587	605 832	145 703	1 256 431	-	32 078 553
Investment in intangible assets	219 438	958	11 924	2 395 452	-	2 627 772

December 2019

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortization expenses	43 020 838	1 811 347	467 395	2 668 336	(13 462 295)	34 505 621
Investment in property, plant and equipment	44 183 482	754 732	2 226 339	1 193 657	-	48 358 210
Investment in intangible assets	474 687	7 173	-	2 361 787	-	2 843 647

Assets and liabilities by business segment and the respective reconciliation with the consolidated figures as at 31 December 2020 and 2019 can be presented as follows:

December 2020

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	334 815 100	1 725 464	9 100 442	2 715 025	-	348 356 031
Right-of-use assets	214 950 180	112 298	90 692	4 458 886	(123 970 224)	95 641 832
Intangible assets	119 888 675	3 993	11 593	34 540 211	-	154 444 472
Inventories, receivables, and other current assets	117 211 336	25 788 873	19 186 107	22 132 189	(28 977 492)	155 341 013
Other assets	32 694 003	11 387 082	2 956 221	645 394 043	(643 922 796)	48 508 553
Investments in associates	-	-	-	856 637	-	856 637
Total consolidated assets						**803 148 538**
Liabilities						
Trade and other payables	111 170 116	23 307 186	12 022 814	15 172 779	(41 121 039)	120 551 856
Other liabilities	290 535 912	38 873 334	4 398 644	312 354 253	(212 707 199)	433 454 944
Total consolidated liabilities						**554 006 800**

December 2019	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	329 367 852	1 914 381	9 520 135	2 235 545	-	343 037 913
Right-of-use assets	106 206 278	268 269	92 263	3 013 776	(30 933 444)	78 647 142
Intangible assets	149 268 454	10 328	435	5 183 341	-	154 462 558
Inventories, receivables, and other current assets	128 107 267	45 932 818	3 785 008	25 239 037	(32 483 280)	170 580 850
Other assets	43 665 430	12 928 580	2 202 358	595 355 975	(570 861 624)	83 290 719
Investments in associates	-	-	-	875 718	-	875 718
Total consolidated assets						**830 894 900**
Liabilities						
Trade and other payables	116 366 811	22 055 788	3 271 069	11 371 655	(27 007 243)	126 058 080
Other liabilities	352 961 134	39 494 912	8 421 257	326 664 240	(288 028 231)	439 513 312
Total consolidated liabilities						**565 571 392**

Assets and liabilities are allocated to each business segment based on their contribution to the activity of the segment.

4.2. Revenue by activity and timing of revenue recognition

	31-Dec-20	31-Dec-19
Revenue by activity		
Hospitals and outpatient clinics	424 226 557	461 758 542
NHS hospitals	89 034 185	106 754 240
Residential hospitals	9 848 212	10 808 575
Senior residences with services	5 321 143	5 735 766
Other services	1 153 448	1 984 475
	529 583 545	**587 041 598**
Sale of goods	78 809 123	-
	608 392 668	**587 041 598**
Timing of revenue recognition		
At a point in time	533 095 515	490 078 540
Over time	75 297 153	96 963 058
	608 392 668	**587 041 598**

The decrease in revenue from hospitals and outpatient clinics and the NHS hospital is essentially due to the impact that the pandemic COVID-19 had on the Group's activity.

The revenue related to the sale of goods is mainly related to the activity carried out by the Group in the import of clinical consumables to combat the pandemic COVID-19.

The item other services include, mainly, the values related to the operation of car parking and retail stores existing in the Group's hospital units, as well as the revenue associated with the rendering of training services.

4.3. Contract assets and liabilities

Contract assets and liabilities can be presented as follows:

	31-Dec-20	31-Dec-19
Contract assets (note C12.1.2)	8 275 572	24 402 548
Contract liabilities (note C15.2)	11 480 058	8 887 057
	19 755 630	**33 289 605**

5. Other operating income and gains

	31-Dec-20	31-Dec-19
Gain on sale of business unit	1 344 000	-
Interests from customers	1 219 946	-
Operating grants	552 854	281 199
Clinical trials	538 563	530 059
Cash-discounts obtained	311 520	476 670
Gains on non-financial investments	37 413	221 650
Other operating income and gains	1 339 985	1 312 190
	5 344 281	**2 821 768**

The item gain on sale of business unit refers to the gain generated in the sale of the Gaia unit. With this operation, the Group sold the business and the related assets to its operation of Gaia unit for a value of €7.7 million, having generated a gain with the operation of €1.3 million. The transaction was completed in October 2020, so as at November, the Group ended recognizing any expense or income from the business. In 2019, the value of revenue and net loss generated by the business sold amounted to €300 thousand and €92 thousand, respectively.

The item of interest from customers refers to interest billed to customers for delay in the settlement of the invoices issued.

6. Inventories consumed and sold

	31-Dec-20	31-Dec-19
Inventories on 1 January	13 177 955	12 375 818
Purchases	163 334 119	93 387 313
Inventory regularizations	(324 346)	(358 125)
Inventories on 31 December	(20 142 619)	(13 177 955)
Inventories consumed and sold	**156 045 109**	**92 227 051**

The increase in inventories consumed and sold during the year is explained by the increase in the sale of goods, related to the activity carried out by the Group in the import of clinical consumables to combat the pandemic COVID-19.

7. Cost of services and materials

ESTIMATE

The Group recognizes a monthly estimate for fees to be paid to its employees without a labor contract. This estimate is recorded based on the historic payments, the agreements established with each service provider, the time worked and the nature of the services rendered. The final calculation of these amounts only occurs in a period after the approval of the consolidated financial statements and as such there may be differences between the estimated amounts and the final amounts paid. The estimate for fees payable on 31 December 2020 amounts to €31.4 million (2019: €32.0 million), being recognized in the profit and loss, in the heading cost of services and material in the captions subcontracts and professional fees

	31-Dec-20	31-Dec-19
Subcontracts	120 912 048	124 431 567
Professional fees	72 142 985	79 384 474
Specialized work	20 363 722	20 171 741
Maintenance and repair	12 459 151	11 689 938
Electricity	7 729 295	7 089 988
Security services	3 782 314	3 142 013
Travel and accommodation	2 083 092	2 050 145
Advertising	1 995 519	2 476 280
Insurance	1 757 751	1 527 680
Fuel and other fluids	1 632 045	1 766 462
Communication	1 561 045	1 811 410
Materials	1 340 776	1 296 360
Water	1 062 833	1 110 175
Software use rights	730 554	1 090 819
Cleaning services	375 141	554 398
Other materials and services consumed	2 151 835	3 115 828
	252 080 106	**262 709 278**

The decrease in the heading of cost of services and materials is mainly due to the decrease in activity in the private healthcare business segment.

The professional fees and subcontracts items essentially record the amounts paid to healthcare professionals from the different units of the Group, that operate on a service provider basis. In general, the decrease in these items is related to the slowdown in the activity of the private healthcare segment.

The specialized work is related to the contracting of external consultants, most of which are related to IT systems costs. Maintenance and repair costs relate to the main infrastructure maintenance contracts operated by the Group.

8. Personnel expenses

POLICY

Group employees are entitled to one month of vacation and one month of vacation allowance, a right acquired in the year prior to their payment. In addition according to the performance evaluation system in place, employees and Board of Directors executive members may receive a cash bonus in the case of achievement of certain objectives, a right usually acquired in the year prior to the payment. These commitments are recognized in the statement of profit or loss in the period in which the employees and Board Directors acquire the referred rights, regardless of the date of their payment. The liability assumed is recognized in liabilities under the caption other accounts payable.

ESTIMATE

The Group recognizes a monthly estimate for bonuses and other variable remunerations that considers the objectives agreed with the employees and corporate bodies members, the achievement of those objectives and the general situation of the Group's businesses. The variable remuneration of the members of the Board of Directors of Luz Saúde is determined by the Remuneration Committee based on the assessment made on the performance of the previous year, among other factors. The current cost estimate for the year recorded under the heading other accounts payable, is prepared based on Management's best estimate of the performance for the current year, with the final value only known in the following year. The amount recorded by the Group on 31 December 2020 to face this liability amounts to €4.2 million (2019: €6.7 million).

	31-Dec-20	31-Dec-19
Corporate body remunerations	3 190 012	4 518 614
Personnel wages and salaries	135 993 442	132 186 578
Payroll related expenses	29 773 624	28 451 373
Other personnel expenses	5 849 581	4 585 717
	174 806 659	**169 742 282**

The number and distribution of the Group's employees by business segment can be presented as follows:

	Average number			Number at 31 December		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Private healthcare	4 875	4 738	137	4 940	4 785	155
Public healthcare	1 804	1 729	75	1 850	1 778	72
Other businesses	134	126	8	142	132	10
Corporate center	754	663	91	756	765	(9)
	7 567	**7 256**	**311**	**7 688**	**7 460**	**228**

The remuneration expenses attributed to the members of the governing bodies of the various companies that make up the Group were as follows:

	31-Dec-20	**31-Dec-19**
Board of the General Shareholders Meeting	25 500	25 500
Audit Board	51 000	51 000
Board of Directors	3 113 512	4 442 114
	3 190 012	**4 518 614**

The fees of the Statutory Auditor (booked in the profit and loss, on the heading cost of services and materials) agreed for the year 2020 can be presented as follows:

	31-Dec-20	**31-Dec-19**
Audit and statutory audit	360 335	351 185
Other assurance services	40 500	40 500
Audit related services	-	3 750
	400 835	**395 435**

9. Other operating expenses

	31-Dec-20	31-Dec-19
Taxes	6 837 693	4 241 993
Cash-discounts granted	367 805	29 316
Affiliation fees	248 680	239 607
Losses on property, plant and equipment	84 376	36 150
Donations	38 266	55 959
Inventory losses	16 230	28 796
Other operating expenses	640 309	589 151
	8 233 359	**5 220 972**

Taxes includes expenses with Value Added Tax (VAT) supported in the operations, Municipal Property Tax (IMI) and fees and licenses related to the Group's activity.

The increase in 2020 is mainly due to the customs fees supported by the Group in the import of clinical consumables to combat the pandemic COVID-19.

10. Finance cost, net

POLICY

Finance costs include interest incurred and other bank expenses related to the financing of the Group's operations, being recognized in the statement of profit or loss on an accrual basis.

Finance income include interest and financial discounts obtained from third parties, being recognized in the period to which they relate. Dividends are also recognized from the moment the obligation to distribute dividends is constituted in the investee.

	31-Dec-20	31-Dec-19
Interest and other financial costs		
Interest expenses	9 191 615	7 780 024
Charges for derivative financial instruments (note 18)	1 693 505	1 448 845
Other financial costs	1 445 668	1 034 992
	12 330 788	**10 263 861**
Other financial income		
Other financial income	(386 310)	(439 913)
	(386 310)	**(439 913)**
Financial cost, net	**11 944 478**	**9 823 948**

Interest expenses item can be presented as follows:

	31-Dec-20	31-Dec-19
Commercial paper	4 791 938	4 725 015
Lease liabilities	2 960 897	2 862 160
Bank loans	1 070 615	1 980 652
Other loans	368 165	-
	9 191 615	**9 567 827**
Capitalized interest	-	(1 787 803)
Total interest paid	**9 191 615**	**7 780 024**

The caption other financial costs mainly includes expenses with credit lines contracted by the Group (set up and maintenance fees), recognized through profit and loss applying the effective interest rate method.

11. Income tax

POLICY

Income tax includes current and deferred tax. Income taxes are recognized in the statement of profit or loss, except when they are related to items recognized directly in equity, in which case they are also recorded in equity.

Current taxes are those that are expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the approved or substantially approved tax rate. Deferred taxes are calculated according to the liability method based on the reporting date, on temporary differences between the book values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved at the reporting date and that are expected to be applied when the temporary differences are reversed. Deferred tax assets are recognized only to the extent that it is expected that there will be taxable profits in the future, to use the temporary differences.

Luz Saúde is taxed according to the special tax regime for groups of companies (RETGS), which covers all entities in which the parent company of the tax group participates, directly or indirectly, in at least 75% of the respective share capital and as long as they comply with the requirements established in the Corporate Income Tax Code (CIRC). The subsidiary companies, which are not covered by the Group's special taxation regime, are taxed individually, based on the respective tax profit and current tax rates.

The income tax payment is made based on self-assessment tax returns that are subject to inspections and possible adjustment by the tax authorities during the period of four years from the year to which they refer. Tax losses for a given year, which are also subject to inspection and adjustment for a period of 10 years, can be used against tax profits in the following 12 years, for losses generated in 2020. The 2020 tax period is disregarded for the purposes of computation of the carry forward period of existing taxable losses. As of 2014, the deduction of taxable losses is capped at 70% of the taxable profit assessed in the tax year in which the taxable losses are used. Said cap is increased to 80% in respect of taxable losses assessed in the tax year of 2020.

It is possible to deduct first the taxable losses which carry forward period ends first.

The Group offsets deferred tax assets and liabilities whenever: (i) the Group has the legally enforceable right to offset current tax assets and current tax liabilities; (ii) deferred tax assets and liabilities relate to income taxes levied by the same tax authority and on the same taxable entity or on different taxable entities that intend to settle current tax liabilities and assets on a net basis, or realize the assets and settle liabilities simultaneously, in future periods when deferred taxes are expected to be settled or recovered.

ESTIMATE

The calculation of income tax and deferred tax amounts requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of taxes on profits, current and deferred, recognized in the period, of which we highlight:

- the recognition of deferred tax assets only to the extent that it is expected that there will be taxable profits in the future. As at 31 December 2020, the Group has tax losses in the approximate amount of €8.4 million thousands (2019: €8.9 million) for which no deferred tax assets have been recognized.
- recognition of current and deferred tax assets in relation to tax credits arising from investment in research and development projects under SIFIDE. Bearing in mind that the value of the tax credit for each year is only known in the following year, the Group estimates the values of the tax credit based on efforts made in the year and historical approval rates. As at 31 December 2020, the amount recorded based on an estimated basis amounts to approximately €2.5 million (2019: €4.3 million).

The Tax Authorities are responsible for reviewing the calculation of the tax assessment made by the Group over a period of four to ten years, in the event of reportable tax losses (five years for Social Security). It is possible that there may be corrections to the tax returns, mainly resulting from differences in the interpretation of tax legislation. However, the Board of Directors believes that there will be no significant corrections to taxes on profits recorded in the consolidated financial statements.

11.1. Income tax on the statement of profit or loss

The breakdown of the income tax charge as at 31 December 2020 and 2019 can be analyzed as follows:

	31-Dec-20	31-Dec-19
Current tax	(262 343)	(1 574 034)
Tax from previous years	411 847	1 274 655
Deferred tax	11 006 339	2 370 876
Total of tax reported in the statement of profit or loss	**11 155 843**	**2 071 497**

Tax from previous years results mainly from the outcome in favor of the Group, of a set of disputes that the group had with the Portuguese Tax Authorities (PTA).

11.2. Reconciliation of the effective tax rate

The tax rate reconciliation can be analyzed as follows:

	31-Dec-20	31-Dec-19
(Loss) / Profit for the year	(16 608 722)	16 747 926
Income tax	11 155 843	2 071 497
(Loss) / Profit before income tax	**(27 764 565)**	**14 676 429**
Group income tax	21.00%	21.00%
	5 830 559	**(3 082 050)**
Local and state surtax	(950 858)	(1 329 794)
Deferred tax not recognized for tax losses generated in the year	(41 683)	(356 178)
Autonomous taxation	(262 343)	(367 016)
Non-taxable provisions	320 596	(107 873)
Tax incentives (SIFIDE)	4 680 536	4 962 067
Tax benefits	732 385	739 108
Tax from previous years	411 847	1 274 655
Other effects	434 804	338 578
	11 155 843	**2 071 497**

11.3. Reconciliation of current tax in the statement of profit or loss with current income tax on the balance sheet

	31-Dec-20	31-Dec-19
Current tax in the statement of profit or loss	(262 343)	(1 574 034)
Payments on account	2 223 362	3 164 511
Previous year tax	1 347 556	-
Current income tax in the balance sheet	**3 308 575**	**1 590 477**

11.4. Detail of deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2020 and 2019 can be presented as follows:

	31-Dec-19	Recognized in the profit and loss	Recognized on equity and other	31-Dec-20
Deferred tax assets				
Valuation of property, plant and equipment	996 761	(186 401)	-	810 360
Provisions and impairment losses	4 834 370	41 887	-	4 876 257
Tax losses carried forward	1 338 305	8 386 015		9 724 320
Derivatives (note 18)	732 940	-	(156 426)	576 514
Other	5 966 313	2 534 612	(319 295)	8 181 630
	13 868 689	**10 776 113**	**(475 721)**	**24 169 081**
Deferred tax liabilities				
Valuation of property, plant and equipment	(4 835 683)	348 897	-	(4 486 786)
Goodwill	(673 053)	(118 671)	-	(791 724)
	(5 508 736)	**230 226**	**-**	**(5 278 510)**
Deferred taxes, net	**8 359 953**	**11 006 339**	**(475 721)**	**18 890 571**

	31-Dec-18	Recognized in the profit and loss	Recognized on equity and other	31-Dec-19
Deferred tax assets				
Valuation of property, plant and equipment	1 321 472	(324 711)	-	996 761
Provisions and impairment losses	4 296 247	538 123	-	4 834 370
Tax losses carried forward	1 711 537	(373 232)	-	1 338 305
Derivatives (note 18)	645 465	-	87 475	732 940
Other	3 358 370	2 607 943	-	5 966 313
	11 333 091	**2 448 123**	**87 475**	**13 868 689**
Deferred tax liabilities				
Revaluation of property, plant and equipment	(4 916 269)	80 586	-	(4 835 683)
Goodwill	(515 220)	(157 833)	-	(673 053)
	(5 431 489)	**(77 247)**	**-**	**(5 508 736)**
Deferred taxes, net	**5 901 602**	**2 370 876**	**87 475**	**8 359 953**

The caption other deferred tax assets includes the effect of the R&D tax incentives in the scope of SIFIDE and the effect arising from the tax benefits in respect of incentives for companies recapitalization.

11.5. Tax losses

As at 31 December 2020, the Group has tax losses carried forward of €54.7 million (2019: €16.0 million).

C. Financial position

12. Working capital

12.1. Trade and other receivables

POLICY

Trade and other accounts receivable are initially recognized at their fair value and are classified as current assets since they have no implicit interest and are subsequently presented using the amortized cost method, which is estimated to be identical to the nominal value, less impairment losses associated with them. If collection is expected to occur within one year or less after the date of the reporting date, the asset is classified as current assets, otherwise, it is classified as a non-current asset.

A contract asset is a right to receive cash in exchange for goods or services transferred to the customer, which is conditional on the fulfillment of an additional obligations.

ESTIMATE

Impairment losses related to doubtful debts are based on the Group's assessment of the probability of recovering the accounts receivable balance and on the results of the expected credit loss provisioning model applied to credits of an operational nature. Both the valuation process and the expected credit loss provisioning model vary depending on the time of default, the debtor's credit history, the nature of his activity and the deterioration of the debtors' credit situation. As at 31 December 2020, the Group had a provision level for impairment of balances resulting from its commercial operations in the amount of 12.7% (2019: 9.6%). If the debtors' financial conditions deteriorate, impairment losses may be higher than expected.

	31-Dec-20	31-Dec-19
Trade receivables		
Trade receivables (note 12.1.1)	83 874 170	90 475 614
Accrued income for services rendered (note 12.1.2)	26 823 808	47 051 337
Trade receivables - related parties (note 21)	9 963 024	6 962 211
Doubtful trade receivables	17 340 881	15 542 417
Impairment of trade receivables (note 12.1.4)	(17 459 417)	(15 330 991)
	120 542 466	**144 700 588**
Other accounts receivable - current		
Other accrued income (note 12.1.2)	1 501 083	6 594 387
State and other public entities (note 12.1.3)	6 907 749	2 816 829
Other debtors	1 194 922	1 146 563
Impairment of other receivables (note 12.1.4)	(2 599 402)	(1 848 294)
	7 004 352	**8 709 485**
	127 546 818	**153 410 073**

Due to the maturity associated to balances receivable presented above, it is considered that their carrying value has no relevant difference to their fair value.

12.1.1. Trade receivables

POLICY

Financial assets are derecognized when (i) the Group's contractual rights to receive future cash flows expire, (ii) the Group has substantially transferred all the risks and benefits associated with its ownership or (iii) nevertheless retains part, but not substantially, of the risks and benefits associated with its ownership of the receivables.

The Group uses factoring without recourse to anticipate the financial flow associated with some of the its receivables. Factoring without recourse, to the extent that it substantially transfers the rights and risks over the financial assets to third parties (namely credit and default risk and cash flow risk from a contractual date), allows the Group to derecognize these assets. As at 31 December 2020, the amounts derecognized under factoring agreements without recourse amount to approximately €28.2 million (2019: €34.8 million).

12.1.2. Accrued income

	31-Dec-20	31-Dec-19
Clinical services to be invoiced	18 548 236	22 648 789
Revenue from the management contract of HBA	8 275 572	24 402 548
Total accrued income from services rendered	**26 823 808**	**47 051 337**
Other accrued income	1 501 083	6 594 387
	28 324 891	**53 645 724**

Clinical services to be invoiced refer to services rendered (that the performance obligation has already been fulfilled) that will be billed in future periods.

The caption revenue from the management contract of HBA refers to the difference between the value of actual annual production and the amounts billed monthly (1/12 of 90% of the agreed annual value), during the period, and the amounts in discussion with ARS-LVT on reconciliation payments from previous years. During the current year, the production was significantly affected by the effects of the pandemic, which explains the decrease in this caption.

12.1.3. State and other public entities

	31-Dec-20	31-Dec-19
Value Added Tax (VAT)	5 857 310	1 766 390
Corporate Income Tax (CIT) - RERD	1 050 439	1 050 439
	6 907 749	**2 816 829**

Amounts receivable from the state and other public entities in respect of corporate income tax refer to payments made under the Exceptional Debt Settlement Regime (RERD). On 31 December 2019 these amounts were fully provisioned under the heading Impairment for other receivable, due to the fact that an ongoing lawsuit related to this balance was in progress (note E19.1.3) to claim the refund from the Portuguese Tax Authorities. In 2020, this dispute ended, with a favorable outcome for the Group and, as such, the impairment recorded was reversed, the Group still waits for the settlement of this amount by the Portuguese Tax Authorities.

12.1.4. Impairment of receivables

The changes of impairment receivable on 31 December 2020 and 2019 can be presented as follows:

	31-Dec-20		
	Trade receivables	Other receivables	31-Dec-19
Impairment at 1 January	**15 330 991**	**1 848 294**	**20 016 967**
Charged/(credited) to the statement of profit or loss:			
Additional impairment	2 942 910	1 818 650	1 296 017
Unused and reversed	(910 811)	(1 067 542)	(38 900)
	2 032 099	**751 108**	**1 257 117**
Other effects			
Other	96 327	-	(4 094 799)
Impairment at 31 December	**17 459 417**	**2 599 402**	**17 179 285**

12.2. Inventory

POLICY

Inventories comprise subsidiary and consumption materials to be used by healthcare units that comprise the private and public healthcare services segments and goods for sale to third parties within the scope of the GLST subsidiary's activity. In both cases materials are valued at the lower of acquisition cost and net realizable value. The acquisition cost comprises the expenses incurred until the storage of the inventories, using the weighted average cost as a costing method.

The net realizable value corresponds to the estimated selling price less estimated selling costs.

	31-Dec-20	31-Dec-19
Drugs	5 871 162	5 267 274
Clinical consumables	13 765 985	7 448 819
Others	505 472	461 862
	20 142 619	**13 177 955**

The increase on the item clinical consumables is related to the operations of GLST.

12.3. Trade and other payables

POLICY

Trade and other accounts payable include the liabilities related to the acquisition of goods or services, by the Group in the normal course of its activities. If payment is due within one year or less after the reporting date, they are classified as current liabilities, otherwise, they are classified as non-current liabilities.

Trade and other payable, considered as current liabilities, are initially recognized at their fair value less transaction costs incurred and are subsequently measured at amortized cost based on the effective rate method, which is estimated to be identical to its nominal value, ie, at cost.

	31-Dec-20	31-Dec-19
Current trade payables		
Trade payable	34 881 701	39 098 939
Trade payable - related entities (note 21)	498 285	7 066
Fixed asset suppliers	5 647 817	6 290 277
Trade payables total	**41 027 803**	**45 396 282**
Other accounts payable		
Accrued expenses (note 12.3.1)		
Professional fees payable	31 361 933	31 989 059
Personnel related expenses	28 417 181	29 708 744
Accrued expenses LURs	952 101	1 278 287
Other accrued expenses	9 088 144	8 280 108
	69 819 359	**71 256 198**
Other creditors		
State and other public entities (note 12.3.2)	5 708 435	5 630 331
Other creditors	3 996 259	3 775 269
	9 704 694	**9 405 600**
Other creditors total	**79 524 053**	**80 661 798**
Trade and other payables total	**120 551 856**	**126 058 080**

Due to the maturity associated to the balances presented above, it is considered that their carrying value has no material difference to their fair value.

12.3.1. Accrued expenses

The caption professional fees payable refers to the liability estimated with professionals without permanent labor contract with the Group. This liability is recorded based on the historical amounts, the agreements established with each service provider and with the services and medical procedures performed.

The caption personnel related expenses includes, the liabilities for employees' vacation period, vacation allowance and the variable remuneration estimate.

Accrued expenses LURs (lifetime use rights) result from the recognition of the liability associated with lifetime use contracts for senior residences operated by the Group.

12.3.2. State and other public entities

	31-Dec-20	31-Dec-19
Social security contributions	3 388 161	3 273 505
Personal income tax	2 260 018	2 256 850
Value added tax	60 256	99 976
	5 708 435	**5 630 331**

12.4. Other current and non-current assets

	31-Dec-20	31-Dec-19
Deferred expenses	2 668 702	4 964 314
Advances to suppliers	6 457 117	681 684
	9 125 819	**5 645 998**
From which:		
Current	7 651 576	3 992 822
Non-current	1 474 243	1 653 176

13. Investments

The Group's investment (including property plant and equipment, intangible assets and right-of-use assets) in 2020 reached approximately €67.9 million (2019: €77.5 million), of which approximately €43.9 million refers to expansion investment, from which €43 million in the expansion, remodeling and equipment of Hospital da Luz in Lisbon. The remaining investment refers essentially to the acquisition of basic equipment for several units of the Group. On 31 December 2020, the Group had assumed investment commitments in the amount of €12.3 million (2019: €16.3 million).

13.1. Property, plant and equipment

POLICY

Recognition and valuation: Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. The acquisition/construction cost includes the invoice price, transportation and assembly expenses, financial charges and exchange rate differences on bank loans, incurred during the construction period, and indirect costs attributable to it during the construction period.

Gains or losses arising from the sale of property, plant and equipment are determined by the difference between the sale value less transaction costs and the carrying amount of the asset, being recorded in the statement of profit or loss under other operating income or other operating expenses.

Property, plant and equipment in progress represent the assets still in construction phase and are recorded at acquisition cost. These assets are depreciated from the month in which they are fully available to be used for their intended purposes.

Depreciation: Land is not depreciated. Depreciation of the remaining property, plant and equipment assets is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Buildings	4 – 40
Basic equipment	2 – 20
Transport equipment	3 - 8
Office equipment	2 – 20
Other property, plant and equipment	3 – 20

ESTIMATE

Depreciation / amortization is calculated on the acquisition cost using the straight-line method, starting from the month in which the asset is available for use. The depreciation / amortization rates used reflect the best knowledge about the estimated useful life. The residual values of the assets and the respective useful lives are reviewed and adjusted, when necessary.

13.1.1. Change in property, plant and equipment

	Land and buildings	Basic and transport equipment	Office equipment	Other	In progress	Total
Acquisition cost						
Balance as at 1 January 2019	365 878 937	207 708 493	11 603 616	5 973 432	90 320 501	681 484 979
Additions	1 405 238	5 395 731	1 078 636	71 213	40 407 392	48 358 210
Disposals, write-offs and adjustments	(257 552)	(2 072 187)	(164 169)	(518 646)	(169 883)	(3 182 437)
Transfer and adjustments	2 172 572	1 342 276	(174 848)	(305 270)	(3 034 730)	-
IFRS 16 adoption	(21 402 401)	(42 832 548)	(138 029)	-	(3 360 935)	(67 733 913)
Balance as at 31 December 2019	**347 796 794**	**169 541 765**	**12 205 206**	**5 220 729**	**124 162 345**	**658 926 839**
Balance as at 1 January 2020	347 796 794	169 541 765	12 205 206	5 220 729	124 162 345	658 926 839
Additions	1 538 899	4 824 928	448 898	309 029	24 956 799	32 078 553
Disposals, write-offs and adjustments	(5 919 854)	(2 942 758)	(238 201)	(72 357)	(105 055)	(9 278 225)
Transfer and adjustments	138 720 053	6 979 065	4 710	(404 028)	(145 299 800)	-
Balance as at 31 December 2020	**482 135 892**	**178 403 000**	**12 420 613**	**5 053 373**	**3 714 289**	**681 727 167**
Accumulated depreciation						
Balance as at 1 January 2019	131 124 496	163 225 381	10 198 134	4 780 378	-	309 328 389
Depreciation for the year	12 981 610	6 506 739	644 835	292 701	-	20 425 885
Disposals, write-offs and adjustments	(180 717)	(1 683 378)	(164 169)	(518 646)	-	(2 546 910)
Transfer and adjustments	962 289	(515 277)	320 390	(767 402)	-	-
IFRS 16 adoption	(1 779 383)	(15 372 493)	(13 108)	-		(17 164 984)
Balance as at 31 December 2019	**143 108 295**	**152 160 972**	**10 986 082**	**3 787 031**	**-**	**310 042 380**
Balance as at 1 January 2020	143 108 295	152 160 972	10 986 082	3 787 031	-	310 042 380
Depreciation for the year	14 269 585	6 579 057	578 824	235 389	-	21 662 855
Disposals, write-offs and adjustments	(1 923 216)	(1 959 586)	(224 972)	(72 871)	-	(4 180 645)
Balance as at 31 December 2020	**155 454 664**	**156 780 443**	**11 339 934**	**3 949 549**	**-**	**327 524 590**
				-		
Impairment losses						
Balance as at 1 January 2019	5 927 546	-	-	-	-	5 927 546
Additions	(81 000)	-	-	-	-	(81 000)
Balance as at 31 December 2019	**5 846 546**	**-**	**-**	**-**	**-**	**5 846 546**
Balance as at 1 January 2020	5 846 546	-	-	-	-	5 846 546
Balance as at 31 December 2020	**5 846 546**	**-**	**-**	**-**	**-**	**5 846 546**
Net book value						
As at 31 December 2019	**198 841 953**	**17 380 793**	**1 219 124**	**1 433 698**	**124 162 345**	**343 037 913**
As at 31 December 2020	**320 834 682**	**21 622 557**	**1 080 680**	**1 103 824**	**3 714 289**	**348 356 031**

On 31 December 2019, the property, plant and equipment assets in progress essentially include the investment made in the expansion of the Hospital da Luz in Lisbon and in the remodeling of Funchal and Torres de Lisboa units.

13.1.2. Property, plant and equipment as guarantee

Some of the Group's real estate properties, with a net book value on 31 December 2020 of approximately €283.3 million (2019: €271.5 million), are given as collateral to financial institutions to guarantee the Group's finance lines (note 14.6).

13.1.3. Impairment losses on property, plant and equipment

The impairment losses can be detailed as follows:

	31-Dec-20	31-Dec-19
Former Hotel Tivoli – Porto	2 904 259	2 904 259
Plot of land on Av. Marechal Teixeira Rebelo in Lisbon	2 068 839	2 068 839
Santa Catarina clinic in Funchal	873 448	873 448
	5 846 546	**5 846 546**

13.2. Right-of-use assets

POLICY

Each lease agreement made by the Group is assessed to determine whether it gives the right to control the use of an identifiable asset for a specified period in exchange for remuneration, whenever this happens (and beginning on 1 January 2019 onwards) the Group recognizes in its non-current assets an asset for right-of-use and in liabilities the corresponding liability as a liability for lease, from the moment the asset becomes available for use.

The Group enters to lease contracts to use assets in its operating activity such as real estate properties, clinical, medical and administrative equipment and vehicles. Typically lease contracts are made for periods of 4 to 10 years, except for real estate properties in which longer periods are considered and the duration of contracts may exceed 20 years, if the options provided for in the contract are exercised by the Group. When applicable, the Group allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, in which it was decided not to separate the lease components and not lease, recognizing the two components together as if it were a single lease component.

Right-of-use assets are measured at cost, which comprises the initial measurement value of the lease liability, any lease payments made on or before the lease start date, less the lease incentives received, any initial direct costs (which includes all the necessary expenses to use the leased asset) and dismantling and replacement costs.

Right-of-use assets are depreciated in the same way as property, plant and equipment assets, at the shorter of the assets' useful life and the lease term on a straight-line basis, except when the Group has a purchase option on the underlying asset and it is reasonably certain that that option will be exercised, the asset is depreciated over the underlying asset's useful life.

13.2.1. Detail of right-of-use assets

	31-Dec-20			31-Dec-19		
	Acquisition value	Accumulated depreciation	Net Value	Acquisition value	Accumulated depreciation	Net Value
Buildings	57 872 668	(11 501 270)	46 371 398	52 017 774	(6 744 309)	45 273 465
Basic equipment	78 606 246	(31 494 112)	47 112 134	53 314 769	(22 192 693)	31 122 076
Office equipment	164 370	(88 200)	76 170	138 029	(44 437)	93 592
Transport equipment	3 874 830	(1 998 822)	1 876 008	3 082 662	(1 046 837)	2 035 825
Other assets	244 742	(38 620)	206 122	140 028	(17 844)	122 184
	140 762 856	**(45 121 024)**	**95 641 832**	**108 693 262**	**(30 046 120)**	**78 647 142**

In the current year, the Group recorded additions of new right-of-use assets in the amount of €33.2 million (2019: €26.7 million).

The Group has call options on the assets inherent to the above contracts, with a net book value of €50.1 million (2019: €33.7 million). These call options have a very low exercise value, and as such it is very likely that the Group will exercise these options when they reach the end of the lease agreement period.

13.2.2. Impact on the statement of profit or loss

	31-Dec-20	31-Dec-19
Depreciation of right-of-use assets		
Buildings	4 432 115	4 412 152
Basic equipment	9 445 126	7 421 917
Transport equipment	989 867	1 001 306
Office equipment	43 763	31 330
Other assets	20 776	14 431
	14 931 647	**12 881 135**
Financial expenses		
Financial expenses on lease agreements	2 960 897	2 862 160
	2 960 897	**2 862 160**
Rents		
Expenses with short-term contracts	181 212	157 508
Expenses with low value contracts	165 994	94 415
Expenses with variable rent contracts	480 346	430 368
Expenses with lease agreements for intangible assets	730 554	1 090 819
	1 558 106	**1 773 110**

In the year 2020, payments made on lease contracts amounted to €19.1 million (2019: €15.4 million).

Lease liabilities are presented in note 14.6.4.

13.3. Intangible assets

POLICY

Intangible assets are recognized at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the Group and that they can be reliably measured.

Intangible assets with defined useful lives are amortized using the straight-line method, starting from the month in which they are available for use. The amortization rates used correspond, on average, to the following estimated useful lives:

	Years
Software	3 - 5
Property rights	3 - 10

Intangible assets with an indefinite useful life (goodwill) are not subject to amortization, being subject to impairment tests in the last quarter of each financial year or at the moment that there is an indication that they may be impaired.

ESTIMATE

The Group annually tests impairment of goodwill recognized as an intangible asset. For this purpose, the Group estimates the recoverable amount of cash-generating units to which goodwill is allocated. The recoverable amount is determined based on the value in use, which results from discounting the estimated future cash flows, using a discount rate that reflects the risk associated with the asset being valued. If the future cash flows considered are lower than those estimated by the Board of Directors of Luz Saúde, there may be a need to recognize impairment losses of a significant amount.

13.3.1. Changes in intangible assets

	Goodwill	Software	Property rights	In progress	Total
Acquisition cost					
Balance as at 1 January 2019	148 573 534	12 402 334	86 549	2 081 392	163 143 809
Additions	-	533 868	347	1 846 248	2 380 463
Adjustments	-	(36 187)	-	-	(36 187)
Transfers	-	1 866 212	-	(1 866 212)	-
Business acquisition	463 184	-	-	-	463 184
Balance as at 31 December 2019	**149 036 718**	**14 766 227**	**86 896**	**2 061 428**	**165 951 269**
Balance as at 1 January 2020	149 036 718	14 766 227	86 896	2 061 428	165 951 269
Additions	-	153 274	-	2 473 999	2 627 273
Sale of assets	(1 360 000)	-	-	-	(1 360 000)
Adjustments	-	(61 323)	-	-	(61 323)
Transfers	-	3 131 691	-	(3 131 691)	-
Balance as at 31 December 2020	**147 676 718**	**17 989 869**	**86 896**	**1 403 736**	**167 157 219**
Accumulated amortisation					
Balance as at 1 January 2019	-	10 246 048	80 250	-	10 326 298
Amortization for the year	-	1 198 601	-	-	1 198 601
Adjustments / write-offs	-	(36 188)	-	-	(36 188)
Balance as at 31 December 2019	**-**	**11 408 461**	**80 250**	**-**	**11 488 711**
Balance as at 1 January 2020	-	11 408 461	80 250	-	11 488 711
Amortization for the year	-	1 284 016	-	-	1 284 016
Adjustments / write-offs	-	(59 980)	-	-	(59 980)
Balance as at 31 December 2020	**-**	**12 632 497**	**80 250**	**-**	**12 712 747**
Net book value					
As at 31 December 2019	**149 036 718**	**3 357 766**	**6 646**	**2 061 428**	**154 462 558**
As at 31 December 2020	**147 676 718**	**5 357 372**	**6 646**	**1 403 736**	**154 444 472**

Goodwill results from the acquisition of new healthcare businesses.

The sale of assets in 2020 in the goodwill refers to the goodwill associated with the sale of the healthcare unit, Hospital do Mar Gaia (note B5).

Changes in 2019 goodwill are due to the final calculation of the preliminary goodwill calculated in 2018, in respect of the acquisition of a group of healthcare units operating in the central region of Portugal (Coimbra, Figueira da Foz, Pombal and Cantanhede) named Idealmed Group.

13.3.2. Goodwill

The goodwill in the consolidated balance sheet is as follows:

	Goodwill	
	31-Dec-20	31-Dec-19
Aquisition of 100% of HOSPOR	89 944 136	89 944 136
Aquisition of 100% of Hospital da Luz Coimbra	26 683 550	26 683 550
Aquisition of 100% of Hospital da Luz Guimarães	14 665 075	16 025 075
Aquisition of 100% of Hospital da Luz Torres de Lisboa	8 720 684	8 720 684
Aquisition of Hospital da Luz Aveiro	3 611 318	3 611 318
Aquisition of 81.53% of Hospital da Luz Funchal	3 126 025	3 126 025
Other acquisition	940 033	940 033
Impairment loss	(14 103)	(14 103)
Total goodwill	**147 676 718**	**149 036 718**

13.3.3. Goodwill impairment

The recoverable amount of goodwill is tested annually in the last quarter of each financial year, or whenever there is an indication of a possible loss in value. As mentioned, the recoverable amount is determined based on the value in use of the assets, which is calculated using methodologies based on discounted cash flow techniques (DCF), considering the historical performance of the business, market conditions, future expectations development of each business, time value and business risks.

For the purposes of the tests, carried out in the last quarter of 2020 and 2019, the Group defined a set of assumptions to determine the recoverable value of the investments made, of which the highlight the following:

Year	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
2020	DCF	5 years	4.68%	1.8%
2019	DCF	5 years	3.70%	1.8%

The following should be noted:

- Projected cash flows are based on the budgets prepared by the companies and approved by their respective Board of Directors, which represent the first year of cash flows for the period under analysis;
- Medium and long-term projected cash flows are based on historical performance and business plans and are extended in perpetuity;
- The assumptions used in projecting cash flows for each of the cash-generating units are those to which the recoverable amount of the unit is most sensitive;
- The key assumptions used are a reflection of past experience and external sources of information; and,
- The growth rate used is in accordance with the average long-term growth rate for the market in which the unit operates.

The impairment test includes a sensitivity analyzes to some of the key assumptions used, namely regarding the following variables: (i) growth rate in perpetuity (-1.00 pp) and (ii) discount rate (+0, 50 pp). The results of the sensitivity analyzes did not triggered any indications of impairment.

As a result of these impairment tests carried, the Group concluded that at 31 December 2020 there were no need to recognize additional goodwill impairment losses.

13.4. Investment in associates

POLICY

Associates are companies over which the Group has significant influence over its financial and operating policies, although it does not have control. Investments in associates are consolidated using the equity method, from the moment the Group acquires significant influence until the moment it ceases. In accordance with this method, financial investments in associated companies are recognized in the consolidated balance sheet at cost and are adjusted periodically by the amount corresponding to the participation in their net results, with a corresponding entry to gains and losses recorded directly in the consolidated statement of profit or loss.

Dividends attributed by associated entities are recorded as a decrease in the respective amount of financial investments, when they are attributed.

13.4.1. Changes in investment in associates

	31-Dec-20	31-Dec-19
Financial investments		
Balance as at 1 January	**875 718**	**952 090**
Charged/(credited) to the income statement:		
Equity method	(19 081)	(76 372)
	(19 081)	**(76 372)**
Balance as at 31 December	**856 637**	**875 718**

13.4.2. Detail of investment in associates

	Registered offices	% of share capital	31-Dec-20 Shares	31-Dec-20 Equity loans	31-Dec-20 Total	31-Dec-19
Associates						
GENOMED	Lisbon	37.5%	244 840	-	244 840	263 921
HL-SGE	Oeiras	10.0%	14 400	597 397	611 797	611 797
			259 240	**597 397**	**856 637**	**875 718**

13.5. Other financial assets

POLICY

The caption other financial assets includes equity instruments held by the Group related to companies over which it has no control or significant influence. Financial investments are measured at fair value through profit or loss when the Group does not hold them with a long-time strategic purpose.

	31-Dec-20	31-Dec-19
Financial assets at fair value through profit and loss		
FCR CAPITAL CRIATIVO IV	1 939 238	2 000 000
IBERIS BLUETECH FUND II, FCR	1 500 000	-
FCT - Fundo de Compensação do Trabalho	1 455 009	1 155 275
EXPLORER GROWTH FUND III, FCR	1 000 000	-
IBERIS BLUETECH FUND, FCR, EuVECA	938 817	999 810
FCR C2 R&D GROWTH V	500 000	-
UpHill SA	300 000	100 000
Other financial assets	37 984	60 234
	7 671 048	**4 315 319**

As similar to the investment made in 2019, at the end of 2020, and within the scope of its research & development and business development areas, the Group made investments in three Venture Capital Funds (FCR) that aim to develop an investment portfolio in entities with a relevant innovative nature.

The amount of payments considered as investment cash flows in the consolidated statement of cash flows do not include investment in FCT, as this value is considered to have an operational nature, being classified as such for the purpose of preparing the statement of cash flows.

14. Financing of operations

14.1. Capital management

The Group aims to maintain an adequate level of equity to allow it to, not only ensure the continuity and development of its activity, but also to provide adequate remuneration for its shareholders and the optimization of its cost of capital.

Capital structure is monitored based on the financial leverage ratio (Gearing), calculated according to the ratios formula Net Debt / Invested capital, and Net Debt / EBITDA.

Targets to both ratios are a Gearing level below 100%, consistent with an investment rating (investment grade), and a Net Debt / EBITDA ratio between 3 and 4.

These ratios, as at December 31, 2020 and 2019, as monitored by the Group, are as follows:

	31-Dec-20	31-Dec-19
Net debt	392 350 747	347 972 462
Shareholder funds	249 141 738	265 323 508
Invested capital	641 492 485	613 295 970
Gearing (Net debt / Invested capital)	**61.2%**	**56.7%**
EBITDA	22 058 431	59 005 998
Net debt/EBITDA	**17.79**	**5.90**

The ratio Net debt / EBITDA presented by the Group is above the value that would be normal for a Group with an investment rating (investment grade), this is mainly due to the impact of the pandemic COVID-19 on the group's operations and the fact that the Group concluded at the end of 2020 an important cycle of investments that still not achieved in the expected performance stage.

14.2. Capital

POLICY

Capital refers to the nominal value of the common shares issued. Share premium is recognized when the share issue value exceeds its nominal value. The costs of issuing new shares are recognized directly in this heading, net of the respective tax.

Own shares are valued at their acquisition price and recorded as a decrease to equity. When these shares are sold, the amount received, less any direct transaction costs and respective tax, is recognized directly in equity.

Luz Saúde's share capital is composed of 95 542 254 ordinary registered shares with a nominal value of one euro (31 December 2019: 95 542 254 shares).

14.2.1. Reserves and retained earnings

As at 31 December 2020, and 2019, the balance of reserves and retained earnings (including comprehensive income for the year) can be presented as follows:

	31-Dec-20	31-Dec-19
Legal reserve	5 520 044	4 244 034
Other reserves	103 107 910	78 863 720
Retained earnings	(2 626 143)	6 509 770
Comprehensive income for the year attributable to the owners	(15 701 338)	16 363 462
	90 300 473	**105 980 986**

14.2.1.1. Non-distributable reserves

Non-distributable reserves include mainly the legal reserve created by the allocation of the net profit from the parent company until 2019 financial year.

14.2.1.2. Other reserves and retained earnings

Other reserves are related with unrestricted reserves constituted by the allocation of profit from the parent company in previous years.

Retained earnings includes the results obtained by the Group in previous years which are not available for immediate distribution to shareholders.

Distributable reserves

Given that the distribution of earnings to shareholders must be carried out in accordance with the individual financial statements of Luz Saúde SA, part of the results generated by the Group may have limitations in terms of distribution to Shareholders, so it is recommended that these consolidated financial statements are used together with the individual financial statements of Luz Saúde, to have a better understanding about this matter.

Appropriation of results

According to the proposal presented and approved at the Shareholders Meeting held on May 25, 2020, the individual results of Luz Saúde, for the year 2019, had the following application:

	Year 2019	Year 2018
Legal reserve	1 276 010	1 131 625
Unrestricted reserves	24 244 190	21 500 880
Statutory profit allocation	**25 520 200**	**22 632 505**

14.3. Earnings per share

POLICY

The earnings per share basic is calculated by dividing the net profit/loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of own shares held.

For the calculation of diluted earnings per share, the weighted average number of outstanding ordinary shares is adjusted to reflect the effect of all potential diluting common shares, such as those resulting from convertible debt or options on own shares granted to employees. The dilution effect translates into a decrease in earnings per share, resulting from the assumption that convertible instruments are converted or that the options granted are exercised.

	31-Dec-20	31-Dec-19
(Loss) / Profit attributable to equity holders of the parent	(16 289 795)	16 692 533
Average number of shares	95 542 254	95 542 254
Basic (loss) / earnings per share	**(0.170)**	**0.176**

As at 31 December 2020, and 2019, the Group does not have / had financial instruments, with a diluting effect, so the basic and diluted loss or earnings per share are equal.

14.4. Non-controlling interests

14.4.1. Changes in the year

	31-Dec-20	31-Dec-19
Balance as at 1 January	2 004 475	2 032 690
Charged/(credited) to the statement of profit or loss:	(318 927)	55 393
Acquisition of non-controlling interests	(182 330)	(83 608)
	(182 330)	(83 608)
Balance as at 31 December	**1 503 218**	**2 004 475**

In 2020 and 2019, the acquisition of non-controlling interests refers to the acquisition of interests in the subsidiary HLA.

14.4.2. Detail

	31-Dec-20	31-Dec-19
HLA	594 783	800 524
RML	1 185 070	1 253 257
SGHL	(41 818)	(25 949)
HLF	(234 817)	(23 358)
	1 503 218	**2 004 475**

14.4.3. Financial information of subsidiaries with non-controliing interests

The summary financial information of subsidiaries with non-controlling interests can be presented as follows:

	HLA	SGHL	RML	HLF
Summarized net assets				
Current assets	8 157 292	31 087 155	216 075	1 717 397
Current liabilities	(5 766 982)	(28 509 438)	(57 571)	2 139 202
Current net assets/(liabilities)	**2 390 310**	**2 577 717**	**158 504**	**3 856 599**
Non-current assets	11 745 609	12 587 882	8 615 083	7 853 404
Shareholder loans	-	(29 900 000)	-	(6 713 899)
Non-current liabilities	1 666 725	(6 619 353)	(3 000 000)	(1 654 254)
Net assets/(liabilities)	**15 802 644**	**(21 353 754)**	**5 773 587**	**3 341 850**
Summarized results				
Total revenue	18 767 458	89 773 898	175 267	5 305 488
Profit before income tax	(792 606)	(27 796 501)	71 773	(1 431 448)
Expenses	237 041	6 924 600	(30 993)	231 643
Net profit	**(555 565)**	**(20 871 901)**	**40 780**	**(1 199 805)**
Summarized cash flows				
Operating cash flow	(176 241)	(4 947 613)	114 267	(1 323 899)
Investment cash flow	(887 449)	(696 527)	175 267	(423 996)
Financing cash flow	705 652	(1 244 269)	(350 045)	1 620 378
Change in cash and cash equivalents	**(358 038)**	**(6 888 409)**	**(60 511)**	**(127 517)**

14.5. Cash and cash equivalents

POLICY

The amounts included in cash and cash equivalents correspond to the amounts of cash, bank deposits, short term deposits and other, maturing in or less than three months and with an insignificant risk of change in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the amounts recorded in the consolidated balance sheet with a maturity of less than three months from the date of contracting / acquisition, which includes cash, cash and cash equivalents at credit institutions and bank overdrafts.

	31-Dec-20	31-Dec-19
Cash	1 069 914	792 038
Bank deposits	15 698 697	66 579 756
Other monetary items	395 505	-
	17 164 116	**67 371 794**

Due to the maturity associated to the balances presented above, it is considered that their carrying value has no material difference to their fair value.

For the purposes of preparing the cash flow statement, cash and cash equivalents is composed as follows:

	31-Dec-20	31-Dec-19
Cash and cash equivalents as stated above	17 164 116	67 371 794
Bank overdrafts	(7 364 686)	-
Final balance as stated in the statement of cash flow	**9 799 430**	**67 371 794**

14.6. Net debt

POLICY

Financial liabilities are recorded (i) initially at fair value less transaction costs incurred and (ii) subsequently at amortized cost, based on the effective interest rate method; or at fair value, whenever the Group decides, upon initial recognition, to designate this financial liability at fair value through profit or loss, under the fair value option.

They are classified as current or non-current liabilities depending on their maturity. If the debt matures less than one year after the reporting date, it is classified as a current liability, if it matures more than one year after the reporting date and its renewal is contractually guaranteed for more than 12 months after the reporting date, it is classified as a non-current liability. Its derecognition occurs when the obligations arising from the contracts end, namely at the time of settlement.

Financial costs are calculated according to the effective interest rate method and recorded in the statement of profit or loss, on an accrual basis.

	31-Dec-20			31-Dec-19		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Commercial paper	27 575 407	137 329 704	164 905 111	31 486 237	165 388 626	196 874 863
Bank loan	4 169 638	11 123 470	15 293 108	5 235 711	10 875 001	16 110 712
Leases	18 045 907	75 410 909	93 456 816	16 501 218	64 381 203	80 882 421
Factoring	666 159	-	666 159	3 506 715	-	3 506 715
Other loans	-	-	-	500 000	-	500 000
Total secured debt	**50 457 111**	**223 864 083**	**274 321 194**	**57 229 881**	**240 644 830**	**297 874 711**
Unsecured						
Commercial paper	11 999 534	58 462 009	70 461 543	68 495 643	5 005 343	73 500 986
Bank loan	6 059 647	34 413 650	40 473 297	10 427 856	32 397 653	42 825 509
Bond loan	-	15 000 000	15 000 000	-	-	-
Other loans	9 258 829	-	9 258 829	1 143 050	-	1 143 050
Total unsecured debt	**27 318 010**	**107 875 659**	**135 193 669**	**80 066 549**	**37 402 996**	**117 469 545**
Interest-bearing liabilities	**77 775 121**	**331 739 742**	**409 514 863**	**137 296 430**	**278 047 826**	**415 344 256**
Cash and cash equivalents			**(17 164 116)**			**(67 371 794)**
Interest-bearing net debt			**392 350 747**			**347 972 462**

The fair value of these financial instruments is estimated by discounting the principal and interest cash flow, assuming that payments occur on the contractually defined dates. The discount rate used is the one that reflects the current rates obtained by the Group for instruments with similar characteristics.

The credit lines made available to the Group are subject to market rates (Euribor), with periodic rate updates from 1 to 6 months after the reporting date. Therefore, there is no relevant difference between the book value and the fair value of the lines in use as at the reporting date.

Additionally, on December 31, 2020, the Group has unused credit lines in the amount of €54.7 million, of which €26.1 million are bank overdrafts.

14.6.1. Commercial paper

The commercial paper finance lines available, are as follows:

Start date	End date	Subscription underwriting	Program amount	Amount used on 31-Dec-20	Amount used on 31-Dec-19
14/10/2015	22/12/2027	Yes	23 000 000	23 000 000	18 000 000
04/08/2017	11/09/2027	Yes	25 000 000	5 000 000	20 850 000
05/06/2019	05/06/2025	Yes	30 000 000	30 000 000	30 000 000
05/05/2020	05/05/2025	Yes	15 000 000	10 000 000	-
10/02/2011	26/04/2025	Yes	107 200 000	107 200 000	128 600 000
18/05/2016	31/03/2023	Yes	45 000 000	45 000 000	35 000 000
17/03/2017	17/03/2022	No	20 000 000	5 000 000	17 950 000
10/08/2018	10/02/2022	Yes	10 500 000	10 500 000	10 500 000
15/03/2016	10/03/2021	Yes	10 000 000	-	5 000 000
22/12/2017	23/12/2020	Yes	5 000 000	-	5 000 000
				235 700 000	**270 900 000**
		Interests and other expenses, net		(333 346)	(524 151)
				235 366 654	**270 375 849**

14.6.2. Bank loans

Main bank loan facilities held by the Group are the following:

Start date	End date	Amount used on 31-Dec-20	Amount used on 31-Dec-19
20/01/2016	19/01/2031	1 768 711	1 897 540
31/10/2017	31/10/2026	8 331 739	8 331 739
06/08/2020	06/08/2026	800 000	-
21/11/2019	21/11/2025	10 000 000	10 000 000
23/11/2018	23/11/2024	8 919 725	8 919 725
22/04/2019	22/10/2023	10 000 000	10 000 000
06/09/2005	09/09/2023	3 000 000	1 750 000
30/06/2020	30/06/2023	2 000 000	-
11/05/2020	11/05/2023	1 000 000	-
09/10/2017	09/04/2023	5 661 748	6 761 936
04/06/2009	04/12/2022	4 000 000	6 000 000
29/12/2009	30/12/2021	-	2 500 000
		55 481 923	**56 160 940**
Interest accrued and other credit lines of lower value, net		284 482	2 775 281
		55 766 405	**58 936 221**

14.6.3. Bond loan

Start date	End date	Amount used on 31-Dec-20	Amount used on 31-Dec-19
18/12/2020	18/12/2027	15 000 000	-
		15 000 000	**-**

On 15 December 2020, the Group contracted a bond loan in the amount of €30 million, represented by 300 bonds with a value of €100 thousand each, called "Luz Saúde 2020-2027", to be divided into two series of €15 million each. The 1st serie was subscribed on 18 December 2020 and the 2nd serie was subscribed on 31 March 2021.

14.6.4. Lease liabilities

POLICY

Until 31 December 2018, the Group classified its leasing operations as finance leases or operating leases, according to their substance and not their legal form, in accordance with the criteria established in IAS 17 - Leases. Operations where the risks and benefits inherent into the ownership of an asset are transferred to the lessee, were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019 onwards, leasing contracts, previously classified as operational leases, began to be recognized both in assets (under right-of-use assets) and in liabilities from the date the underlying asset became available for use by the Group. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate, initially measured based on an index or rate at the start date;
- expected payments for residual value guarantees;
- exercise value of a call option, when the Group has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the Group exercises this option; and
- payments to be made under contract extension options when the Group is reasonably certain of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, as is the case for leases between group companies, the Group's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the right-of-use asset for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the Group:

- whenever possible, uses recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;
- for contracts with a duration of more than 7 years, typically real estate lease contracts, the incremental rate was composed from the aggregation of the interest rate observable in the real estate market, adjusted by the Group's financing rate differential for the market and for the rate of Portuguese Bonds for similar terms.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the asset under use rights.

The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

ESTIMATE

In determining the lease term, the Group considers all the facts that contribute to the exercise or not of the option to extend the lease period.

Thus, extension options are only considered for the purpose of determining the term of the lease of a right-of-use asset if it is reasonably certain that the lease will be extended (or not terminated).

In the case of real estate and equipment leases, in order to assess the extension of a lease, factors such as those referred to below are usually the most relevant in terms of decision making:

- existence of significant penalties for non-termination (or non-extension) of the contract;
- if the improvements made to the asset under lease have a significant value on the date of the potential termination (or non-extension);
- the Group's ability to find a similar asset that allows it to replace the asset underlying the lease.

The lease terms used reflect the best estimate of the life of each lease.

The reassessment of the term of each lease with an extension option is carried out when the option is actually exercised (or not exercised) or the Group is obliged to exercise the option (or not to exercise), or in the event of a significant event or a significant change in circumstances that affect the assessment initially carried out by Management. During the year of 2020, there was no financial impact resulting from the revaluation of the exercise of an option to extend a lease.

The Group enters into lease contracts, as a preferential financing instruments for investments in medical and clinical equipments, the contracts usually have a duration between 4 and 8 years, and usually the Group has the option to purchase the asset at its residual values, which are in a range from 0% to 10% of the acquisition value.

The maturity of the lease agreements established by the Group is shown below:

	31-Dec-20	31-Dec-19
Less than 12 months	18 045 907	16 501 218
12-24 months	14 610 485	14 978 884
24-36 months	12 109 631	11 676 826
36-48 months	7 673 866	10 324 792
48-60 months	6 173 354	4 701 035
> 60 months	34 843 573	22 699 666
	93 456 816	**80 882 421**

14.6.5. Factoring

Includes advances received relating to trade receivables balances assigned under factoring contracts with recourse, and the amounts related to trade receivables assigned to factoring without recourse which at 31 December 2020 according to the Group's estimates did not meet the criteria for derecognition from the consolidated balance sheet.

14.6.6. Guarantees

Most of the aforementioned financing lines contain non-financial constraints, the most frequent being:

- negative pledge provisions, in relation to higher value and maturity lines;
- restrictions on the use of capital resources, acquisitions and disposal of assets;
- *pari passu* obligations;
- situations of non-compliance, which include cross-default clauses for companies that are under control or in a group relationship with the respective borrower;
- conditions of change of control provisions that require the controlling shareholder (Fosun Group) to maintain a controlling or direct control position in the Company.

Financing lines are secured with the following collaterals:

- Factoring: this balance has as collateral the value of the invoices assigned under the contracts;
- Commercial paper and bank loans: the commercial paper and bank loans lines presented are guaranteed by mortgages on some of the Group's properties. The values of the guarantees are higher than the amounts of the lines contracted;
- Lease: the lease agreements are guaranteed, due to the fact that the leased asset belongs to the lessee.

14.6.7. Financial covenants

In terms of financial covenants, the Group is obliged to comply with financial ratios set forth in the financing agreements in force on this date, namely:

- Net debt to EBITDA
- Shareholder's equity to assets

15. Other information

15.1. Provisions

POLICY

Provisions are recognized when (i) the Group has a present obligation, due to past events (legal or constructive), (ii) it is likely that a cash outflow will be required and (iii) when the amount of the obligation can be reliably estimated. When one of these requirements is not met, the Group discloses the event as a contingent liability, unless the possibility of an outflow of funds is highly unlikely.

The amount of the provision corresponds to the present value of the obligation, with the financial discount being recorded as a financial expense under the caption interest and other financial expenses and losses.

Provisions balances are reviewed on the reporting date and are adjusted to reflect the best estimate on that date.

When losses in associated companies exceed the investment made in those entities, the investment's carrying amount is reduced to zero, and future losses are no longer recognized, except to the extent the Group has incurred a legal or constructive obligation to bear those losses on behalf of the associated company, in which case a provision is recorded for impairment of financial assets.

A provision is recognized for litigation in progress when the expenses that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having a cash outflow, based on the opinion of the Group's legal advisors, and the historical in case of recurring operations.

ESTIMATE

The Group exercises considerable judgment in recognizing and measuring provisions. Judgment is essential to assess the probability that a given litigation process will be successful. Provisions are set up when the Group expects, with respect to ongoing proceedings, that the loss is probable, that an outflow of funds is plausible and, in turn, can be reasonably estimated. Due to the uncertainties inherent in the valuation process, the actual losses may be different from the estimated losses in the provision. These estimates are subject to change as new information about the process emerges. The provisions set up by the Group are essentially related to tax situations and contractual penalties arising from contracts entered into by the Group. Revisions to the estimates of these losses may affect future results.

The changes in provisions in the years 2020 and 2019 can be presented as follows:

	Litigation	Tax disputes	Liabilities with associates	Contractual penalties	Other risks	Total
Provisions						
Balance as at 1 January 2019	**140 239**	**5 684 451**	**400 000**	**3 726 546**	**1 746 166**	**11 697 402**
Charged/(credited) to the statement of profit or loss:						
Additional provisions	-	2 884	-	-	-	2 884
Unused amounts reversed	(55 440)	(102 508)	-	(69 183)	(75 085)	(302 216)
	(55 440)	**(99 624)**	**-**	**(69 183)**	**(75 085)**	**(299 332)**
Other effects						
Reclassification	29 135	157 229	-	-	(73 592)	112 772
	29 135	**157 229**	**-**	**-**	**(73 592)**	**112 772**
Balance as at 31 December 2019	**113 934**	**5 742 056**	**400 000**	**3 657 363**	**1 597 489**	**11 510 842**
Balance as at 1 January 2020	**113 934**	**5 742 056**	**400 000**	**3 657 363**	**1 597 489**	**11 510 842**
Charged/(credited) to the statement of profit or loss:						
Additional provisions	855 396	-	-	446 229	487 694	1 789 319
Unused amounts reversed	(130 291)	(3 928 950)	-	-	-	(4 059 241)
	725 105	**(3 928 950)**	**-**	**446 229**	**487 694**	**(2 269 922)**
Other effects						
Reclassification	-	(86 049)	-	1 188 408	(1 188 408)	(86 049)
	-	**(86 049)**	**-**	**1 188 408**	**(1 188 408)**	**(86 049)**
Balance as at 31 December 2020	**839 039**	**1 727 057**	**400 000**	**5 292 000**	**896 775**	**9 154 871**

Litigation

In its operations, the Group incurs into operational risks arising from the specificity of its activity, in particular clinical risks. In order to face these risks, the Group contracted an insurance policy that partially mitigates these risks, with a provision being recognized for the estimate payments that the Group may incur.

Tax disputes

The provision for tax disputes is intended to address disputes with Portuguese Tax Authorities, as described in note E19.1.3. The amount of the provision reversal for tax claims in 2020 relates to the conclusion of the tax disputes disclosed in that note.

Contractual penalties

The provision for penalties is related with risks and contractual penalties considered as probable.

15.2. Contract liabilities with clients

POLICY

A contract liability is an obligation to transfer goods or services to a customer, for which the Group has already received the amount (or the amount is already due) from the customer. If the customer pays the amount before the Group transfers the goods or services to him, a liability for the contract is recognized upon payment or the payment becomes due (whichever comes first). Contract liability is recognized as revenue when the Group executes the contract.

	31-Dec-20	31-Dec-19
Deferred income LRUs	4 296 116	4 267 783
Advances from clients	7 183 942	4 619 274
	11 480 058	**8 887 057**

Deferred income LRUs (lifetime rights of use) are related to the business of senior residences, the income from the sale of these rights is initially recorded in deferred income and is regularly recognized as revenue on a straight-line basis over the expected life of each client. These balances as well as the amount of advanced from clients meet the criteria to be considered as a contract liability.

D. Financial risk management

16. Financial risks

The Group is exposed to the following types of financial risk as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Group's exposure to each of the aforementioned risks, as well as the Group's goals, procedures and practices for measuring and managing these risks. Further disclosures of a quantitative nature are presented throughout these financial statements.

The identified risks are reviewed regularly to remain adherent to the reality of market conditions and the Group's activities.

16.1. Credit risk

Credit risk arises from the possibility that financial losses may occur due to a debtor's default on contractual obligations with the Group in the course of its business.

The Group's credit risk exposure essentially arises from accounts receivable from its business activities and from monetary funds managed under the Group's treasury activity.

The following table presents the maximum exposure of the Group to the credit risk:

	31-Dec-20	31-Dec-19
Trade receivables and accrued income (note 12.1)	122 043 549	151 294 975
Bank deposits and other cash equivalents (note 14.5)	16 094 202	66 579 756
Other receivables (note 12.1)	1 194 922	1 146 563
	139 332 673	**219 021 294**

16.1.1. Trade receivables and accrued income

In order to monitor credit risk arising from operational activity, management accompanies on a continuous basis its debtors' portfolios and their outstanding balances. This approach is complemented both by methodologies and tools for assessing and controlling risks associated with the customer acceptance phase, classifying them and defining credit limits, as well as in terms of collection procedures and circuits.

The monitoring of the Group's credit risk profile, namely with regard to the evolution of credit exposures and the monitoring of uncollectible losses, is carried out regularly by the Operational and Financial areas of each of the units, and the Finance and Audit Department of the Group monitors at the consolidated level. Compliance with approved credit limits is also subject to regular analysis at the level of each unit.

The Group has defined a credit procedure according to which each new customer is individually analyzed from the point of view of its credit risk prior to its acceptance as a customer. This review involves an analysis of external information and, when available, references from third parties regarding the entity.

Impairment losses for balances receivable are estimated based on the estimated losses in the portfolio, based on an analysis of the outstanding balances at the reporting date and the matrix for calculating expected losses.

As at 31 December 2020, and 2019, the trade receivable by segment is detailed as follows:

	31-Dec-20	31-Dec-19
Private healthcare	96 363 529	106 254 705
Public healthcare	22 592 291	44 704 320
Other segments and eliminations	3 087 729	335 950
	122 043 549	**151 294 975**

16.1.1.1. Private healthcare segment

The ageing of the trade receivables balance and accrued income for the private healthcare segment, as at the respective invoice date/service rendered, is detailed as follows:

	31-Dec-20	31-Dec-19
0-3 months	66 593 951	71 744 213
3-6 months	9 842 232	15 872 259
6-12 months	14 234 234	9 844 545
12-24 months	5 655 984	8 292 100
> 24 months	13 916 808	12 542 090
	110 243 209	**118 295 207**
Accumulated impairment	(13 879 680)	(12 040 502)
	96 363 529	**106 254 705**

16.1.1.2. Public healthcare segment

Under the payment system in force at Hospital Beatriz Ângelo, at the end of each month, the State pays 90% of 1/12 of the contracted value of annual production (regardless of the actual value of production verified), and the settlement value (which includes the remaining 10% plus any eventual additional production carried out above the contracted amount, as there are areas where it is allowed to exceed the defined production limit, such as emergency care and inpatient episodes) is settled during the next year.

The amounts receivable from ARS-LVT under this operation are recorded in the captions accrued income and trade receivables in the amounts of €8.3 million and €13.9 million, respectively (2019: €24.4 million and €17.1 million, respectively), awaiting the conclusion of the respective validation process.

16.1.2. Bank deposits

The breakdown of bank deposits, according to the rating of the financial institutions where the assets were deposited on 31 December 2020, can be presented as follows (based on Moody's rating):

	31-Dec-20	31-Dec-19
Rating		
A2	4 972 864	18 699 332
Baa1	2 777 127	12 513 249
Ba1	1 499 329	10 004 771
Ba2	2 916 284	16 729 344
B1	31 925	357 015
Caa1	3 226 130	8 252 102
Other	670 543	23 943
	16 094 202	**66 579 756**

As guidance, the Group tries to maintain an alignment between the financial entities where it deposits its funds, and the financial entities where it has financing lines used, in order to create a natural hedge for a potential credit event that may occur at the level of entity where the funds are deposited. Thus, if we consider the net position of the Group's assets and liabilities with banking institutions, the risk of realizing the assets amounts to €0.15 million (2019: €1.4 million).

16.2. Liquidity risk

Liquidity risk arises from the potential inability to finance the Group's assets, or from meeting the liabilities contracted on the maturity dates. Liquidity management is centralized in the Group's Finance and Audit Department. The aim is to maintain a satisfactory level of cash and cash equivalents to meet the financial needs in the short, medium and long term. In order to assess the global exposure to this type of risk, reports are prepared that allow not only to identify the occasional treasury ruptures and to activate the measures that tend to cover them.

To finance its activity, the Group maintains the credit lines presented in note C14.6.

The liquidity of financial liabilities will give rise to the following non-discounted cash flow, based on the remaining period until contractual maturity at the reporting date:

	31-Dec-20					31-Dec-19
	Finance Leases	**Bank loans**	**Commercial paper**	**Other liabilities (*)**	**Total**	**Total**
Under 12 months	18 045 907	10 299 285	39 574 941	122 935 332	190 962 292	263 354 510
12 to 24 months	14 610 486	16 436 613	51 565 453	-	82 612 552	72 190 946
24 to 36 months	12 109 631	12 846 181	69 096 556	-	94 052 368	66 138 981
36 to 48 months	7 673 866	7 609 869	31 100 000	-	46 383 735	49 084 661
49 to 60 months	6 173 353	6 005 125	19 229 704	-	31 408 183	40 494 239
Over 60 months	34 843 573	2 639 333	24 800 000	-	62 282 906	50 138 999
	93 456 816	**55 766 406**	**235 366 654**	**122 935 332**	**507 702 035**	**541 402 336**

(*) Excludes non-financial liabilities and customer advances

Based on active finance contracts and conditions as at 31 December 2020, the Group's average financing rate is of 2.07% (2019: 2.16%).

16.3. Market risk

Market risk refers to the Group exposure to changes in market prices, such as foreign currency exchange rates, interest rates or the evolution of stock exchanges, may affect the Group's results and its financial position. The Group is exposed to foreign currency exchange rate risk, resulting from its purchasing activity in international markets, operations mainly carried out in US dollars, and to interest rate risk in relation to financial assets and liabilities. The objective defined in terms of market risk management focuses essentially on monitoring the evolution of interest rates that drive the interest rates applicable to debt liabilities, namely contracts with interest rates indexed to market developments, as the Group's foreign currency exposure has no relevant value (2020: €2.1 million; 2019: €0).

All lines of credit contracted by the Group are remunerated based on variable rates given by an index plus a spread. In the previous year, in order to balance the exposure to changes in interest rates, the Group contracted some cash flow risk hedging instruments, with the objective of fixing the interest rates of some of the financing lines available to it.

Considering the level of financial debt that the Group has at 31 December 2020 and considering the level of effectiveness that these instruments are expected to have (considering an expected positive future evolution of interest rates in the European Union) the Group has approximately 46% (2019: 45%) of its financial debt, exposed to a fixed interest rate.

Considering that the Group's net income is exposed to changes in market interest rates, and for illustrative purposes only, a 50 pp increase or decrease in reference rates above the minimum limit of 0% and considering all other variables unchanged, would result in an impact on net income before tax of approximately €1.1 million (2019: €1.1 million).

17. Financial assets and liabilities

17.1. Financial instruments by category

	31-Dec-20	31-Dec-19
Financial assets		
Financial assets at amortized cost		
Trade and other receivables	127 546 818	153 410 073
Other current assets	4 982 874	681 684
Cash and cash equivalents	17 164 116	67 371 794
Financial assets at fair value through profit or loss		
Other financial assets	7 671 048	4 315 319
	157 364 856	**225 778 870**
Financial liabilities		
Liabilities at amortized cost		
Trade payables	41 027 803	45 396 282
Other payables	79 524 053	80 661 798
Borrowings and bank overdrafts	316 058 047	334 461 835
Lease liabilities	93 456 816	80 882 421
Derivative financial instruments		
Used for hedging	3 305 152	3 771 157
	533 371 871	**545 173 493**

17.2. Fair value hierarchy

The Group's assets and liabilities measured at fair value are presented in the following table, according to the fair value hierarchy:

2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value				
Other financial assets	7 671 048	-	-	7 671 048
Total assets	**7 671 048**	**-**	**-**	**7 671 048**
Liabilities at fair value				
Derivatives	3 305 152	-	3 305 152	-
Total liabilities	**3 305 152**	**-**	**3 305 152**	**-**

2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value				
Other financial assets	4 315 319	-		4 315 319
Total assets	**4 315 319**	**-**	**-**	**4 315 319**
Liabilities at fair value				
Derivatives	3 771 157	-	3 771 157	-
Total liabilities	**3 771 157**	**-**	**3 771 157**	**-**

The hierarchy for the purposes of assessing fair value has the following levels and bases of measurement:

- Level 1 - quotes from active liquid markets and to which the Group has access at the reporting date;

- Level 2 - generally accepted valuation models based on observable market inputs alternative to those referred to in level 1;

- Level 3 - valuation models, that the main inputs are not observable in the market.

The Group's financial instruments carried at fair value are disclosed in notes C13.5 and 18. The fair value of the instruments in note 18 is determined by bank entities based on observable market inputs and used in the generally accepted valuation models and techniques (Level 2) and the fair value of financial assets has been recorded based on the valuation disclosed by the entities in the cases of regulated entities, or in cases where this information is not known at cost, which is estimated not to be materially different to the fair value of the referred assets.

18. Derivative financial instruments

POLICY

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except for the effects related to cash flow hedging derivatives.

The Group uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IAS 39 are recorded as trading. Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective, they are recognized against reserves in equity. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the consolidated statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Group assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 related to the reform of the interest rate benchmarks.

The aforementioned policy is applicable to all hedging relationships designated as at 31 December 2020.

The Group will cease to apply the above policy when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or
(ii) the respective hedging relationship is discontinued.

In 2015, the Group started using derivative financial instruments to hedge interest rate risks that affect the value of expected future cash flows. The hedged risk is the change in the index that the floating rates incorporates, being applicable to the Group's credit lines.

The derivative financial instruments that are contracted for the purpose of hedging interest rate risk on loans are referred to as "cash flow hedging".

The fair value of the financial derivatives recorded can be presented as follows:

	31-Dec-20	31-Dec-19
Interest rate swap contracts - cash flow hedges	3 305 152	3 771 157
Interest rate swap contracts - held for trading	-	-
Total	**3 305 152**	**3 771 157**
Non-current		
Interest rate swap contracts - cash flow hedges	(3 305 152)	(3 771 157)
Interest rate swap contracts - held for trading	-	-
Current	**-**	**-**

The detail of the fair value per contract can be presented as follows:

31 December 2020

Instrument covered	Notional	Start date	Maturity	Fair value on
Commercial paper	107 200 000	26/10/2016	28/04/2025	3 305 152
				3 305 152

31 December 2019

Instrument covered	Notional	Start date	Maturity	Fair value on
Commercial paper	128 600 000	26/10/2016	28/04/2025	3 517 008
Commercial paper	18 000 000	30/09/2016	30/09/2022	254 149
				3 771 157

In December 2020, the Group settle one of the interest rate swap contracts with maturity on 30 September 2022, having incurred in a cost of approximately €0.15 million in relation to this option.

The fair value of the hedge derivative is classified in non-current assets or liabilities, when the maturity of the hedged transaction is greater than 12 months, and as a current asset or liability when the maturity of the hedged transaction is less than 12 months.

The notional of interest rate swap contracts outstanding at 31 December 2020 amounted to €107.2 million (2019: €146.4 million), which are considered in the hedge cash flow transactions. These contracts gave rise to the recognition of the change in its fair value, in the Group's equity in the year of 2020, resulting from the part considered efficient for hedging purposes of approximately positive €0.745 million (2019: €0.416 million, negative),the amount of €0.368 million was recognized in the income statement as a result of the change in fair value due to the contract was considered efficient, relating to the part considered as negotiable or inefficient in terms of coverage, and approximately €1.324 million related to accrued interest (2019: €1.449 million). In the statement of comprehensive income, these amounts are presented net of the tax effect.

E. Other information

19. Disputes and contingent liabilities

19.1. Disputes

19.1.1. Commercial litigation

- In December 2018, several units of the Group received a communication from their client ADSE regarding the need to credit part of the billing made and paid, relating to services rendered in the years 2015 and 2016, in a total amount of €13.6 million. The Group, supported by its legal advisors, understands that the credit adjustments communicated by the client are not justified and, as such, they are not due, so these consolidated financial statements do not consider the possible impact that the situation described could have. The Group, together with its legal advisors, responded to the communication received, and is awaiting feedback from the client on this communication.

- A Group subsidiary ended the contractual relationship with a service provider during 2020, based on the fact that the provider's level of service did not comply with the efficiency of the unit's operations. The provider has a different understanding from that assumed by the Group and as such initiated a litigious process in order to be compensated for the end of the contract, claiming a compensation amount approximately of €1.3 million. The subsidiary's management believes that the decision taken is duly substantiated and as such considers that there will be no payment to the provider as compensation for termination of the contract.

19.1.2. Operational litigation

- The Group, through its subsidiaries, is a partie to medical liability claims, arising from events during the course of rendering medical services, in the amount of €13.1 million (2019: €11.2 million). The compensation for damages that may arise from most of the lawsuits are covered by the civil liability insurance contracted by the Group, and as such Management believes that from these situations there should be no material loss for the Group.

19.1.3. Tax litigation

- Under the heading other receivable (note C12.1.3), is recorded a balance of €1.05 million in the caption of state and other public entities, in respect of a payment made under the Exceptional Debt Settlement Regime (RERD), with respect to an additional tax assessment presented by the Portuguese Tax Authorities (PTA), regarding the deductibility of interest accrued in 2007. In addition, and in a separate process, the PTA questioned the acceptance for tax purposes of financial charges in the approximate amount of €11.13 million related to the period from 2008 to 2011 resulting from financing from a subsidiary.

  The subsidiary's Management, with the support of its tax consultants and legal advisors, filed a legal complaint against the assessments promoted by PTA. Despite, its believe of meeting all legal requirements, for prudence reasons, the Group decided to account for a provision to cover possible losses from the disputes.

  In 2016, there was a decision by the First Instance Court on the first dispute concerning the charges incurred in 2007, being the content in favor of the Group. This decision, following an appeal filed by the PTA Representant before the Supreme Administrative Court (STA), was confirmed by the STA on 29 October 2020.

  Regarding the second dispute, related to the period from 2008 to 2011, a decision of the court was known on February 2021, which, as in the first case, was favorable to the Group, this decision can be appeal to STA by the PTA.

  Following the decisions, the Group decided to derecognize the provisions (impairment loss in the amount of €1.05 million, and a provision in the amount of €3 million) that had recorded to cover the losses of the referred claims.

- In previous years, one of the subsidiaries was notified of the result of two tax inspections under Value Added Tax (VAT), carried out by the PTA for the period between April 2014 and May of 2016, and the period between June 2016 and December 2017, which resulted in VAT adjustments in the amount of €2 million and €1.135 million, respectively.

  The assessments raised by the PTA are based on the line of argument that the subsidiary unduly deducted VAT in healthcare service operations that result from agreements with the State, within the scope of the National Health System.

  The subsidiary, for disagreeing with the scope of the corrections raised by PTA, filed a complaint with the legal authorities.

  On 23 September 2020, the Arbitral Court (CAAD) decision regarding the process covering the period between April 2014 and May 2016, €1.925 million was canceled and approximately €0.1 million was maintained.

  Considering the sentence and the impact that it may have on the process that is still in dispute with legal authorities, the subsidiary, with the support of its tax advisers and legal advisors, is analyzing the options in- order to take the measures considered adequate to comply with all the legal provisions that it is obliged in its operations.

- Following an inspection, PTA questioned the calculation of the tax benefits considered by two subsidiaries for the years 2013 and 2014 and identified corrections to Luz Saúde's taxable income (as the parent company of the Tax Group) of €305 thousand and €530 thousand, respectively. For the year 2013, following the payment notification received, the Group opted to provide a bank guarantee. In November 2019, Luz Saúde received a Notice of Review of a tax act from the PTA revoking the corrections for 2014 in the amount of €296 thousands, reducing the amount in dispute for that year to €234 thousands. Management, based on the understanding of its legal and tax consultants, understands that the amounts considered are in accordance with what is prescribed by law and consequently maintained the challenge regarding all the corrections made by the PTA.

19.2. Contigent liabilities

In the Company's Shareholders General Meeting held on 22 January 2014 and taking into account the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the Group's business development, an award of €850 thousand to the latter was approved in recognition of professional services rendered to the Group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the Company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due as a result of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the Company, whatever the cause and the moment of termination thereof.

20. Responsibilities for guarantees provided

At 31 December 2020, the detail of bank guarantees provided to third parties were as follows:

Company	Beneficiary	31-Dec-20	31-Dec-19
Luz Saúde	PTA	2 568 176	2 568 176
HLC	PTA	2 507 558	2 507 558
USATI and CASAS	CML	-	1 500 000
HLL	CEDIAGNO	150 000	1 500 000
Luz Saúde	PTA	1 414 839	1 414 839
HLC	PTA	615 155	615 155
HME	SCMÉVORA	300 000	300 000
Luz Saúde	PTA	-	239 958
SURGICARE	Município de Oeiras	118 320	118 320
USATI	Sousa Pedro	152 874	152 874
Other lower than €100 000	-	147 068	132 663
		7 973 990	**11 049 543**

In addition, there are real guarantees (mortgages and mortgage promises) in favor of financial institutions, to guarantee financing lines, which at 31 December 2020 had the following amounts in use:

Real estate property	Amount
Hospital da Luz Lisboa	137 200 000
Hospital da Luz Setúbal and Hospital da Luz Póvoa do Varzim	23 000 000
Hospital da Luz Arrábida, Hospital da Luz Amadora and Casas de Carnaxide	25 000 000
Hospital da Luz Arrábida	4 000 000
Hospital da Luz Oeiras	8 250 000
Hospital do Mar	3 000 000
	200 450 000

21. Related entities

On 15 October 2014, as a result of a public offering process, Fosun International Holdings Ltd, through Fidelidade - Companhia de Seguros, SA, acquired control over Luz Saúde.

Fidelidade - Companhia de Seguros, SA is held at 84.9884% by Longrun Portugal, SGPS, SA, which is 100% owned by Millennium Gain Limited, based on Hong Kong. Millennium Gain Limited is 100% owned by Fosun Financial Holdings Limited (Hong Kong), which is 100% owned by Fosun International Limited, a company listed on the Hong Kong Capital Market (00656.HK). Fosun International Limited is held at 71.05% by Fosun Holdings Limited, which is owned by Fosun International Holdings, Ltd. At 100%, whose ultimate beneficial owner is Mr. Guo Guangchang.

In January 2018, as a result of an operation carried out between Fidelidade - Companhia de Seguros, SA and Fosun International Ltd, Fosun International Ltd now holds 49.0% of the capital and voting rights of Luz Saúde, and Fidelidade - Companhia de Seguros, SA reduced its ownership to 50.85%.

Therefore the following tables present a summary the balance and transactions with Fosun Group.

	31-Dec-20		31-Dec-19	
	Assets	Liabilities	Assets	Liabilities
Shareholders				
Fidelidade - Companhia de Seguros, SA	4 487 443	35 320	2 647 639	5 979
Other related parties				
Multicare - Seguros de Saúde, SA	5 475 581	-	4 314 572	1 087
Shanghai Fosun Long March Medical Science Co.,Lt	-	462 965	-	-
	9 963 024	**498 285**	**6 962 211**	**7 066**

	31-Dec-20		31-Dec-19	
	Income	Expenses	Income	Expenses
Shareholders				
Fidelidade - Companhia de Seguros, SA	27 248 808	682 890	21 505 743	614 125
Other related parties				
Multicare - Seguros de Saúde, SA	55 129 972	-	58 874 244	-
Chindex Shanghai International Trading Company Ltd	-	7 163 835	-	-
Shanghai Fosun Long March Medical Science Co.,Lt	-	8 006 405	-	-
	82 378 780	**15 853 130**	**80 379 987**	**614 125**

The amounts presented under income refer mostly to the rendering of healthcare services by Luz Saúde units, namely to insurance companies, at normal market prices.

The amounts recorded in expenses refer to the normal activity of the Group, related with insurance and other services used by Luz Saúde and its subsidiaries, which are acquired at market prices on an arms length basis.

The amounts referring to the remuneration of the Corporate Bodies are detailed in note B8.


HOSPITAL DA LUZ
AVEIRO

22. Main accounting policies

22.1. Significant accounting policies

The accounting policies presented were applied consistently in all periods covered by these consolidated financial statements.

22.1.1. Property, plant and equipment

22.1.1.1. Recognition and measurement

Luz Saúde's property, plant and equipment is valued at cost less the respective accumulated depreciations and impairment losses. On the date of transition to IFRS, Luz Saúde elected to consider the revalued amount of its property, plant and equipment as cost according to the previous accounting policies. This was generally equivalent to the depreciated cost measured according to IFRS, adjusted to reflect changes in the general price index.

Acquisition/construction costs include the invoice price, transport and installation costs, financing costs and exchange rate differences in bank loans, occurring during the construction period, as well as indirect costs attributable to it during the construction period.

Subsequent costs with property, plant and equipment are only recognized if the Group is likely to obtain economic benefits therefrom in the future. All ongoing maintenance and repair expenses are recognized in the consolidated profit and loss when incurred, on an accrual basis.

When there are indications that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and an impairment loss should be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss. The recoverable amount is the higher of the asset's sale value less any cost of disposal and its value in use. The value in use is calculated based on the discounted value of the future estimated cash flows that can be expected from the asset's continued use and its disposal at the end of its useful life.

Gains or losses arising from the write-off or disposal of property, plant and equipment are measured as the difference between the asset's sale price, less transaction costs, and the asset's carrying amount. They are recorded in the consolidated profit and loss under the caption other operating income or other operating expenses.

Property, plant and equipment in progress represent tangible assets that are still being constructed or installed and are recorded at acquisition cost. Depreciation of these assets begins in the month they become available for use for their intended purpose.

22.1.1.2. Depreciation

Land is not depreciated. Depreciation of the remaining tangible assets is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Buildings	4 - 40
Basic equipment	2 - 20
Transport equipment	3 - 8
Office equipment	2 - 20
Other property, plant and equipment	3 - 20

Depreciation ceases when assets are classified as held for sale.

22.1.2. Intangible assets

22.1.2.1. Recognition and measurement

Intangible assets are recognized at the acquisition cost less accumulated amortization and impairment losses, if any. Intangible assets are recognized only when it is likely the Group will obtain economic benefits therefrom in the future that can be reliably measured.

22.1.2.2. Amortization

Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the agreement. Intangible assets with indefinite useful lives (goodwill) are not amortized but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment.

22.1.3. Financial instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when the Group becomes part of the corresponding contractual provisions. A financial asset is any asset that is cash, a contractual right to receive cash or an equity instrument from another entity. A financial liability is a liability that is embodied in a contractual obligation to deliver money.

As financial assets, the Group presents in the consolidated balance sheet the items trade receivables, other receivables, other financial assets and cash and cash equivalents. The Group's financial liabilities are presented under trade payables, loans, lease liabilities, other payables and derivative financial instruments.

22.1.3.1. Financial assets

22.1.3.1.1. Initial recognition and measurement

The Group initially measures a financial asset at its fair value plus transaction costs, the other receivables and trade receivables are measured at the transaction price determined under IFRS 15, that is similar to the fair value at the transaction date.

22.1.3.1.2. Subsequent measurement

The subsequent measurement of financial assets depends on their classification, the following categories are being used:

(i) Financial assets at amortized cost;
(ii) Financial assets at fair value through profit or loss;
(iii) Financial assets at fair value through other comprehensive income (OCI).

The Group financial assets includes financial assets at amortized cost (trade receivables, other receivables and cash) and financial assets at fair value through profit or loss (other financial assets). The Group doesn't hold any financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost, when both of the following criteria are met (i) the asset is held under a business model with the objective of holding financial instruments to obtain contractual cash flows, and (ii) the asset has cash flows that are 'only capital repayments and interest payments' ("Solely Payments of Principal and Interest" or "SPPI") over the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment tests. Gains or losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit and loss

The Group classifies the following financial assets at fair value through profit or loss:

(i) financial instruments to obtain cash flows that do not qualify to be measured at amortized cost;
(ii) capital instruments held for trading purposes;
(iii) equity instruments for which the Group has decided not to record fair value through other comprehensive income.

Classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through Other Comprehensive Income

The Group measures the following financial assets at fair value through other comprehensive income:

(i) equity instruments held for purposes other than trading, being considered by the Group at the time of acquisition as strategic investments;

(ii) debt instruments with cash flows that are only capital repayments and interest payments on the principal amount outstanding and for which the Group's objective is to obtain their contractual and sales cash flows.

The Group does not hold any financial assets in this category.

22.1.3.1.3. Derecognition

Financial assets are derecognized when: (i) the Group's contractual rights to receive their cash flows expire; (ii) the Group has substantially transferred all the risks and rewards of ownership; or (iii) although it retains a portion but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

22.1.3.2. Financial liabilities

22.1.3.2.1. Initial recognition

All financial liabilities are initially recognized at fair value and, in the case of loans, financing and accounts payable, net of directly attributable transaction costs.

The Group's financial liabilities include suppliers and other accounts payable, loans and financing, including bank overdrafts and derivative financial instruments.

22.1.3.2.2. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

ii. Financial liabilities at amortized cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method.

22.1.3.3. Derivative financial instruments

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except for the effects related to cash flow hedging derivatives.

The fair value of derivative financial instruments corresponds to their market value, if available, or determined by external entities based on valuation techniques accepted by the market.

The Group uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IAS 39 are recorded as trading.

A hedging relationship exists when:

- At the date of inception there is formal documentation of the hedging relationship;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period;
- In relation to the hedge of a future transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect net profit or loss.

Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective, they are recognized against reserves in equity. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the consolidated statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

In the case of the discontinuation of a hedging relationship for a future transaction, the changes in the derivative's fair value recorded in reserves remain recognized there until the future transaction occurs. When the future transaction is no longer expected to occur, the accumulated gains or losses recorded against reserves are immediately recognized in the statement of profit or loss.

22.1.4. Impairment

22.1.4.1. Impairment of property, plant and equipment and intangible assets, except goodwill

The Group performs impairment tests on its property, plant and equipment and intangible fixed assets whenever there is an event or change that indicates that the amount for which the asset is registered may not be recovered. Should such indicators exist, the Group determines the recoverable amount of the asset in order to determine the possible extent of the impairment loss. When it is impossible to determine the recoverable amount of a given asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of the asset or the cash-generating unit is the greater of (i) its nets sale price and (ii) its value in use. The net sale price is the amount that would be obtained from the disposal of the asset in a transaction between independent and knowledgeable parties, less the direct disposal costs. The value in use is derived from the asset's future estimated discounted cash flows during its expected useful life. The discount rate used to update discounted cash flows reflects the time value of money and the specific risk of the asset.

Whenever the carrying value of the asset or cash-generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the profit and loss under the caption other operating expenses.

When an impairment loss is subsequently reversed, the carrying value of the asset is remeasured to its estimated value and is recognized in the consolidated profit and loss as a deduction under the caption other operating costs. However, the reversal of the impairment loss is limited to the amount that would have been recognized (net of amortization or depreciation) had the impairment loss not been recognized in previous periods.

22.1.4.2. Impairment of financial assets

The Group recognizes impairments for expected credit losses on financial assets not held at fair value through profit or loss. Losses are estimated based on the difference between the net book value of the financial instruments and the cash flows the Group expects to receive, discounted according to the original effective interest rate estimate.

Losses are estimated using two different approaches, which are described below:

(i) Credits with increased credit risk compared to initial recognition are provisioned based on the economic analysis carried out by the management of each subsidiary, taking into account the credit situation of the debtor, the market in which it operates and its known default history. According to this criterion, the provision for credit risk is constituted on an economic basis taking into account the age of the credit, the internal and external information available about each debtor;

(ii) The credit risk associated with credits for which there is no significant increase in credit risk compared to initial recognition, is estimated based on a calculation model, which takes into account the debtor's credit profile, life of the asset on each reporting date and the average expected payment terms for each debtor based on its credit profile. In carrying out the assessment of the provision for losses, the Group takes into account the experience with historical credit losses and specific prospective factors of debtors and the economic environment.

22.1.5. Leases

The Group enters to lease contracts to use assets in its operating activities such as buildings. medical and administrative equipment and vehicles.

Typically, lease agreements are made for periods of 4 to 10 years. When applicable, the Group allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, in which the Group has chosen not to separate the lease components and non-lease, considering the two components together as if it were a single lease component.

Until 31 December 2018, the Group classified leasing operations as finance leases or operating leases, according to their substance and not their legal form, following the criteria defined in IAS 17 - Leases. Operations where the risks and benefits inherent in the ownership of an asset are transferred to the lessee were classified as finance leases. All other leasing operations were classified as operating leases.

As at 1 January 2019, leasing contracts started to be recognized in assets (in right-of-use assets) and in liabilities from the date the underlying asset became available for use by the Group. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate, initially measured based on an index or rate at the start date;
- expected payments for residual value guarantees;
- exercise value of a call option, when the Group has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, provided that the Group exercises this option; and
- payments to be made under contract extension options when the Group is reasonably sure of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, as is the case with leases between group companies, the Group's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the necessary funds to purchase an asset of a similar value, to the asset under right of use for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the Group:

- whenever possible, it uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;
- for contracts with a duration of more than 7 years, typically building lease contracts, the incremental rate was composed by aggregating the interest rate without observable risk in the real estate market, adjusted by the Company's financing rate differential for the market and for the rate of Portuguese Bonds for similar terms.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the value of the lease liability until they come into force. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the right-of-use assets.

The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Assets under right of use are measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and
- dismantling and replacement costs.

Assets under right of use are generally depreciated by the lesser, between the useful life of the asset and the lease term, except when the Group has a call option on the underlying asset and it is reasonably certain that this option will be exercised.

Payments associated with short-term leases (term less than 12 months) for equipment and vehicles and contracts for the lease of low-value assets are recognized on a straight-line basis in the statement of profit or loss over the term of this contract.

When the lease contracts have a sublease agreement associated with it, the Group recognizes a financial liability for all lease payments updated at the incremental rate, and for right-of-use assets to the extent of the agreed sublease.

22.1.6. Inventories

The inventories comprise goods and the subsidiary and consumer materials and are valued at the lower of the acquisition cost and the net realizable value. The acquisition cost comprises the expenses incurred until the storage of inventories, using the weighted average cost as a costing method.

The net realizable value corresponds to the estimated selling price less estimated selling costs.

The differences between the acquisition cost and the net realizable value, if lower, are recorded in other operating expenses and losses in the statement of profit or loss.

22.1.7. Revenue

Revenue or income is recognized whenever economic benefits are likely to flow to the Group and can be reliably estimated, being measured at the fair value of the consideration received or receivable, net of discounts granted and taxes. The revenue associated with the transaction is recognized with reference to the stage of completion of the transaction at the reporting date.

22.1.7.1. Provision of healthcare services

In the case of the activity developed within the scope of healthcare provision in the private segment, revenue is recognized based on the activity produced in the period, because it is understood that in most activities the fulfillment of the performance obligation is substantially completed at the time of the medical act, duly valued by the price lists defined for each act of the provision, regardless of its actual billing.

In the case of the activity performed in the provision of health care in the public segment (under the PPP regime), revenue is recognized by the appreciation of the activity produced, measured based on a table contracted with the Contracting Public Entity. According to the contract, invoicing is done monthly for an amount equivalent to 1/12 of 90% of the agreed annual value for each year, with an adjustment invoice for the value of the actual production, in the six months following the end of each year. The difference between the amounts billed and the actual production is recorded in other accounts payable or receivable according to the accrual accounting regime.

22.1.7.2. Senior residencies

Within the scope of the activity developed by the senior residences, revenue is recognized based on the Lifetime Use Rights (ROU's). This recognition is made according to the characteristics of each type of contract:

- In ROU's without the right to transfer titleholder, or with the right to only one transfer, the contract value is initially accounted for in deferred income, with income from the member's entry into the Club being imputed for a period that takes into account taking into account the age of the partner (or of the transferee, if this is possible) at the date of entry, taking into account the average life expectancy defined by the GRF95 tables;
- In ROU's with the right to unlimited transmissions, the contract value is immediately recognized as profit, with an increase in costs being recorded against sales costs, corresponding to the unit's peril in the total cost of buildings, which is subsequently recognized in income in the same period as the depreciation period of the corresponding tangible fixed assets.

22.1.7.3. Training services

The revenue associated with the provision of training services is recognized, at its value net of taxes and discounts, on the date of the training events contracted with customers (ie on the date on which the significant risks and benefits are transferred to the customer), thus, the amounts billed and charged up to the date of the event are deferred in the balance sheet.

22.1.7.4. Sales of Goods

In the sale of goods made by the Group, there is only one performance obligation, so revenue is recognized when the goods are transferred to the customer's possession.

22.1.7.5. Trade credits receivable and contract assets and liabilities

Trade credits receivable represent rights to amounts for which there is no performance obligation to be fulfilled.

In accordance with IFRS 15, in cases where there are performance obligation to be complied with, balances receivable from customers (recognized in accounts receivable from customers and accrued income) or balances already received (as advances or income deferred), results to contract assets and contract liabilities, respectively. In both cases the Group, despite recording assets and liabilities, for the balances with customers, considers that they are still conditional as the Group has not yet fulfilled all the performance obligations agreed with the customers.

22.1.8. Accrual basis

The Group companies record their income and expenses in accordance with the accrual accounting regime, whereby income and expenses are recognized when they occur regardless of when they are received or paid. The differences between the amounts received and paid and the corresponding expenses and income are recorded under the headings other accounts receivable or other accounts payable, respectively.

22.1.9. Finance costs and income

Finance income include interest and financial discounts obtained from third parties, being recognized in the period to which they relate. Dividends are also recognized when the obligation to distribute dividends is constituted in the reporting company.

Financial costs include interest paid and other bank costs and are also recognized in the period to which they relate.

22.1.10. Income tax

Income tax is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the consolidated profit and loss, except when related to items directly recognized in equity, in which case they are also reported in equity.

Current taxes are those that are expected to be paid based on the taxable income calculated in accordance with the tax rules in force and using the approved or substantially approved tax rate.

Deferred taxes are calculated by using the balance sheet liability method on temporary differences between the carrying values of assets and liabilities and their tax base, using the tax rates approved or substantially approved as at the reporting date and which are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognized for all temporary taxable differences with the exception of non-deductible goodwill for tax purposes, for differences arising from the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and for differences related to investments in subsidiaries to the extent they are unlikely to be reversed in the future. Deferred tax assets are recognized only to the extent it is likely that future taxable profit will be able to use the temporary deductible differences.

The Group is taxed according to the special tax regime for corporate groups, which covers all the companies in which the parent company of the tax group directly or indirectly holds at least 75% of the respective share capital and as long as these companies meet the requirements established in the Corporate Income Tax Code. The remaining subsidiaries that do not fall under the Group's special tax regime are taxed individually, according to their respective taxable income and applicable tax rates.

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% of taxable profits, and a State surcharge of 3% of taxable profits between €1.5 million and €7.5 million, 5% on taxable profits between €7.5 million and €35 million, and 9% on taxable profits above €35 million.

Pursuant to IAS 12, the Group offsets deferred tax assets and liabilities whenever: (i) the respective company has a legally enforceable right to offset assets against current taxes and liabilities against current taxes; (ii) the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in future periods in which deferred taxes are expected to the settled or recovered.

22.1.11. Provisions, contingent assets and contingent liabilities

Provisions are recognized when (i) the Group has a present obligation, due to past events (legal or constructive), (ii) it is likely that a cash outflow will be required and (iii) when the amount of the obligation can be reliably estimated.

When one of these requisites is not met, the Group discloses the event as a contingent liability, unless the possibility of an outflow of funds is highly unlikely.

The amount of the provisions corresponds to the present value of the obligation, with the financial update being recorded as a financial expense under the caption interest and other financial expenses and losses.

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date.

When losses in associated companies exceed the investment made in those entities, the investment's carrying amount is reduced to zero, and future losses are no longer recognized, except to the extent the Group has incurred a legal or constructive obligation to bear those losses on behalf of the associated company, in which case a provision is recorded for impairment of financial assets.

A provision is recognized for litigation in progress when the expenses that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having a cash outflow, based on the opinion of the Group's legal advisors.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when it is likely they will generate a future economic benefit.

22.1.12. Segment reporting

Pursuant to IFRS 8, an operating segment is a component of the Group: (i) that engages in business activities from which it may earn revenue and incur expenses; (ii) whose operating results are regularly reviewed by the Group's chief operating decision-maker for the purpose of making decisions about allocating resources to the segment and assessing its performance; and (iii) for which separate financial information is available.

Segment information is reported consistently with the internal management information model used by the Group. For reporting purposes, exist four operating segments: private healthcare, public healthcare, other activities and corporate center.

22.1.13. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the company shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held.

To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the impact of all potential diluting effects, such as those resulting from convertible debt or options over own shares granted to employees. The dilution results in lower earnings per share, due to the assumption that convertible instruments are converted or the granted options are exercised.

22.1.14. Dividend distribution

The distribution of dividends is recognized as a liability from the time they are approved by the company's

General Shareholders Meeting until they are paid to shareholders.

22.1.15. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the direct method, through which cash inflows and outflows in operating, investing and financing activities are disclosed.

22.1.16. Subsequent events

Events that occur after the closing date, up to the date of approval of the consolidated financial statements by the Board of Directors, and that provide additional information on conditions that existed at the closing date of accounts are reflected in the financial statements. Events occurring after the closing date that are indicative of conditions that arose after the date of the financial report are disclosed in the notes to the consolidated financial statements, when considered relevant.

22.1.17. Employee benefits

22.1.17.1. Liabilities with holidays, subsidies and bonuses

Pursuant to Portuguese legislation, employees are currently entitled to one-month holiday and one-month holiday allowance. This right is earned in the year prior to the year payment is made.

Under the performance assessment system in place, employees may come to earn a bonus should they attain certain goals. This right is usually earned in the year prior to the year payment is made.

Liabilities are recognized in the consolidated profit and loss in the period in which the employees earn the referred right, regardless of the date of payment. The obligation is recognized under liabilities in the caption other payables.

The Certified Accountant

Sónia Amoedo Matos

The Board of Directors

Jorge Manuel Batista Magalhães Correia

Isabel Maria Pereira Aníbal Vaz

Chen Qiyu

Lingjiang Xu

Fang Yao

Ivo Joaquim Antão

João Paulo da Cunha Leite de Abreu Novais

Rogério Miguel Antunes Campos Henriques

Tomás Leitão Branquinho da Fonseca

Report and Opinion on Luz Saúde Annual Report

(Free translation of a report originally issued in Portuguese)

Report

Dear Shareholders

In accordance with the bylaws, the Company supervision is entrusted to an Audit Board composed by three effective members and one alternate, that are elected by the General Shareholder's Meeting and one Statutory Auditor or an Audit firm.

Therefore, and as set out in article 420(1)(g) of the Portuguese Companies Code, the Audit Board hereby presents its Report on the supervision of Luz Saúde, S.A. (the "Company"), as well as its Opinion on Luz Saúde, SA Individual and Consolidated Financial Statements for the financial year ended on 31 December 2020.

The Audit Board monitored on a regular basis the evolution of the Company's activities and its main subsidiaries, monitored compliance with the law and the articles of association, supervised the management of the Company, the effectiveness of the risk management and internal control systems, internal audit and the preparation and disclosure of individual and consolidated financial information. In addition, verified the accounting records on a regular basis, the accuracy of the individual and consolidated financial statements and the accounting policies and valuation criteria adopted by the Company in order to verify that they lead to a proper presentation of the assets, liabilities, and both individual and consolidated results, as well as cash flows.

During its activity, the Audit Board periodically met with the Statutory Auditor and the External Auditors, in order to follow up the audit work carried out by them and be aware of the respective conclusions, supervising their activity, independence and competence. It also met on a regular basis with those responsible for Internal Audit and Legal Services and also with the Board of Directors member responsible for the finance area, from time to time and whenever deemed necessary and timely. The Audit Board obtained full cooperation of all.

The Audit Board also received a letter from the Statutory Auditor confirming its independence as regards the Company.

Thereby it issues the following:

Opinion

The Audit Board is aware of the conclusions of the audit procedures on the Individual and Consolidated Financial Statements for the 2020 financial year which comprise the individual and consolidated balance sheet as at 31 December 2020, the individual and consolidated statement of comprehensive income, the individual and consolidated statement of changes in equity, the individual and consolidated statement of cash flow and accompanying notes. The Audit Board reviewed the Consolidated and Individual Statutory Audit Reports issued by the Statutory Auditor which contains no reserves but includes one emphasis of matter on the opinion over the Consolidated Financial Statements, which we considered. We also highlight the uncertainty of the future that the world pandemic environment has brought and that endures among us.

Within the scope of the powers of the Audit Board, it is stated that, to the best of the Audit Board's knowledge, the Management Report and the Individual and Consolidated Financial Statements of the Company for the year ended 31 December 2020 were prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets, the liabilities, and the financial position and results of Luz Saúde, SA and the companies included in the consolidation scope. In addition, the Management Report faithfully reflects the evolution of the business, performance, and position of the Company and of the Group, and complies with the applicable legal, accounting, and statutory requirements and, whenever applicable, contains a description of the main risks and uncertainties faced.

Considering the actions developed, opinions and information of the Board of Directors, the services of the Company, the Statutory Auditor and the External Auditor, the Audit Board is of the opinion that:

i) There is nothing to prevent the approval of the Management Report for the year 2020;

ii) There is nothing to prevent to the approval of the Individual Financial Statements and Consolidated Financial Statements for the year 2020;

iii) There is nothing to prevent the approval of the profit allocation proposal presented by the Board of Directors, namely considering the provisions of Article 32 of the Commercial Companies Code.

Lisbon, 5 May 2021

The Audit Board:

João Carlos Tovar Jalles

(Chairman)

Clara José Cruz de Sequeira Viegas Penha Ventura

(Member)

António Luís Castanheira Silva Lopes

(Member)

Building a better working world

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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Luz Saúde, S.A. (the Group), which comprise the Consolidated Balance Sheet as at December 31, 2020 (which show a total of 803,148,538 euros and a total equity of 249,141,738 euros, including a consolidated net loss for the year attributable to the equity holders of the parent of 16,289,795 euros), the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Luz Saúde, S.A. as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention the fact that, as disclosed in note 19.1.1 of the notes, the consolidated financial statements of the Group as of December 31, 2020 do not consider the impact of the adjustments to part of the services rendered and received in the years 2015 and 2016, communicated, in December 2018, by ADSE to several components of the Group, since it is the understanding of the Board of Directors, supported by its legal advisors, that these are neither justified nor due. Consequently, the maintenance of this understanding in the context of the preparation of the consolidated financial statements is dependent on the future success of the Group regarding the outcome of the ongoing and /or future proceedings related to this matter. Our opinion is not modified in respect of this matter.

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present a true and fair view of the Group's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives 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 auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, 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 management;
- conclude on the appropriateness of management's 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 auditor's 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 auditor's 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 or 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; and

- communicate with those charged with governance, including the supervisory board, 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;

Our responsibility includes the verification of the consistency of the consolidated Management Report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant to article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the consolidated Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited consolidated financial statements and, taking into consideration our assessment and our understanding of the Group, we have not identified any material misstatement.

Lisbon, May 5, 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ricardo Miguel Barrocas André - ROC nº 1461
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5
SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

LUZ SAÚDE
20 ANOS DE LUZ

5 SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

A. 2020 Framework

The present Sustainability Report of Luz Saúde refers to the financial year ending December 31, 2020 and is an integral part of the Annual Report and Accounts 2020, englobing information concerning previous years to follow up the evolution in terms of sustainability. The information reported concerns the activities of the whole Luz Saúde Group.

It is intended to detail some data on the economic, social and environmental performance of Luz Saúde Group regarding its material aspects. Therefore, this chapter should be complemented by information included in the Annual Report and Accounts.

This year's Sustainability Report has a special meaning for Luz Saúde Group. In a time of celebration of its 20th anniversary, Luz Saúde elected over 20 associations of diverse social intervention, with whom it has been developing initiatives of solidarity and involvement in the community and, simultaneously, promoting the spirit of volunteerism among its employees.

Throughout its existence, Luz Saúde has developed multiple activities of sustainability and corporate social responsibility. Celebrating its 20 years, it could not fail to reinforce the commitment to collaborate with the communities it serves and the Portuguese society in general.

Our wish is that the actions envisaged within the program '20 years, 20 causes', initiated in 2020 and counting with the direct involvement of employees and the Group itself in support of these Portuguese associations, may contribute for the improvement of conditions in different areas of intervention in society, from health to environment, inclusion and combating of poverty. A special word of thanks to all that have already participated.

A fifth of a century riddled with challenges we have tackled together with all our Clients, Shareholders and Stakeholders who, throughout our history in such a noble sector as Health, have honoured us with their trust.

Luz Saúde has adopted, for the eighth consecutive year, an integrated reporting model, including in the Annual Report and Accounts relevant information in the context of sustainability. Thus reinforcing its commitment to transparency, but also representing a moment of assessment and consolidation of the initiatives carried out along the year.

This is an opportunity to communicate with all the Stakeholders involved in the most diverse initiatives, rendering accounts and recognizing the work accomplished, acknowledging the engagement of all in this commitment to Sustainability.

B. Luz Saúde Group's commitment to sustainability and corporate social responsibility

Luz Saúde Group's commitment to corporate social responsibility – in alignment with the aforementioned reference framework – is based on the transparency of its activities, on the compliance with the Mission, Vision and Values established, on the development of an ethical and "positive capitalization" relationship with its Stakeholders (Employees, Clients e families, Suppliers, Community and Shareholders), on the continual promotion of innovation (integrating social, environmental, ethical, and human rights concerns) and on policies preserving environmental sustainability, namely energy efficiency, carbon emissions reduction and adequate screening of waste materials.

On the subject of human rights, gender equality, non--discrimination, fight against corruption and attempted bribery, besides observance of the laws and regulations applicable, there are Codes of Conduct in place at Hospital da Luz Lisboa and Hospital Beatriz Ângelo, expected to be extended to all units in 2021, as well as the entry in force of a Code of Ethics for all units.

Reflecting the need to communicate reliable and consistent information concerning social and corporate responsibility, which incorporates environmental sustainability, Luz Saúde has been selecting and choosing indicators (non-financial) demonstrative of its relationship with Stakeholders, showing, where applicable, the existing "positive capitalization". In some areas, GRI (Global Report Initiative/G3.1 version) indicators have been historically used, identified as adequate to the developed activity. 2020, is also the year of evolution towards the gathering of information from indicators, in conformity with GRI Standards 2016, whose results will be displayed in the next year.

1. Employees

To promote among the 16,256 employees of the Group (as at 31 December 2020) an agile communication, a work culture in multidisciplinary teams, an interchange of knowledge and good practice between the employees of different units, a stimulating, innovative and enhancing of continual improvement working environment, where attraction and retention of the best professionals is a permanent and complex challenge.

The table below shows the number of employees of Luz Saúde Group, according to gender and professional group, namely, physicians, nurses and other professionals (including, for instance, health technicians, medical ancillaries and administrative services staff).

N° employees by gender

	2020		2019		2018	
Total no. of employees	**16,256**	**100%**	**15,057**	**100%**	**13,756**	**100%**
Men	4,877	30%	4,517	30%	4,172	30%
Women	11,379	70%	10,540	70%	9,584	70%

N° employees by professional group

	2020		2019		2018	
Physicians	6,167	38%	5,669	38%	4,633	34%
Nurses	3,368	21%	3,027	20%	3,057	22%
Other professionals	6,721	41%	6,361	42%	6,066	44%

The increase of variation in the number of employees is consistent with the pandemic situation that occurred, which affected also the normal activity of the Group, particularly the 10% growth within the category of "Nurses". This increase is also consistent at the level of gender and by professional group. The division by gender remains, with around 70% female employees and 30% male employees, reflecting the usual scenario in the area of health, with a traditional preponderance of female employees in some functions (namely nursing, ancillary staff or front office and other support functions). In any case, it should be noted that Luz Saúde, its directors and management boards, assume an absolute commitment to the principles of equality and non-discrimination, ensuring, in all respects, full equality of access in selection and recruitment processes, and full equality of treatment and opportunity for men and women.

1.1. Training and development

The training and development of our employees is a strategic approach of the Group. In the following table, is presented an overview of the training promoted by Hospital da Luz Learning Health (GLSMED Learning Health, SA) in 2020, destined to professionals both inside and outside the group:

Seminars, congresses, symposiums, courses and workshops

	2020	2019	2018
Number of training activities	247	380	299
Number of participants	9,128	14,400	7,517
Number of participants outside Luz Saúde Group	1,818	4,452	2,822
% of participants outside Luz Saúde Group	20%	31%	38%
Training volume (hours)	35,060	67,485	51,363

2020 was a very challenging year for all the activities of Hospital da Luz Learning Health. The response to the pandemic implied a drastic reduction in the activity of training services, as well as an interruption or deceleration of several studies and clinical trials. It was necessary to reorganize the circuits of operation of the different services and teams, and to adapt the training offer to a new reality, reinforcing the already undergoing investment in digital training. In particular, several courses were developed in e-learning and webinar format, along with courses involving components of clinical simulation.

Despite all the unpredictability deriving from the pandemic, the Hospital da Luz Learning Health training offer continued to grow. Remained part of that offer, training in cardiopulmonary resuscitation (CPR), the Ser Estrela Programme (improving reception skills and managing stress situations), the GESEA Programme (Endoscopic Surgical Education and Assessment), the ERAS Programme (Enhanced Recovery After Surgery), the Study Coordinators School, among many other courses, and clinical and scientific events promoted by the Group units. The Artificial Intelligence and Health Data Science course, provided in partnership with Instituto Superior Técnico, had its second edition.

In response to the pandemic, several courses and events with content related with Covid-19 were developed, of technical or behavioural nature, aiming to equip health professionals with the new knowledge and competencies necessary. Finally, Hospital da Luz Learning Health continued to develop training recognized by numerous national and international systems, namely DGERT, GESEA, CPR/ERC and EACCME-UEMS, among others.

Thus, throughout the year, 247 events were held with the participation of 9,128 people (80% of which from inside Luz Saúde Group), corresponding to a training volume of over 35,000 hours. On average, the events promoted by Hospital da Luz Learning Health received a very positive evaluation (about 4.5 on a scale of 0 to 5).

1.2. Group culture and internal communication

Corporate intranet and the internal gatherings regularly promoted constitute tools and moments of dissemination and sharing of projects, innovation, experiences, knowledge and good practice, they promote Group culture and improve the relationship of trust between all stakeholders and, in particular, between employees.

LUZlink, the Luz Saúde intranet connecting all private units of the group and its employees, aims to promote teamwork and a culture of excellence and continuous outstanding performance. Besides giving access to applications and documents, it shares all news first-hand with the Group's employees. The LUZlink app provides access to news, videos produced within the Group, events, contacts, Hospital da Luz Learning Health courses and, in the case of physicians, the LUZlink app also gives them access to their clinical agenda.

Among the internal gatherings held in 2020, we can highlight the Luz Saúde online Christmas Party, which counted with the participation of almost 1,300 employees.

For the aforesaid goals, also contributed the publications Luz Saúde Information, including Luz Saúde Beatriz Ângelo Information, with 200,000 copies distributed in 2020.

Also worth mentioning, is the importance of the Group's units' sites, where all the information on Luz Saúde and its units can be found.

1.3. Access to healthcare by the group employees

In 2020, the employees, household members and direct ascendants continued to benefit from the Employees Healthcare Plan, that allows access to services and healthcare provided in the different units, under particularly advantageous conditions. This Plan is complemented with a health insurance, that covers all employees of the private units with an employment contract.

1.4. Support to school activity of the employees' children

Luz Saúde maintained the commitment assumed in previous years, to grant, in the start of the school year, a monetary subsidy to employees to help supporting school costs with their children.

1.5. Support to the employees' children during the holidays

In 2020, Luz Saúde maintained the summer camp support programme, destined to the employees' children aged from 6 to 14 years-old, counting this year with the participation of 45 children.

1.6. Christmas offer plan

The Christmas Offer Plan was also maintained in 2020, with around 820 employees benefiting from this initiative.

1.7. "À conversa com" (In conversation with)

The initiative "À conversa com..." was launched in 2019, with the main purpose to get to know, in an informal setting, the local reality of each hospital through the direct contact with and between its operational employees and the members of the Executive Board and central directorates of the Group. Through different dynamics in the context of the Conversation, the intent was to share the Luz Saúde values and promote proximity between those who take part in the daily operations and the top management of Luz Saúde Group, within a casual atmosphere, without constraint, in a sincere and spontaneous manner.

In 2020, it was still possible to hold 'À Conversa com' in Coimbra and Póvoa de Varzim. The participation of 46 operational employees of the visited units proves the success of this initiative, which will be resumed as soon as the conditions so permit.

1.8 Measures of support to the Collaborator in the context of pandemic

TRAINING

In response to Covid-19, educational content was prepared and made available to Luz Saúde Group professionals, in different formats, namely, simulation courses with in-person training, e-learning, webinar and behavioural training in a context of crisis.

General educational content was also made available (lodged on the Hospital da Luz YouTube channel) for health professionals of the general scientific community and used in the training of the Group's employees:

- COVID-19: Putting on PPE with critical patients
- COVID-19: Removing PPE with critical patients
- COVID-19: Putting on PPE with non-critical patients
- COVID-19: Removing PPE with non-critical patients

INTERNAL COMMUNICATION

At the level of internal communication, the production of informational and technical content was intensified, with particular attention to the safety recommendations in the clinical and non-clinical activity and the issues related with the alterations in the work situation of employees.

The implementation of the plan counted with the cooperation of the Group's top governing bodies and the technical support of all central directorates.

The Group's intranet (LUZlink) was the channel primarily chosen to implement this plan of internal communication.

In this plan, we highlight:

- The creation of an area dedicated to COVID-19 in the Group's intranet;
- 2 communications of Luz Saúde CEO (recorded in video);
- About half a hundred technical guidelines;
- Information related with human resources management and communications of the Luz Saúde HRM;
- Q&A with frequent doubts on what to do concerning self-protection and safety (with regular updating);

- Luz Saúde Collaborator Guide with answers to the questions arising, along the weeks of pandemic, on the most diverse topics related with the sanitary crisis (with regular updating);
- Communications of the Executive Comission;
- Dissemination of news on the Group's units' activity, published in the media.

GENERAL SUPPORT

Several measures of social and financial protection have been implemented, such as:

- For employees diagnosed with Covid-19 and on sick leave, compensation was granted, equivalent to the remaining of the amount paid by Social Security to complete their remuneration.
- Advance payments to service providers, namely physicians and other health professionals.
- Advance payment of holiday subsidy, to bring some financial relief to employees whose household income may have been affected due to the pandemic.
- Although the pandemic affected significantly the financial results of the company, Luz Saúde considered it to be fair to continue acknowledging the commitment and contribution of its employees in the achievement of the goals established, therefore maintaining, although more restrictively, the bestowing of performance awards and allowing the foreseen progressions in Career Plans.
- Retention of all jobs: Luz Saúde Group did not adhere to the lay off and all its employees kept their jobs.

SUPPORT LINE FOR EMPLOYEES

The Support Line for Luz Saúde Employees was created, available 24 hours a day, 7 days a week.

Contributing to this line, there are physicians, nurses, psychiatrists and psychologists, as well as a series of professionals from the area of Human Resources of Luz Saúde Group, among others, qualified to give an adequate response to each situation, either clarifications, answers and support, in a quick and assertive manner, on clinical questions related with Covid-19 patients, doubts of the collaborator before symptoms or contact with Covid-19 patients, psychologic support for employees, or issues related with Human Resources, among others.

2. Clients

The relationship with clients and families is guided by a continuous effort towards improving healthcare, based on the efficacy, integrity, reliability and quality of the service provided. The goal is to establish and maintain long-term relationships, ensuring at all times, in sickness and in health, an offer of services, information and support adequate for patients, families and caretakers.

2.1. Output indicators

On 31 December 2020, Luz Saúde Group had a total of 29 units.

The operational indicators showed the following evolution:

Operational indicators

	2020	2019	2018
Consultations (thousands)	1,855	2,146	1,933
Urgent Care (thousands)	402	628	611
Surgeries and Deliveries (thousands)	68	79	67
Imaging Exams (thousands)	1,026	1,123	1,094

2.2. Communication and Customer Service

In 2020, for their positive impact on the relationship with clients, it is noteworthy:

- the provision of **LUZ 24** service, through which, and free of charge, in urgent clinical situations, and via phone **217 104 424**, clients can access a service of clinical screening ensured by specialized nurses, who according to the clinical situation make the adequate referral for care within the Hospital da Luz network;

- the provision of services and information via **MY LUZ**, the online reserved personal access area, created for Hospital da Luz clients to access their health information, in all safety and confidentiality, avoiding unnecessary trips to hospitals and outpatient clinics;

- the information conveyed on **websites**, reaching a total of 8.9 million sessions, corresponding to a 55% growth compared to 2020;

In 2020, it was particularly important to disseminate informative content and medical counselling on COVID-19 for the general public, through the Group's external channels of communication (with the creation of a mini-site COVID); content that was simultaneously shared through the internal channels of communication, destined to the employees.

- the relevant information conveyed on Luz Saúde Group's **social networks**, reaching a total of 315 thousand followers on the whole;

- the informative publications **Informação Luz Saúde Beatriz Ângelo** (with a total circulation of 200,000 thousand copies distributed in 2020).

On **MY LUZ**, as at 31 December 2020, 405 thousand Clients were registered, therefore being closer to their attending physician, through the possibility of having video consultations from home, and being able to access a series of features and information concerning their health and the health of their families.

MY LUZ offers a series of administrative services online, such as consultations and exams scheduling, checking the appointments agenda, and accessing exams' results, as well as prescriptions ensuing from consultations and exams. It is also possible to search and view information about our physicians and hospitals and clinics.

Access can be made via **MY LUZ** app, or directly at myluz.hospitaldaluz.pt/MYLUZ, through laptop, tablet or mobile phone.

In 2020, **MY LUZ** was available in 19 units of Luz Saúde Group (Hospital da Luz Lisboa, Hospital da Luz Clínica de Odivelas, Hospital da Luz Torres de Lisboa, Hospital da Luz Arrábida, Hospital da Luz Clínica do Porto, Hospital da Luz Setúbal, Hospital da Luz Oeiras, Hospital da Luz Clínica da Amadora, Hospital da Luz Póvoa de Varzim, Hospital da Luz Clínica de Cerveira, Hospital da Luz Clínica Amarante, Hospital da Luz Vila Real, Hospital da Luz Funchal, Hospital da Luz Clínica do Caniço, Hospital da Luz Coimbra, Hospital da Luz Clinica da Figueira da Foz, Hospital da Luz Clínica de Pombal, Hospital da Luz Clínica de Cantanhede and Hospital da Luz Clínica da Solum).

In 2021, its implementation is underway at Hospital da Luz Aveiro, Hospital da Luz Clínica Águeda, Hospital da Luz Oiã and Hospital da Luz Guimarães. **MY LUZ** is in constant evolution, with the development of additional features to support our clients in their health management, namely, for instance, the possibility to consult electronic medication prescriptions and treatment guides.

2.3 Accreditations and certifications of services and units

The demonstration of evidence in terms of certification and accreditation of services and units, client satisfaction evaluation, fulfilment of Quality and Safety parameters, and participation and positioning of Luz Saúde units in indexes and ratings/indicators of performance in the area of Health, are key-elements in the relationship with clients and a permanent working goal for the whole Group.

The following tables show an overview of the accreditations and certifications of services and units, as at 31 December 2020.

Joint Commission International Accreditation and ISO Certifications

Unit / Benchmark	ISO 9001:2015	ISO 14001:2015	Joint Commission International Accreditation
HOSPITAL DA LUZ LISBOA			√
Pathological Anatomy Laboratory	√		
Nuclear Medicine Service	√		
Imaging and Lithotripsy Service	√		
HOSPITAL DA LUZ AVEIRO			
Imaging Service	√		
HOSPITAL DA LUZ OIÃ			
Imaging Service	√		
HOSPITAL DA LUZ SETÚBAL			
Imaging Service	√		
HOSPITAL DA LUZ CLÍNICA DA AMADORA			
Imaging Service	√		
HOSPITAL DA LUZ OEIRAS			
Imaging Service	√		
HOSPITAL BEATRIZ ÂNGELO		√	√
Pharmacy Service	√		
Imaging Department	√		
Nuclear Medicine Service	√		
Sterilization Centre	√		
HOSPITAL DA LUZ TORRES DE LISBOA			
Sterilization Centre	√		
HOSPITAL DA LUZ GUIMARÃES			
Imaging Service	√		
Transfusion Medicine	√		
HOSPITAL DA LUZ ARRÁBIDA			
Imaging Service	√		
Gastroenterology Service	√		
Sterilization Centre	√		
Transfusion Medicine	√		
HOSPITAL DA LUZ PÓVOA DE VARZIM			
Imaging Service	√		
Gastroenterology Service	√		
Sterilization Centre	√		

Unit / Benchmark	ISO 9001:2015	ISO 14001:2015	Joint Commission International Accreditation
HOSPITAL DA LUZ CLÍNICA DO PORTO			
Gastroenterology Service	√		
Imaging Service	√		
HOSPITAL DA LUZ CLÍNICA DE AMARANTE			
Imaging Service	√		
Gastroenterology Service	√		
HOSPITAL DA LUZ CLÍNICA DE CERVEIRA			
Imaging Service	√		
Gastroenterology Service	√		
HOSPITAL DA LUZ COIMBRA			
Imaging and Nuclear Medicine Service	√		

Outras certificações e acreditações (entidades nacionais e internacionais)

Unit / Benchmark	Pharmacists Association Clinical Laboratory (Standards)	European Association of Nuclear Medicine (Accreditation)	European Association of Echocardiog-raphy (Accreditation)	European Society for Medical Oncology
HOSPITAL DA LUZ LISBOA				
Nuclear Medicine		√		
Echocardiography Laboratory			√	
Palliative Care Unit				√
HOSPITAL DA LUZ SETÚBAL				
Echocardiography Laboratory			√	
HOSPITAL DA LUZ PÓVOA DE VARZIM				
Clinical Laboratory Standards (OF)	√			

2.4. Quality and safety parameters, classification in indexes, ratings and other performance indicators

2.4.1. Client satisfaction evaluation

Within Luz Saúde Group, a process of evaluation and monitoring of client satisfaction is continually developed. This process consists in surveys to assess the satisfaction and experience of clients in the area of Inpatient Care, Emergency Assistance (ER), Complementary Diagnostic and Therapeutic Means, namely: Imaging, Gastroenterology, Nuclear Medicine and Pathological Anatomy Laboratory.

To assess client satisfaction in the private units of the Group, up to 2019, the H-CAPHS model was used (Hospital Consumer Assessment of Healthcare Providers and Systems). This process of evaluation was suspended in March 2020 and will be restarted in May 2021, with the new methodology Net Promoter Score by MedicalPort/Opinat, which is why the indicator is not available for the hospitals and private clinics of the Group concerning 2020.

As for Hospital Beatriz Ângelo, being a unit with a public-private partnership regime, the ECSI model (European Customer Satisfaction Index) was maintained, allowing the integration of results from the Assessment System of Perceived Quality and Satisfaction of Users of the National Health System Hospitals (ECSI-Hospitals), not only at global, but also at regional level, as well as comparability with other satisfaction indicators internationally available, using methodology compatible with ECSI and ACSI (American Customer Satisfaction Index).

Through the evaluation and monitoring of client satisfaction, Luz Saúde Group gathers data and information on performance, thus identifying strong points and areas of improvement, in an effort to keep pace with the evolution in the needs and expectations of its clients.

The table below shows the weighted average of client satisfaction in Luz Saúde units:

Hospitals and private clinics H. Luz Lisboa, H. Luz Oeiras, H. Luz Clínica da Amadora, H. Luz Arrábida, H. Luz Setúbal, H. Luz Póvoa de Varzim, H. Luz Aveiro, H. Luz Oiã, H. Luz Clínica de Amarante, H. Luz Clínica de Cerveira, H. Luz Clínica do Porto, H. Misericórdia de Évora	**Weighted average of the last evaluation**
Inpatient - % of clients with high overall satisfaction(1)	87%
Emergency Assistance - % of clients with high overall satisfaction(1)	65%
CDTM Imaging - % of clients with high overall satisfaction(1)	68%
CDTM Nuclear Medicine- % of clients with high overall satisfaction(1)	78%
CDTM Gastroenterology - % of clients with high overall satisfaction(1)	79%

(1) With high satisfaction corresponding to the maximum points on the scale: 9, 10; 2019

Hospitals in public-private partnership regime Hospital Beatriz Ângelo	**Weighted average 2020**	**Weighted average 2019**
Inpatient - % of clients with high overall satisfaction(2)	89%	85%

(2) With high satisfaction corresponding to the maximum points on the scale: very positive.

2.4.2 Recognition of reference centres in Luz Saúde units

The Reference Centres are services recognized as highly competent in the provision of quality healthcare, in clinical situations that require a concentration of highly differentiated technical and technological resources, knowledge and experience, due to a low prevalence of the disease, the complexity of its diagnosis or treatment and/or its high costs, thus ensuring post-graduate education and scientific research in their respective medical areas.

Since 2016, Luz Saúde Group maintains as officially recognized by the General Directorate for Health, the Reference Centre in Adult Oncology for Rectal Cancer, at Hospital da Luz Lisboa, and the Reference Centres in Adult Oncology for Hepato-bilio-pancreatic Cancer and for Rectal Cancer, at Hospital Beatriz Ângelo. The selection of centres is based on rigorous criteria related with the Hospital's casuistry in the diagnosis and treatment of rectal cancer and/or hepato-bilio-pancreatic cancer, and the results obtained in the treatment of this pathology. The General Directorate for Health considered further factors, such as the case-specific results indicators, complication rates, average of inpatient days, and clinical risk rates, among others. The excellent results stem from the protocols adopted by the Hospital, the training and competencies of the professionals and the organization of the teams, consolidating their robustness.

The Reference Centres, in line with the National Strategy for Quality in Health promoted by the General Directorate for Health, initiated, in 2018, the process of accreditation following the Certification Model of the Ministry of Health (ACSA model), process that proceeded in 2019.

In 2020, the process of accreditation under the ACSA model continued, driven by the goal of remaining a "reference player in healthcare providing, by practicing a medicine of excellence and innovation in highly specialized and complex care".

2.4.3 Indexes, ratings and other performance indicators

The participation in accredited national and international indexes and ratings enables the comparison between the different units of the Group and external national and international units. In this regard, one or more units of the Group participated in the following comparison systems: SINAS, ICHOM and ERAS.

2.4.3.1 SINAS

In 2020, proceeded the process of accession to the National System of Assessment in Health – an assessment system of the global quality of healthcare providers, developed by the Portuguese Health Regulation Authority (in a partnership with Joint Commission International), in a module dedicated to providers with inpatient capacity – SINAS@Hospitais, where the following Dimensions of Quality are evaluated:

a) Clinical Excellence;
b) Patient Safety;
c) Suitability and Comfort of Facilities;
d) Focus on Client.

The assessment system is based on a "ratings system" translated into the regular presentation of the results of each provider, compared with a "benchmark" common to all providers and established on the basis of the values indicated by each one.

Ultimately, each area evaluated for each provider is rated with the correspondent level of performance: level of performance above the average of all units reporting data (3 stars), medium level of performance (2 stars), and level of performance below the average of units reporting data (1 star), thus revealing the respective level of performance.

SINAS symbology

Quality level III | *Quality level II* | *Quality level I*

The monitoring of performance in the dimensions Patient Safety, Suitability and Comfort of Facilities, and Focus on Client, is carried out through the application of checklists elaborated by the Health Regulation Authority (allowing comparison with the national average). In the following paragraphs, we present the latest results available for different areas of speciality in Luz Saúde units.

a) Dimension of Quality "Clinical Excellence"

This dimension aims to assess the quality of healthcare (evaluating the organizational compliance with guidelines and good practice), where the organizations' performance is assessed in different clinical areas, through a series of specific indicators for each area examined. In the table below, we show the latest results available for different areas of specialty, in several units of Luz Saúde Group:

"Clinical Excellence" Rating

Area examined	H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	Hospital Beatriz Ângelo
Orthopaedics						
Femoral Fractures		-	-	-	-	
Obstetrics	-			-	-	
Paediatrics	-	-	-	-	-	
Neurology		-	-	-	-	-
Cardiology		-	-	-	-	-
Myocardial Revascularization Surgery			-	-	-	-
Valvular Surgery and other Non-coronary Cardiac Surgery			-	-	-	-
Vascular Surgery		-	-	-	-	-
ICU		-	-	-	-	-
Colon Surgery			-	-	-	

Table 1 – Results concerning the period from 01/01/2018 to 31/12/2018

b) Dimension of Quality "Patient Safety"

This dimension aims to assess the providing of quality healthcare and achievement of good results, in the pursuit of a high level of safety for the patient.

"Patient Safety" Rating

H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H. M. Évora	H. Luz Guimarães	**National Average**
0.99	–	–	–	0.99	0.98	0.98	–	–	**0.91**

Table 2 – Ratings and comparative % of LUZ SAÚDE units and national average regarding 2019

c) Dimension of Quality "Suitability and Comfort of Facilities"

This dimension aims to assess the level of suitability for healthcare providing of spaces and equipment (non-medical) in hospital units, and its management and maintenance. The item Comfort concerns the area of so-called "hospital hospitality", perceived as the range of services that support the performance of the main duties of a hospital.

"Suitability and Comfort of Facilities" Rating

H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H. M. Évora	H. Luz Guimarães	**National Average**
0,98	0,92	0,95	0,91	0,90	0,85	0.98	0,87	0,95	**0.86**

Table 3 – Ratings and comparative % of LUZ SAÚDE units and national average regarding 2019

d) Dimension of Quality "Focus on Client"

This dimension aims to assess, objectively, the level of orientation of health services toward the needs and expectations of clients and accompanying persons.

"Focus on Client" Rating

H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H. M. Évora	H. Luz Guimarães	**National Average**
1,00	0,82	0,83	0,92	0,98	0,82	1,00	0,84	0,96	**0,87**

Table 4 – Ratings and comparative % of LUZ SAÚDE units and national average regarding 2019

2.4.3.2 ERAS® (Enhanced Recovery After Surgery)

Hospital Beatriz Ângelo integrated the multidisciplinary programme ERAS®, destined to monitoring results in the area of colon and rectal surgery (since 2016) and in the area of pancreatic surgery (since 2017), with the ultimate goal to reduce complications and improve outcomes for surgical patients in these areas. In 2018, this unit started the process of implementation in the area of liver and urologic surgery. For 2021, it is expected to do the same for the area of orthopaedic surgery (hip and knee).

Hospital Beatriz Ângelo is the only health organization in Portugal accredited as Centre of Excellence, by ERAS® Programme. In this regard, the organization is qualified to train and provide advice and consultancy for the implementation of ERAS® Programme in other health units. The formative path has been as follows:

- 2018: conclusion of the formative process of Hospital da Luz de Lisboa and Hospital Prof. Dr. Fernando Fonseca;
- 2019: completion of ERAS formation at Centro Hospitalar da Universitário de Coimbra and Hospital de Cascais;
- 2020: start of the formative process of two hospitals in the scope of the implementation of ERAS programme: Hospital da Luz Arrábida and Centro Hospitalar de Lisboa Central.

Still in the context of this project, Hospital Beatriz Ângelo developed trainings and activities, namely:

- ERAS Sessions. Master's Degree in Nutrition;
- "ERAS® Programme: An example of Surgery Based on Value", integrated in the 7th Conference of the Surgery Department from Hospital Beatriz Ângelo.

An article was also published, reporting the results of one year of ERAS® at Hospital Beatriz Ângelo, in an indexed journal, Acta Médica Portuguesa.

Hospital da Luz Lisboa integrates the multidisciplinary programme ERAS® in the area of Colon and Rectal Surgery, since 2018, and in the area of Pancreatic Surgery, since 2019, monitoring the results in these clinical areas with the goal of identifying deviations from clinical practice, thus contributing for the reduction of complication and improvement of outcomes for these patients. In 2020, this Unit started the process of implementation in the area of Liver Surgery.

3. Suppliers

The relationship with suppliers is based on a partnership perspective, grounded in principles of ethics, trust, transparency and sustainability.

This relationship is guided by transparency and sharing of information, aiming at a permanent adjustment between offer and supply, and the materialization of long-term effective partnerships, positive for all parts involved, developed beyond the normal commercial relations, in new types of cooperation and initiatives viewing the satisfaction of common goals, namely in training, innovation, research, screening, chronic disease follow-up, and dissemination of best clinical practices.

Given the importance of Suppliers in its chain of value, Luz Saúde pays special attention to their selection and the relationship that is established. Moreover, Luz Saúde monitors and evaluates the level of compliance with specific principles in its suppliers' chain, focusing review on those suppliers presenting higher risk for the volume and/or impact of their business. These suppliers are always questioned on their policies and procedures, in various areas.

We consider as absolutely indispensable that the suppliers of the Group:

- Act accordingly with the ethical principles of Luz Saúde;
- Comply with a previous analysis based on market criteria and legal compliance regarding taxation and social security obligations;
- Comply with the legal requirements in force.

In the relationship with suppliers, it is important to stress the concern in ensuring levels of quality in the chain of value, proceeding with the selection of the outsourcing services contracted, with certification (ISO standards or other more adequate), such as for instance, the laboratories of clinical pathology, immuno-hemotherapy, laundry and linen services, hospital waste management, safety, disinfestation, catering, cleaning and patient transportation.

4. Shareholders

The relationship with shareholders is ruled by a policy of transparency and communication of relevant information, also in what concerns the dissemination of results by the appropriate communication channels.

Luz Saúde further observes the duties of information communication to its shareholders, defined by law and applicable regulation.

5. Community

The relationship of the Group with the Community is guided by an open and cooperative approach, putting the knowledge of the organization and its employees at the service of:

- the national and international scientific Community;
- the Health Professionals Community (including students);
- professionals from different areas, but developing activity in the area of health and positioned as innovative partners;
- organizations (public, private and social) in the geographical areas served by our units, with whom the Group shares strategies and objectives, in a commitment to solidarity and mutual support.

The prevention of disease and promotion of health of the populations we serve, so that people may live better, longer, with more dignity, better cared for in the places of their choice, and happier, has been a permanent concern of Luz Saúde Group.

5.1 Articulation with the community of health professionals

The openness and interaction with the Community of Health Professionals is a strategic positioning of the Group, namely through the organization of training events open to internal and external professionals, and the integration of medical residents and interns.

5.1.1 Clinical events and training open to professionals external to the Group

The Group, through Hospital da Luz Learning Health (GLSMED Learning Health, SA), proceeds with its policy of openness of training events to both internal and external professionals. In 2020, 59 events open to external health professionals were held. In this atypical year, the number of external participants was much lower than usually, with only 1,818, representing 20% of the total of participants in the events held. Nevertheless, this level of participation demonstrates a great capacity of rapid adaptation of professionals to a new reality, and the adherence of training providers and trainees to the digital format.

5.1.2 Training competence

Below, the list of medical specialties by hospital.

Hospital Beatriz Ângelo

Anaesthesiology, Pathological Anatomy, General Surgery, Nephrology, Gastroenterology, Gynaecology/Obstetrics, Intensive Medicine, Internal Medicine, Urology, Neurology, Neuroradiology, Oncology, Orthopaedics, Paediatrics, Psychiatry, Endocrinology, Pulmonology, Infectiology, Ophthalmology, and Radiology.

Hospital da Luz Lisboa

Pathological Anatomy, Anaesthesiology, Internal Medicine, Nuclear Medicine, Neurology and Oncology.

Hospital da Luz Arrábida

Internal Medicine

5.1.3 Integration of medical residents and interns in Luz Saúde units

In 2020, the total number of residents received was 165, 139 of which (84%) concentrated in Hospital Beatriz Ângelo.

	Luz Saúde Total	H. Beatriz Ângelo	H. Luz Lisboa	H. Luz Arrábida
2020	**165**	**139**	**23**	**3**
Common Year	30	30	0	0
Speciality	135	109	23	3
2019	**150**	**126**	**21**	**3**
2018	**149**	**121**	**25**	**3**

5.1.4 Internships

In 2020, 1,451 short and medium term internships (-30% than in the previous year) were provided, 46% of which taken by physicians, 27% by nurses, and 27% by other professionals (health technicians, psychologists and neuropsychologists, auxiliary staff and other professionals). Threes units (Hospital Beatriz Ângelo, Hospital da Luz Lisboa and Hospital da Luz Arrábida) received 75% of interns, with an emphasis on Hospital Beatriz Ângelo with 54% of the total:

	Luz Saúde Total	H. Beatriz Ângelo	H. Luz Lisboa	H. Luz Arrábida	Other units
2020	**1,451**	**784**	**268**	**40**	**359**
Physicians	46%	72%	13%	60%	14%
Nurses	27%	18%	22%	18%	50%
Health technicians	9%	6%	3%	20%	20%
Other	17%	4%	61%	3%	16%
2019	**2,101**	**1,378**	**226**	**97**	**400**
2018	**2,116**	**1,317**	**357**	**86**	**356**

5.2 Initiatives and partnerships in the area of innovation, research and scientific community

The investment in research and development is strategic for Luz Saúde Group. Since its creation, in September 2015, the company GLSMED Learning Health, SA (Hospital da Luz Learning Health) oriented its activity towards training, having progressively enlarged the scope to the areas of research and innovation, in healthcare provision and management.

Attentive to the trends in the sector, Hospital da Luz Learning Health aims to be a school of reference in the training and development of health professionals, both inside and outside Luz Saúde Group, with the following strategic priorities:

- Turn individuals into teams;
- Integrate talent and technology;
- Build a culture of change.

So as to reach its goals, Hospital da Luz Learning Health has developed a plan of activities for the triennium 2018-2020, organized in 6 different areas. Hereafter, the evolution during 2020 in these 6 areas:

1) Develop training paths for all professional groups, including technical skills and human factors

Hospital da Luz Learning Health, as training entity, aims to contribute to a performance of excellence and quality of health professionals.

In partnership with the Human Resources Management and other entities, Hospital da Luz Learning Health has been developing training paths for all professional groups, in line with their professional path. Each training path is organized in a modular way, with measurement of individual performance indicators and impact in daily practice, so as to allow the continuous improvement of training.

2) Promote the use of simulation training to achieve high levels of efficacy in learning

Simulation is a very important technique in the training of professionals, in the evaluation of competency and in the development and testing of new products and processes.

Hospital da Luz Learning Health has also been developing a path of Train-the-Trainers in simulation, so as to potentiate the integration of simulation in training programs. Hospital da Luz Learning Health already counts with about 60 simulation instructors in training, who have been developing simulation courses in the areas of critical patients, anesthesia, neurosurgery, obstetrics, pulmonology, ophthalmology, paediatrics and neonatology, among others.

In order to extend the scope of application of simulation and enhance the accuracy of the settings in use, Hospital da Luz Learning Health has been developing research and innovation projects using techniques of augmented reality and virtual reality, among others, in partnership with renowned national and international entities, such as IST, INESC and ISR.

The Simulation Centre is also a valuable resource for partner start-ups, in the development or testing of products and services.

3) Incorporate digital and mobile tools to optimize the learning opportunities

The investment in digital and mobile tools has been strategic for Hospital da Luz Learning Health right from the start, in particular in the area of training. In 2020, the digital ecosystem supporting training gained new relevance. As a result of all the investment and development of digital training tools already made, it was possible to respond much quicker to the new requirements and restrictions raised by the pandemic, promptly extending the educational offer online, only providing in-person training when strictly necessary.

Hospital da Luz Learning Health counts presently with a solid educational offer online, incorporating different methodologies and formats, allowing synchronous training through webinars, and asynchronous training through courses available in e-learning format and/or online simulation of clinical cases.

Hospital da Luz Learning Health continues to work with a partner start-up, UpHill, SA, in the development of a comprehensive and consistent educational offer by pathology, including all professional groups involved, and the unique tools developed by UpHill to maximize the efficacy of training.

4) Continue developing our units as teaching hospitals, exploiting internal knowledge and talent

As Training, Research and Innovation Centre of the Group, Learning Health was instrumental in the approval by A3ES of the Medicine Course at Universidade Católica Portuguesa, in partnership with Luz Saúde. The high level of professionalism reached in the areas of pre and post-graduate education and in clinical research, was decisive in the accreditation and is an essential requirement for the development of Hospital da Luz Lisboa as a real university hospital.

The practice of quality education is attested by the training certifications and accreditations obtained, namely the certification by the Directorate of Quality Services and Accreditation (DSQA) / Directorate General for Employment and Labour Relations (DGERT), which validates that procedures and practices are in compliance with a specific quality benchmark for training.

5) Promote research and innovation, stimulating creativity and critical thinking, and contributing for the development of knowledge networks with academic and scientific institutions

The practice of research is fundamental for the continual improvement in the quality of services provided. Hospital da Luz Learning Health promotes, supports and develops scientific studies and clinical trials, and has been contributing to the professionalization of research undertaken in the different units of Luz Saúde Group.

The main areas of investment of Hospital da Luz Learning Health are data science and human factors engineering. In this respect, Hospital da Luz Learning Health has established partnerships and developed research projects with leading R&D institutions in Portugal and in the world, namely Instituto Superior Técnico, FCUL, INESC, ISR, Carnegie-Mellon University, among others, with several master's and PhD students oriented in partnership and projects under way in the areas of Artificial Intelligence, VR/AR, Radiomics, Ergonomics and Human Factors.

Moreover, Hospital da Luz Learning Health promotes an ecosystem of open innovation and sharing of knowledge, enabling to enhance the quality of achieved results. Hospital da Luz Learning Health is also associated with start-ups acceleration programs, that allow to analyse trends in the health sector, and test new solutions in Luz Saúde Group units adding value for patients.

The concept of Innovation Lab, a space without physical borders where new notions and ideas are explored, new products are incubated and new solutions tested, is inscribed in the DNA of Hospital da Luz Learning Health. On the basis of the needs and problems identified in the sector, it is intended through this concept to find answers, promote teamwork, engage and motivate Luz Saúde employees, and also stimulate creativity and critical thinking.

Finally, in the context of internal innovation, the Luz Inovação Award has contributed to promote the spirit of innovation within the Luz Saúde Group. The aim are ideas in line with the strategic projects of Luz Saúde, thus contributing to the development of a medicine of excellence.

6) Promote the continual assessment of impact of the training, research and innovation initiatives

To be aware of the practical impact of the different training, research and innovation initiatives is crucial, not only because in these areas the strictly financial return happens in the very long term, but to be able to implement a virtuous cycle of continual improvement. Therefore, underlying all these referred activities, there is always an assessment of impact through defined performance indicators.

5.3. Articulation with other organizations of the community

The social responsibility initiatives of Luz Saúde units, in their relationship with organizations of the community, are fundamentally grounded on information on disease prevention and respective risk factors, early diagnosis of diseases (screenings), promotion of health, patient empowerment, literacy in health, chronic disease, and support to patients and caretakers, not neglecting a dynamic attitude of prevention and information in health among the youngest, in schools. In this context, diverse initiatives have been promoted near citizens, often with partners from the Community (namely Municipalities, Schools, Sports clubs and other for-profit or non-profit organizations), putting the experience of the units' professionals at the service of the Communities.

5.3.1 Screenings

The identification of risk factors and early diagnosis of diseases is done through screenings and represents an important measure of prevention. Most screenings are carried out by initiative of the units, but they can also occur by initiative of other partners in the community in partnership with Luz Saúde. In 2020, due to the pandemic, almost all such screenings were suspended and the number of participants was rather reduced, as shown in the table below:

	Luz Saúde Total	H. Luz Póvoa de Varzim	H. Luz Setúbal	H. Luz Oeiras	H. Luz Guimarães	H. Beatriz Ângelo	Other units
2020	**81**				**50**		**31**
Cardiovascular	50				50		
Pulmonology							
Ophthalmology							
Outros rastreios	31			–			31
2019	**8,585**	**4,363**	**1,034**	**595**	**495**	**392**	**1,705**
2018	**4,356**	**2,335**	**456**	**135**	**486**	**224**	**720**

5.3.2 Initiatives with the Community

In 2020, also this area of activity was largely affected by the pandemic, the Luz Saúde Group units and their professionals having maintained a very reduced level, regarding the different initiatives they usually develop with the community.

Luz Saúde Group joined Grace - Empresas Responsáveis, a non-profit entrepreneurial organization of public benefit, intervening in the areas of social responsibility and sustainability.

And at a time of celebration of our 20th anniversary, we selected over 20 different social intervention associations, with which we are developing initiatives of solidarity and community involvement and promote the spirit of volunteerism among employees.

The development of some of the initiatives of Luz Saúde program '20 years, 20 causes' happens in cooperation with Grace, also celebrating its 20 years of existence in 2020.

Thus, in the scope of the "20 years, 20 causes" program, it was also possible to collaborate with the following associations, at national level:

Banco Alimentar

Luz Saúde delivered to Banco Alimentar a total of 2,630 kg of foods, donated by the employees of our units, shortly before Christmas.

Salvador Association

Through the acquisition of 3,000 'barretes solidários' (solidary hats), Luz Saúde fulfilled the dream of 43-years-old Cláudio Gomes, from Coimbra – who asked Associação Salvador for support to get a wheelchair adapted to the practice of handball, thus being able to continue competing. It was also offered to the association a space for an exhibition in the interior garden of Hospital da Luz Lisboa.

Rui Osório de Castro Foundation

Hundreds of Xi-Coração – a rabbit with a big heart and arms even bigger, the Rui Osório de Castro Foundation mascot – decorated the Christmas trees in the Luz Saúde units.

APAV

Offer of advertising space in the magazine "Informação Luz Saúde Beatriz Ângelo" and on the corporate tv of Luz Saúde to publicize the work of APAV (a Portuguese victim support association).

Semear Association

Luz Saúde employees working in hospitals, clinics and departments in the area of Lisbon, joined in large numbers our first cause in the context of the celebrations of Luz Saúde 20 years: helping the Semear Association. They had to perform tasks such as separating the food products produced by the association, make hampers and put labels.

5.3.2.1 Initiatives directed at the school community

- **H. Luz Guimarães:** organized a visit to different services of the hospital and lectures for about 20 children and youths attending pre-school and secondary education in Guimarães schools; in partnership with Colégio do Ave de Guimarães, it participated in the SAW project, supporting the finding of a professional vocation by 11th and 12th graders, receiving 10 students in various services - Nursing, Medicine, Pharmacy, Laboratory, Marketing.
- **H. Luz Póvoa de Varzim:** maintaining of the protocol with Secondary School Rocha Peixoto, in Póvoa de Varzim, in the context of the Medical Assistants training course; maintaining of the institutional relation with Secondary School Eça de Queirós, also in Póvoa de Varzim, where it integrates the General Board as representative of the local community, at the invitation of the School; protocol of internship with the Nursing School of Porto; collaboration with the Fire Department of Póvoa de Varzim as training entity, integrated in our Internal Fire Emergency Plan.
- **H. Luz Clínica da Amadora:** training in Basic Life Support to 121 9th graders of Colégio Marista de Lisboa.
- **H. Luz Setúbal:** presentation of the "Health Olympics" at St. Peter´s International School, aiming to sensitize students for healthy life habits, through a dynamic of games involving different classes; the Olympics didn't take place due to the pandemic.
- **Hospital Beatriz Ângelo:** awareness action on COVID – Clarification session held via Teams for 6th to 9th graders on COVID-19, modes of transmission and correct attitudes for fight and prevention.

5.3.2.2 Initiatives of preparation for parenting

These initiatives, mostly developed with partners and with the participation of Hospital da Luz health professionals, include information to prepare parents for the birth of a child and follow-up along the baby's first years of life, equally promoting gratuitous photo sessions.

- **H. Luz Arrábida:** organized 3 workshops for future parents;
- **H. Luz Guimarães:** organized workshops for future parents, with 20 participants in total;
- **Hospital Beatriz Ângelo:** promotion of an educational session to sensitize on the importance of Diet along pregnancy.
- **Hospital da Luz Lisboa:** organized 6 workshops to future parents and launched the online preparation course for the birth in October 2020;
- **Hospital da Luz Clínica da Amadora:** organized 2 workshops for future parents;
- **Hospital da Luz Coimbra:** organized 1 workshop for future parents;
- **Hospital da Luz Aveiro:** organized 2 workshops for future parents;
- **Hospital da Luz Oeiras:** organized 2 workshops for future parents;
- **Hospital da Luz Setúbal:** organized 2 workshops for future parents;
- **Hospital da Luz Clínica de Odivelas:** organized 1 workshop for future parents;

5.3.2.3 Initiatives directed at the population

- **H. Luz Guimarães:** in collaboration with the City Council of Guimarães and Tempo Livre, participated in projects "SWUP - Mulheres + Ativas" – an incentive to physical exercise in women, namely with the participation of physicians and nurses specialized in maternal health, from HLG, in the 1st Congress of Physical Exercise and Health in Pre and Post-Partum; equally in collaboration with the City Council of Guimarães and Tempo Livre, participated in the initiative "Vida Feliz", a program of incentive to the physical exercise of the population over 55, through the organization of different activities, in several locations in the district of Guimarães, with the support of Hospital da Luz Guimarães, offering free health screenings and medical and nursing support.
- **H. Luz Póvoa de Varzim:** in January, organized specific First Aid training for motorcycles, counting with 55 participants.
- **H. Luz Setúbal:** offering of a free screening, commemorating the European Day of Speech and Language Therapy, destined to children aged from 3 to e 8, at Hospital da Luz Setúbal, counting with 15 participants; participation in the three "Health Guides", promoted and distributed to the community of Setúbal, by the Health Bureau of the City Council of Setúbal, with content regarding Dermatology, Nutrition, Gynaecology and Ophthalmology, elaborated by several health professionals from Hospital da Luz Setúbal, who is

also the sponsor of this Guide; event commemorating the International Women's Day, during the Match Day Sponsor organized by Vitória Futebol Clube, with Hospital da Luz Setúbal female employees entering the field alongside the players and, during intermission, the participation of the female winners of a contest open to the general population and launched a few days before on social media, receiving participation awards.

- **H. Luz Torres de Lisboa:** promoted two screenings: hearing and voice.
- **H. Luz Vila Real:** the Hospital offered in its facilities a vision screening, in July; in September, in the restart of school, it offered hearing screenings to children.
- **Hospital Beatriz Ângelo:** organization of "Conversas com Pais" (Conversations with Parents), in partnership with Associação Pais em Rede, where gatherings of families are promoted, potentiating the sharing of experiences, ideas, doubts and exploring specific topics according to the existing needs; participation of HBA professionals in articles and webinars regarding the impact of the pandemic in mental health, in partnership with different media and with associations, such as, SOS Voz Amiga, Grace and the Portuguese Society of Psychiatry and Mental Health.

5.3.2.4 Initiatives supporting sports

- **H. Luz Coimbra:** strategic partnership between the Hospital and AAC/OAF, in the area of Health, allowing the club to reinforce the medical services available to the professional football team; also the main sponsor of the AAC Senior Hockey team and the Senior Rugby team, and of the Basketball teams; in November, it established a partnership with the Handball Section of Associação Académica de Coimbra (AAC) for the season 2020/2021, englobing the providing of medical services to the AAC/Handball Senior and Beginners teams.
- **H. Luz Lisboa:** SL Benfica Official Medical Provider for the 8th consecutive year.
- **H. Luz Oeiras:** sponsor of GDS de Cascais.
- **H. Luz Póvoa de Varzim:** renewal of the Protocol with Varzim Sport Club for the season 2020/2021, with the usual pre-season physical exams carried out at Hospital da Luz Póvoa de Varzim; Official Medical Provider in the 3rd Corrida de Reis, held on January 4, with a team integrating one doctor, three physiotherapists and two nurses, which counted with the participation of 1,500 athletes; new partnership as Official Medical Provider of CDP – Clube Desportivo da Póvoa, for Basketball.
- **H. Luz Setúbal:** Official Medical Provider of Vitória Futebol Clube.

5.3.2.5 Other initiatives with the community

The active participation of Luz Saúde in the area of Support to Caretakers is part of the strategic concern of the Group in accompanying the patient and respective family along all stages of life, disease and dependency, thus contributing for the improvement of healthcare provided to people temporarily or permanently dependent, recognizing the role of the Caretaker and facilitating him access to useful information regarding that task. It is worth noting the collaboration with ADVITA – Association for the Development of New Initiatives for Life, in the production and promotion of 12 movies and 7 brochures, for information, self-training and training of Caretakers, namely family members and informal carers. This material approaches the basic competencies of caretakers, in a clear and accessible language, and aims to transfer the scientific knowledge to daily care providing. The films of Support to Caretakers can be fully and freely viewed through the site of ADVITA www.advita.pt, in YouTube and Vimeo; they are also installed in TV sets in Hospital da Luz Lisboa rooms, to inform patients and families.

C. Environmental sustainability

Luz Saúde Group pursues a strategy of sustainable environmental development, energy efficiency, economy of resources and waste reduction, aiming to minimize the negative environmental impact of energy and gas consumption (to reduce carbon emissions), water consumption and hospital waste management.

From the outset, the concern with sustainability has materialized in the stages of conception and construction, or acquisition, of the buildings where the units are installed and in their energetic certification. And effective practices of evaluation, monitoring, waste minimization, consumption of gas, electric power and water reduction, and correct management of hospital waste have been implemented, along with raising awareness of employees for environmental sustainability.

In the renovation of the private health units acquired by the Group in the last four years, the principles of environmental sustainability have been gradually applied.

In the table below, the GRI indicators that best suit the reality of Luz Saúde.

Indicators of environmental sustainability

GRI		2020	2019	Var.	2018
302-1	Gas consumption (m3)				
	Propane gas	170	1,974	-91%	4,201
	Natural gas	2,458,641	2,210,367	11%	2,255,675
302-1	Electric power consumption (kwh)	59,297,251	53,390,061	11%	50,063,978
305-1	Direct and indirect carbon emissions (ton)	16,791	19,195	-13%	26,050
305-2	Water consumption (m3)	375,774	377,548	0%	345,501
303-5	Hospital waste (ton)				
306-2	Hazardous	1,346	1,106	22%	1,011
	Non-hazardous	1,646	3,404	-52%	3,273
	Total waste	2,992	4,509	-34%	4,284
Output indicators					
	Consultations (thousands)	1,855	2,146	-14%	1,933
	Emergency assistance (thousands)	402	628	-36%	611
	Surgeries and deliveries (thousands)	68	79	-14%	67
	Imaging exams (thousands)	1,026	1,123	-9%	1,094
	No. of beds	1,600	1,650	-3%	1,595
	No. of units	28	30	-3%	30

1. Energy certification of buildings

The process of energy certification was started in 2008 with the internal elaboration of Luz Saúde project and maintenance manuals.

With the exception of the two units in Madeira Island, Hospital do Mar Cuidados Especializados de Gaia, and Hospital da Luz clinics in the Central Region (Cantanhede, Pombal, Coimbra and Figueira da Foz), for which the process of energy certification is still underway, the remaining units are all certified.

A	B	C	D
H. Luz Lisboa	H. Luz Arrábida	H. Luz Clínica do Porto	H. Luz Clínica de Amarante
Casas da Cidade Lisboa	H. Luz Clínica de Águeda	H. Luz Aveiro	H. Luz Clínica Cerveira
	H. Luz Coimbra	H. Luz Póvoa de Varzim	H. Luz Torres de Lisboa (Torres B e D)
	H. Mar Lisboa	H. Luz Oeiras	
	H. Beatriz Ângelo	H. Luz Clínica da Amadora	
	Casas da Cidade Carnaxide	H. Luz Setúbal	
	H. Luz Torres de Lisboa (Torre E)	H. Misericórdia de Évora	
	H. Luz Clínica de Odivelas	H. Luz Torres de Lisboa (Torre F)	
	H. Luz Vila Real	H. Luz Guimarães	
		H. Luz Oiã	

2. Environmental certification (ISO 14001)

Hospital Beatriz Ângelo, the Luz Saúde unit operating on a public-private partnership regime (PPP), has Environmental Certification ISO 14001 since 2013.

3. Gas and power consumption and carbon emission levels

3.1. Gas consumption

In all units, measures to minimize waste, reduce gas consumption and replace propane gas with natural gas, have been adopted. Among others, we highlight the following: installation of pre-heating systems for Domestic Hot Water (DHW), use of renewable energy through solar panels and thermal panels that feed the DHW and Chiller (air conditioning) systems, recovery of DHW from Chillers, and use of Centralized Technical Management systems adequate to the operation profile of each building.

Natural gas, representing today 99.9% of total gas consumption, showed an increase of 11% in 2020.

3.2. Electric power consumption

We have been making a concerted effort of implementation, in all units, of monitoring measures, using local commands or via Centralized Technical Management (CTM), and waste minimizing measures, in terms of lighting and in terms of air conditioning, highlighting the following: lighting circuits with timing, namely in circulation areas and car parks; replacement of incandescent, fluorescent or halogen bulbs with more durable ones; recirculating pumps with timing, either in Domestic Hot Water (DHW), or in Chiller circuits (HVAC); HVAC components operation with timing, such as Chillers and Air Handling Units (AHU), in air-conditioned areas.

In 2020, the variation in electric power consumption was 11% at Group level.

In the expansion works of Hospital da Luz Lisboa, Ice Banks were installed, so as to optimize the energy consumption costs in the use of HVAC. They make it possible to accumulate thermal energy in lower cost hours, for use in higher cost hours.

2020 was an atypical year, with Units undertaking significant works, namely the expansion and remodelling of H. Luz Lisboa, among others, and the demands raised by the Pandemic, implying a misalignment between consumptions and Hospital Output.

2020 was also a year of renegotiation of Energy Contracts, giving continuity to the synergistic approach, initiated in 2015, between Fidelidade and Luz Saúde. The choice of this particular energy supplier, besides allowing an overall reduction of costs, brought benefits in terms of carbon emissions.

3.3. Carbon emissions resulting from gas and power consumption

Carbon emissions are calculated applying a "conversion coefficient" to the consumption (in m3 and kWh) of Gas and Power; while the coefficient applicable to gas consumption is constant, in the case of power, the "conversion coefficient" is yearly provided by EDP (production, transmission, distribution and supply company) and varies according to EDP's own consumptions in the production of energy each year. Along with the efforts of optimization of energy consumption, the care in the choice of the supplier is also worth stressing. This supplier has invested a lot in renewable energies and presents an equivalent coefficient of carbon emission effectively low, which allowed us to reduce our carbon emissions, in spite of the increase in consumption, as shown in the previous table.

In 2020, there was a reduction in the values of carbon emission of about 13%, at Group level.

4. Water consumption

There has been a concerted effort to apply measures, in all units, for monitoring, waste minimizing and water consumption reduction, namely by installing flow control valves in taps, optimizing operation hours for DHW pumps and Chillers (HVAC), and controlling leakage in the piping systems of consumption, fire and irrigation.

In previous years, boreholes and water abstraction wells were drilled in some units, mostly destined to irrigation, with significant water savings.

In 2020, water consumption remained basically at the same level of 2019.

5. Waste production and management

Some types of waste generated in health units may present risks for the safety of patients, employees and the society in general.

Hospital waste management is a complex issue, given the different typologies (type I, II and III, IV), and the large amounts involved; this management is carried out in all Luz Saúde units, in articulation with a certified organization in this area of intervention, in compliance with the standards and guidelines applied to the different categories of waste produced. Each unit develops in parallel and in articulation with that certified organization, active policies of waste minimization and adequate judicious waste sorting and conditioning.

In the waste quantification presented, Groups I and II refer to non-hazardous waste; Group III (hospital risk waste) and Group IV (hospital specific waste) refer to hazardous waste.

2020 was an atypical year, including in terms of waste production. Regarding the Group's two largest units, there was a decrease in hospital waste production. Nevertheless, it should be noted that the values indicated for 2019 and 2020 were provided by two different entities, in what concerns Hospital da Luz Lisboa: the City Council of Lisbon (by estimation) and Stericycle/Ambimed (by weighing), respectively. Which may explain the substantial decrease in 2020.

In 2020, the evolution of hospital waste produced presented a decrease of 34%, although with a different performance by waste typology:

- 22% of growth in the production of "hazardous waste" at Group level, due to personal protection equipment (PPE) disposal;
- -52% of production of waste considered as "non-hazardous".


MINHA SAÚDE
AO
Resultados de exames
Consulte o resultado dos exames realizados no seu Hospital da Luz.
Prescrições de consultas e exames
Aceda às prescrições de consultas e exames passadas pelo seu médico.
Prescrições de medicamentos
Consulte as suas receitas e procure farmácias perto de si.
Registos
Registe os seus dados de saúde e analise a evolução com o seu médico.
Documentos externos
Guarde documentos de saúde que podem ser vistos pelo seu médico durante a consulta.


HOSPIT
ARRÁBIDA

6 INDIVIDUAL FINANCIAL STATEMENTS

20 ANOS DE LUZ

6

INDIVIDUAL FINANCIAL STATEMENTS

(free translation from the original version in portuguese)

Balance sheet as at 31 December 2020

Amounts expressed in euros

	Notes	31-Dec-20	31-Dec-19
Assets			
Non-current assets			
Property, plant and equipment	4.1	1 593 074	1 446 117
Right-of-use assets	4.2	983 166	203 579
Intangible assets	4.3	5 625 758	4 258 873
Investment in subsidiaries and associates	4.4	544 071 791	542 518 287
Other financial assets	7.1	3 189 146	3 008 552
Other non-current assets	5.3	442 103	-
Deferred tax assets	16.4	3 033 654	3 311 513
Total non-current assets		**558 938 692**	**554 746 921**
Current assets			
Other current assets	5.3	518 050	1 791 276
Trade receivables	5.1	2 806 544	3 586 491
Other receivables	5.1	16 211 718	19 911 268
Current income tax	16.3	3 508 549	1 352 838
Cash and cash equivalents	6.3	1 339 954	11 335 538
Total current assets		**24 384 815**	**37 977 411**
Total assets		**583 323 507**	**592 724 332**
Shareholders' Equity			
Equity and reserves			
Share capital		95 542 254	95 542 254
Share premium		61 795 793	61 795 793
Reserves and retained earnings		106 131 427	105 537 725
Total shareholders' equity	**6.2**	**263 469 474**	**262 875 772**
Liabilities			
Non-current liabilities			
Provisions	7.2	17 663	767 663
Borrowings	6.4	242 757 268	204 391 974
Derivative financial instruments	10	3 305 152	3 771 157
Lease liabilities	6.5	722 538	317 676
Total non-current liabilities		**246 802 621**	**209 248 470**
Current liabilities			
Trade payables	5.2	2 815 063	3 539 441
Other payables	5.2	7 319 726	7 120 189
Borrowings and bank overdrafts	6.4	62 640 929	109 821 017
Lease liabilities	6.5	275 694	119 443
Total current liabilities		**73 051 412**	**120 600 090**
Total liabilities		**319 854 033**	**329 848 560**
Total shareholders' equity and liabilities		**583 323 507**	**592 724 332**

Notes are an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2020

Amounts expressed in euros

	Notes	31-Dec-20	31-Dec-19
Income and gains			
Revenue from services rendered	11	6 043 193	2 599 746
Other operating income		35 129	31 890
Financial income	14	33 350 308	34 049 700
Total income and gains		**39 428 630**	**36 681 336**
Expenses and losses			
Costs of services and materials	12	(2 538 269)	(2 212 910)
Personnel expenses	13	(1 605 296)	(2 406 853)
Depreciation and amortization	4	(1 641 971)	(1 224 615)
Other operating expenses		(336 287)	(318 514)
Reversal of provisions	7.2	750 000	-
Reversal of impairment of receivables	5.1	10 000	-
Impairment of investments in subsidiaries	4.4	(25 350 000)	-
Finance expenses	15	(8 330 198)	(7 704 518)
Total expenses and losses		**(39 042 021)**	**(13 867 410)**
Profit before income tax		**386 609**	**22 813 926**
Income tax	16.1	(381 364)	2 706 274
Profit for the year		**5 245**	**25 520 200**
Other comprehensive income:			
Items that maybe reclassified to results			
Cash flow hedges, net of tax	10	588 457	(329 071)
Other comprehensive income / (loss) for the year		**588 457**	**(329 071)**
Comprehensive income for the year		**593 702**	**25 191 129**

Notes are an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2020

Amounts expressed in euros

	Notes	31-Dec-20	31-Dec-19
Operating activities			
Receipts from customers		20 002 141	15 058 599
Payments to suppliers		(13 654 187)	(11 907 764)
Payments to employees		(1 096 331)	(1 168 537)
Cash flow generated in operations		**5 251 623**	**1 982 298**
Income tax (paid) / received		(1 440 300)	299 259
Other receipts/(payments) related with operating activities		(2 634 137)	(392 957)
Net cash flow generated in operating activities		**1 177 186**	**1 888 600**
Investing activities			
Proceed from:			
Loans to subsidiaries	4.4.2	11 785 000	7 380 048
Interest received		14 308 630	19 322 243
Dividends	14	21 962 438	21 544 000
Payments related with:			
Property plant and equipment and intangible assets		(3 336 764)	(3 135 406)
Investment in subsdiaries and associates	4.4.2	(953 000)	(5 512 470)
Loans to subsidiaries	4.4.2	(35 035 504)	(73 310 048)
Other financial assets		(3 000 000)	(3 002 256)
Net cash flow (used) / generated in investing activities		**5 730 800**	**(36 713 889)**
Financing activities			
Proceeds from:			
Borrowings		935 616 493	743 500 000
Financing receipts from related entities		22 900 000	37 600 000
Payments related with:			
Borrowings		(946 222 875)	(701 605 306)
Lease liabilities		(172 055)	(97 791)
Interest and other similar expenses		(18 433 019)	(8 026 924)
Financing payments from related entities		(15 200 000)	(37 600 000)
Net cash flow (used) / generated in financing activities		**(21 511 456)**	**33 769 979**
Change in cash and cash equivalents		**(14 603 470)**	**(1 055 310)**
Cash and cash equivalents at the beginning of the year		**11 335 538**	**12 390 848**
Cash and cash equivalents at the end of the year		**(3 267 932)**	**11 335 538**

Notes are an integral part of these financial statements

Statement of changes in shareholders' equity for the year ended 31 December 2020

Amounts expressed in euros

	Notes	Share capital	Share premium	Reserves and retained earnings	Total
Balance as at 1 January 2019		**95 542 254**	**61 795 793**	**80 346 596**	**237 684 643**
Profit for the year		-	-	25 520 200	25 520 200
Other comprehensive income for the year		-	-	(329 071)	(329 071)
Total comprehensive income of the year		**-**	**-**	**25 191 129**	**25 191 129**
Balance as at 31 December 2019	**6.2**	**95 542 254**	**61 795 793**	**105 537 725**	**262 875 772**
Balance as at 1 January 2020		**95 542 254**	**61 795 793**	**105 537 725**	**262 875 772**
Profit for the year		-	-	5 245	5 245
Other comprehensive income for the year		-	-	588 457	588 457
Total comprehensive income of the year		**-**	**-**	**593 702**	**593 702**
Balance as at 31 December 2020	**6.2**	**95 542 254**	**61 795 793**	**106 131 427**	**263 469 474**

Notes are an integral part of these financial statements

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

(free translation from the original version in portuguese)

A. Entity, relevant events and changes in the financial year

1. Reporting entity

Luz Saúde, SA (hereinafter referred to as "Luz Saúde" or "Company") is a limited liability company, with registered office in Lisbon, at Rua Carlos Alberto da Mota Pinto 17 – 9º floor, registered at the Commercial Registry Office with the number 504 885 367, whose corporate purpose is the development and participation in healthcare businesses in a direct and indirect way.

Luz Saúde is controlled by Fosun International Holdings Ltd ("Fosun") through Fidelidade - Companhia de Seguros, SA ("Fidelidade").

1.1. SARS-COV-2 pandemic

Considering the facts that have occurred until the date of approval of these financial statements, and even though the coming months continue to be surrounded by uncertainty regarding the epidemiological situation and the measures implemented, the Board of Directors, considering the recent history of operations and the levels of financing contracted, does not estimate that the impacts of the pandemic may jeopardize the continuity of the operations of the Company and its subsidiaries, and as such these financial statements have been prepared on going concerning basis. In the consolidated financial statements for the year ended 31 December 2020, the impacts of the SARS-COV-2 pandemic on the operations of the Company and its subsidiaries are presented in more detail.

2. Financial statements approval

These financial statements were approved and authorized for disclosure by the Board of Directors on 30 April, 2021. These financial statements are still subject to the approval by the General Shareholders' Meeting, under the terms of the Portuguese commercial legislation.

3. Basis of presentation of the financial statements

The financial statements have been prepared on a going concern basis from the company's books and accounting records and based on historical cost, pursuant to International Financial Reporting Standards ("IFRS"), as adopted by the European Union as at 31 December 2020, modified by the application of the fair value to derivative financial instruments and other financial assets.

These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

The financial statements are presented in euros, that is also the functional currency.

3.1. Changes in accounting policies

During 2020, accounting standards and interpretations were approved and published in the Official Journal of the European Union, with application in subsequent years, although their early adoption is permitted. Below, we briefly present the standards or changes adopted by the Company in the preparation of its financial statements as well as the standards not early adopted.

3.1.1. New standards, amendments, or interpretations applicable to financial years beginning on or after 1 January 2020

Resulting from the endorsement by the European Union (EU), the following new standards, amendments, changes and improvements to the Standards and Interpretations occurred, with effect from 1 January 2020, which, when applicable, were adopted by the Company:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
March 2018	Amendments to references to the conceptual framework in IFRS standards	1 January 2020
October 2018	IAS 1 and IAS 8: Definition of material (amendment)	1 January 2020
October 2018	IFRS 3: Business combination (amendment)	1 January 2020
September 2019	IFRS 9, IAS 39, IFRS 7: Interest rate benchmark reform	1 January 2020
May 2020	IFRS 16 Leases COVID-19 – Related rent concessions (amendment)	1 June 2020

The adoption of these standards, interpretations and amendments to the standards, had no significant impact on the Company's financial statements.

3.1.2. New standards, amendments and interpretations issued by the IASB, endorsed by the European Union (EU), with application to the periods starting after 1 January 2020

As at 31 December 2020, the following amendment to the Standards and Interpretations issued by the IASB was already endorsed by the EU, however their application is only mandatory for the years beginning after 1 January 2020.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
June 2020	IFRS 4 Insurance contracts – deferral of IFRS 9 (amendment)	1 January 2021

The Company did not carry out the early adoption of the aforementioned amendment, and do not expect significant impacts on the financial statements resulting from its adoption.

3.1.3. New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union (EU) by 31 December 2020

As at 31 December 2020, the following standards, revisions, amendments and improvements to the Standards and Interpretations, issued by the IASB were still pending approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2017	IFRS 17 Insurance contracts (new)	1 January 2023
January e July 2020	IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current and classification of liabilities as current and non-current – deferral of effective date (amendment)	1 January 2023
May 2020	Amendment to • IFRS 3 Business Combinations • IAS 16 Property, Plant and equipment • IAS 37 Provisions, contingent liabilities and contingent assets • Annual improvements IFRS 2018-2020	1 January 2022
August 2020	IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2 (amendment)	1 January 2021

The impact of the adoption of these standards and amendments is currently under analysis by the Company, however, no material impacts are expected to the financial statements.

3.2. Estimates and judgments used in the preparation of the financial statments

IFRS establish a series of accounting treatments and require the Board of Directors to make the necessary judgments, estimates and decide which accounting treatment is the most appropriate to the Company's operations. Thus, the main accounting estimates and judgments used in the preparation of these financial statements are presented throughout the following notes, namely:

- Impairment of investments in subsidiaries and associates (note B4.4.3)
- Recoverability of deferred tax assets (note D16)
- Impairment of accounts receivables (note B5.1)

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the financial position and results reported by the Company could be different if a different treatment was chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements adequately present the Company's financial position, results and cash flows from its operations in all materially relevant aspects.

B. Financial position

4. Investments

4.1. Property, plant and equipment

POLICY

Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. Subsequent expenses with tangible assets are recognized only if it is probable that they will result in future economic benefits for the Company. All current maintenance and repair expenses are recognized as an expense.

Depreciation of tangible assets is calculated using the straight-line method, starting from the month in which the assets are available for use. The depreciation rates used correspond, on average, to the following estimated useful lives:

	Years
Administrative equipment	2-20
Other property, plant and equipment	3-20

Depreciation ceases when the assets are classified as held for sale.

When there is an indication that an asset may be impaired, its recoverable amount is estimated, an impairment loss is recognized whenever the carry amount of an asset exceeds its recoverable value. Impairment losses are recognized in the statement of profit or loss.

ESTIMATE

Depreciation is calculated on the acquisition cost using the straight-line method, starting from the month in which the asset is available for use. The depreciation rates practiced reflect the best knowledge about the estimated useful life. The residual values of the assets and the respective useful lives are reviewed and adjusted, when necessary.

The changes in property, plant and equipment can be presented as follows:

	Administrative equipment	Other	In progress	Total
Acquisition cost				
Balance as at 1 January 2019	2 277 655	1 661	287 064	2 566 380
Additions	-	-	805 565	805 565
Transfer and adjustments	675 560	(1 661)	(673 899)	-
Balance as at 31 December 2019	**2 953 215**	**-**	**418 730**	**3 371 945**
Balance as at 1 January 2020	2 953 215	-	418 730	3 371 945
Additions	-	-	678 032	678 032
Transfer and adjustments	477 061	-	(477 061)	-
Balance as at 31 December 2020	**3 430 276**	**-**	**619 701**	**4 049 977**
Accumulated depreciation				
Balance as at 1 January 2019	1 563 285	1 014	-	1 564 299
Depreciation for the year	361 529	-	-	361 529
Transfer and adjustments	1 014	(1 014)	-	-
Balance as at 31 December 2019	**1 925 828**	**-**	**-**	**1 925 828**
Balance as at 1 January 2020	1 925 828	-	-	1 925 828
Depreciation for the year	531 075	-	-	531 075
Balance as at 31 December 2020	**2 456 903**	**-**	**-**	**2 456 903**
Net book value				
As at 31 December 2019	**1 027 387**	**-**	**418 730**	**1 446 117**
As at 31 December 2020	**973 373**	**-**	**619 701**	**1 593 074**

Fully depreciated tangible fixed assets amount to €1.6 million (2019: €1.4 million).

As at 31 December 2020, the Company has no materially commitments related to the acquisition of property, plant and equipment.

4.2. Right-of-use assets

POLICY

The Company enters into lease contracts to use assets in its operating activity, such as buildings and vehicles, these lease contracts typically are made for periods of 4 to 10 years. When applicable, the Company allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, in which the Company decided not to separate the lease and non-lease components, recognizing the two components together as if it were a single lease component.

As of 1 January 2019, leasing contracts started to be recognized in assets (right-of-use assets) and in liabilities, from the date the underlying asset became available for use by the Company.

Right-of-use assets are measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and
- dismantling and replacement costs.

Right-of-use assets are generally depreciated at the shorter of the assets' useful life and the lease term, except when the Company has a purchase option on the underlying asset and it is reasonably certain that this option will be exercised.

When the lease contracts have an associated sublease agreement, the Company recognizes a financial liability for all lease payments discounted at the incremental rate, and a financial asset, for the right-of-use to the extent of the agreed sublease.

4.2.1. Right-of-use assets changes for the year

	Buildings	Transport equipment	Total
Acquisition cost			
Balance as at 1 January 2019	183 753	121 954	305 707
Additions	-	16 247	16 247
Balance as at 31 December 2019	**183 753**	**138 201**	**321 954**
Balance as at 1 January 2020	183 753	138 201	321 954
Additions	804 878	82 742	887 620
Balance as at 31 December 2020	**988 631**	**220 943**	**1 209 574**
Accumulated depreciation			
Balance as at 1 January 2019	-	-	-
Depreciation for the year	75 281	43 094	118 375
Balance as at 31 December 2019	**75 281**	**43 094**	**118 375**
Balance as at 1 January 2020	75 281	43 094	118 375
Depreciation for the year	137 535	47 057	184 592
Transfer and adjustments	(75 605)	(954)	(76 559)
Balance as at 31 December 2020	**137 211**	**89 197**	**226 408**
Net book value			
As at 31 December 2019	**108 472**	**95 107**	**203 579**
As at 31 December 2020	**851 420**	**131 746**	**983 166**

4.2.2. Impact on the statement of profit or loss

	31-Dec-20	31-Dec-19
Depreciation of right-of-use assets		
Buildings	137 535	75 281
Transport equipment	47 057	43 094
	184 592	**118 375**
Financial expenses		
Financial expenses on lease agreements	16 388	3 839
	16 388	**3 839**
Rents		
Expenses with short-term contracts	16 812	-
Expenses with low value contracts	5 338	-
Expenses with lease agreements for intangible assets	20 210	23 376
	42 360	**23 376**

In 2020, payments made on lease contracts amounted to €172 thousand (2019: €97 thousand).

Liabilities for lease liabilities are presented in note 6.5

4.3. Intangible assets

POLICY

Intangible assets are recognized at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the Company and that they can be measured reliably. Intangible assets with defined useful lives are amortized using the straight-line method, starting from the month in which they are available for use, during the useful life of the contracts. Intangible assets with indefinite useful lives are not subject to amortization, being subject to impairment tests in the last quarter of each financial year or when there is an indication that they may be impaired.

	Software	In progress	Total
Acquisition cost			
Balance as at 1 January 2019	4 257 908	1 825 856	6 083 764
Additions	-	2 081 058	2 081 058
Adjustments and transfers	1 866 213	(1 866 213)	-
Balance as at 31 December 2019	**6 124 121**	**2 040 701**	**8 164 822**
Balance as at 1 January 2020	6 124 121	2 040 701	8 164 822
Additions	320	2 591 940	2 592 260
Adjustments and transfers	3 020 463	(3 319 213)	(298 750)
Balance as at 31 December 2020	**9 144 904**	**1 313 428**	**10 458 332**
Accumulated amortization			
Balance as at 1 January 2019	3 161 238	-	3 161 238
Amortization for the year	744 711	-	744 711
Balance as at 31 December 2019	**3 905 949**	**-**	**3 905 949**
Balance as at 1 January 2020	3 905 949	-	3 905 949
Amortization for the year	926 304	-	926 304
Adjustments and transfers	321	-	321
Balance as at 31 December 2020	**4 832 574**	**-**	**4 832 574**
Net book value			
As at 31 December 2019	**2 218 172**	**2 040 701**	**4 258 873**
As at 31 December 2020	**4 312 330**	**1 313 428**	**5 625 758**

Intangible assets in progress refer to projects related to information systems that are being implemented.

Fully amortized intangible fixed assets amount to €3.5 million (2019: €2.9 million).

As of 31 December 2020, the Company has no materially commitments related to the acquisition of intangible assets.

4.4. Investment in subsidiaries and associates

POLICY

Financial investments in equity interests and equity loans to subsidiaries and associates are recognized at acquisition cost, less impairment losses when applicable.

Loans to subsidiaries are classified as non-current, when they have a maturity over 12 months from the reporting date or when the payment term is less than 12 months and there is an intention of the Company to renew the loan for a longer period. They are measured at the respective amortized cost, determined in accordance with the effective interest rate method. When there is evidence that they are impaired (ie when financial investments deteriorate significantly in terms of their financial position), the corresponding impairment loss is recorded in the statement of profit or loss.

ESTIMATE

The recognition of impairment in a financial investment is made when the book value of that investment exceeds the present value of future cash flows. The calculation of the present value of estimated cash flows and the decision to consider permanent impairment involves judgment and is dependent of the future development of the subsidiaries and associates. For the purposes of impairment testing, market prices, if available, or other valuation assumptions, based on information available from subsidiaries and associates, are used. In order to determine whether there is a permanent impairment, Luz Saúde considers the ability and intention to hold the investment for a reasonable period of time that is sufficient for a forecast to recover the fair value up to (or above) the balance sheet value, including an analysis of factors such as the expected results of the subsidiary or associate, the economic and regulatory environment, the status of the industry and the market in which they operate.

The heading of investments in subsidiaries and associates can be presented as follows:

	Equity in subsidiaries and associates	Equity loans loans to subsidiaries and associates	Loans to subsidiaries and associates	Accumulated impairment	Net book value
Acquisition cost					
Balance as at 1 January 2019	127 580 941	189 495 819	218 122 988	(63 983 757)	471 215 991
Additions	1 512 470	4 000 000	73 310 048	(140 174)	78 682 344
Decrease	-	-	(7 380 048)	-	(7 380 048)
Balance as at 31 December 2019	**129 093 411**	**193 495 819**	**284 052 988**	**(64 123 931)**	**542 518 287**
Balance as at 1 January 2020	129 093 411	193 495 819	284 052 988	(64 123 931)	542 518 287
Additions	953 000	101 000 000	10 335 504	(25 350 000)	86 938 504
Decrease	-	(7 850 000)	(77 435 000)	-	(85 285 000)
Transfers and adjustments	(100 000)	-	-	-	(100 000)
Balance as at 31 December 2020	**129 946 411**	**286 645 819**	**216 953 492**	**(89 473 931)**	**544 071 791**

4.4.1. Investments in subsidiaries and associates by entity

	Registered office	% of shareholding	Equity interest	Equity loans	Loans	Impairment	Total 31-Dec-20	Total 31-Dec-19
Subsidiaries								
Casas da Cidade - Residências Sénior de Carnaxide, SA ("CASAS CARNAXIDE")	Oeiras	100.00%	5 345 659	3 000 000	495 000	(2 250 000)	6 590 659	6 590 659
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100.00%	200 000	490 000	-	-	690 000	690 000
Hospital da Luz Oeiras, SA ("HLO")	Oeiras	100.00%	250 000	-	-	-	250 000	250 000
GLSMED LEARNING HEALTH, SA ("GLSLH")	Lisbon	100.00%	2 050 000	250 000	2 015 000	(1 100 000)	3 215 000	3 765 000
GLSMED TRADE, SA ("GLST")	Lisbon	100.00%	300 000	-	1 275 504	-	1 575 504	1 400 000
HME - Gestão Hospitalar, SA ("HME")	Évora	100.00%	149 104	-	15 080 000	(12 781 930)	2 447 174	2 497 174
Hospital da Luz Arrábida, SA ("HAG")	V. N. Gaia	100.00%	8 240 113	-	-	-	8 240 113	8 240 113
Hospital da Luz Aveiro, SA ("HLA")	Aveiro	95.33%	4 762 151	-	-	-	4 762 151	4 609 151
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100.00%	2 100 000	10 200 000	2 379 189	(9 365 000)	5 314 189	7 839 189
Hospital da Luz Guimarães, SA ("HLG")	Lisbon	100.00%	7 487 500	12 150 000	-	-	19 637 500	27 852 500
Hospital da Luz, SA ("HLL")	Lisbon	100.00%	3 683 334	6 480 048	-	-	10 163 382	10 913 382
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100.00%	35 450 000	6 500 000	67 400 000	-	109 350 000	109 250 000
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	Lisbon	100.00%	41 800 000	175 200 000	67 130 000	-	284 130 000	257 630 000
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75.00%	5 362 500	-	-	-	5 362 500	6 407 500
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	100.00%	3 246 737	38 178 374	29 900 000	(63 836 827)	7 488 284	23 188 284
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100.00%	6 087 500	7 500 000	19 150 000	-	32 737 500	33 137 500
Hospital da Luz Funchal, SA ("HLF")	Funchal	81.35%	3 132 588	-	6 713 899	(140 174)	9 706 313	7 856 313
Capital Creativo Health Care Investment II, SA ("CCHCI II") (1)	Lisbon	80.00%	40 000	26 100 000	5 414 900	-	31 554 900	29 444 900
			129 687 186	**286 048 422**	**216 953 492**	**(89 473 931)**	**543 215 169**	**541 561 665**
Associates								
GENOMED - Diagnósticos de Medicina Molecular, SA ("GENOMED")	Lisbon	37.50%	244 825	-	-	-	244 825	244 825
HL - Sociedade Gestora do Edifício, SA ("HL-SGE")	Oeiras	10.00%	14 400	597 397	-	-	611 797	611 797
Other financial investments			-	-	-	-	-	100 000
			259 225	**597 397**	**-**	**-**	**856 622**	**956 622**
Total investments in subsidiaries and associates - net book value			**129 946 411**	**286 645 819**	**216 953 492**	**(89 473 931)**	**544 071 791**	**542 518 287**

(1) Luz Saúde holds and option to acquire the remaining 20% equity stake in this subsidiary, which was exercised in March 2021

4.4.2. Changes in financial investments

	Equity interest	Equity loans	Loans	Impairment	Total
Balance at 1 January 2020	**129 093 411**	**193 495 819**	**284 052 988**	**(64 123 931)**	**542 518 287**
Share acquisition					
GLSLH	800 000	-	-	-	**800 000**
HLA	153 000	-	-	-	**153 000**
Transfer to other financial assets	(100 000)	-	-	-	**(100 000)**
	853 000	**-**	**-**	**-**	**853 000**
Addition / (reimbursement) of equity loans					
USATI	-	100 000 000	-	-	**100 000 000**
HL-CCA	-	1 000 000	-	-	**1 000 000**
HLG	-	(7 850 000)	-	-	**(7 850 000)**
	-	**93 150 000**	**-**	**-**	**93 150 000**
Addition / (reimbursement) of loans					
SGHL	-	-	3 800 000	-	**3 800 000**
HME	-	-	2 300 000	-	**2 300 000**
CCHCI II	-	-	2 110 000	-	**2 110 000**
HLF	-	-	1 850 000	-	**1 850 000**
GLST	-	-	175 504	-	**175 504**
HOSPOR	-	-	100 000	-	**100 000**
GLSLH	-	-	(250 000)	-	**(250 000)**
HLG	-	-	(365 000)	-	**(365 000)**
SURGICARE	-	-	(400 000)	-	**(400 000)**
HLL	-	-	(750 000)	-	**(750 000)**
RML	-	-	(1 045 000)	-	**(1 045 000)**
HL-CCA	-	-	(1 125 000)	-	**(1 125 000)**
USATI	-	-	(73 500 000)	-	**(73 500 000)**
	-	**-**	**(67 099 496)**	**-**	**(67 099 496)**
Impaiment expense					
GLSLH	-	-	-	(1 100 000)	**(1 100 000)**
HME	-	-	-	(2 350 000)	**(2 350 000)**
HL-CCA	-	-	-	(2 400 000)	**(2 400 000)**
SGHL	-	-	-	(19 500 000)	**(19 500 000)**
	-	**-**	**-**	**(25 350 000)**	**(25 350 000)**
Balance as at 31 December 2020	**129 946 411**	**286 645 819**	**216 953 492**	**(89 473 931)**	**544 071 791**

In December 2020, in order to improve the financial structure of USATI, the Company approved the conversion into equity loans of intercompany loans made to USATI, in the amount of €100 million.

4.4.3. Detail of impairment in subsidiaries and associates

The recoverable amount of investments in subsidiaries and associates (financial instruments and non-current accounts receivables) is tested annually in the last quarter of each financial year, or whenever there is an indication of a possible loss in value. The recoverable amount is determined based on the higher of the carried amount of the assets in accordance with the financial information prepared by each subsidiary and its value in use.

The value in use is calculated using discounted cash flows (DCF), considering the historical performance of the business, the market conditions, the future expectations for the development of each business, the time value and the business risks.

For the purposes of the tests, carried out in the last quarter of 2020 and 2019, the Company defined a set of assumptions to determine the recoverable value of the investments made, of which we highlight the following:

Year	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
2020	DCF	5 years	4.68%	1.8%
2019	DCF	5 years	3.70%	1.8%

The following should be noted:

- Projected cash flows are based on the budgets prepared by the companies and approved by their respective Board of Directors, which represent the first year of cash flows for the period under analysis;
- Medium and long-term projected cash flows are based on historical performance and business plans and are extended in perpetuity;
- The assumptions used in projecting cash flows for each of the cash-generating units are those to which the recoverable amount of the unit is most sensitive;
- The key assumptions used are a reflection of past experience and external sources of information; and,
- The growth rate used is in accordance with the average long-term growth rate for the market in which the unit operates.

Based on the tests carried out, the Company reinforced its impairment levels, and the details of impairment losses per subsidiary can be presented as shown in the table below:

	31-Dez-20	31-Dez-19
SGHL	63 836 827	44 336 827
HME	12 781 930	10 431 930
AMAD	9 365 000	6 965 000
CASAS CARNAXIDE	2 250 000	2 250 000
GLSL	1 100 000	-
HLF	140 174	140 174
	89 473 931	**64 123 931**

4.4.4. Summarized financial information of the main subsidiaries

	HAG	HLL	HOSPOR	SGHL
Summarized net assets				
Current assets	20 314 340	47 527 192	29 661 559	31 087 155
Current liabilities	(18 606 212)	(47 202 418)	(26 607 007)	(28 509 438)
Current net assets/(liabilities)	**1 708 128**	**324 774**	**3 054 552**	**2 577 717**
Non-current assets	31 906 199	133 715 976	141 811 100	12 587 882
Shareholder loans	-	-	(67 400 000)	(29 900 000)
Non-current liabilities	(2 216 864)	(115 026 712)	(7 323 497)	(6 619 353)
Net assets/(liabilities)	**31 397 463**	**19 014 038**	**70 142 155**	**(21 353 754)**
Summarized results				
Total revenue	59 400 531	177 137 029	82 358 347	89 034 185
Profit before income tax	7 827 194	5 507 617	(146 996)	(27 796 501)
Expenses	704 232	(810 903)	1 259 001	6 924 600
Net profit	**8 531 426**	**4 696 714**	**1 112 005**	**(20 871 901)**
Summarized cash flows				
Operating cash flow	9 726 733	8 674 587	3 034 205	(4 947 613)
Investment cash flow	(4 192 724)	(536 680)	(2 037 475)	(696 527)
Financing cash flow	(11 599 114)	(17 591 100)	(6 665 059)	(1 244 269)
Change in cash and cash equivalents	**(6 065 105)**	**(9 453 193)**	**(5 668 329)**	**(6 888 409)**

5. Working capital

5.1. Trade and other receivables

POLICY

Trade and other receivables classified as current assets have no implicit interest and are presented using the amortized cost method, which is considered to be similar to the nominal value, less the associated impairment losses. If collection is expected to occur within a year of the reporting date, they are classified as current assets. Impairment losses are recorded in the statement of profit or loss in accordance with the expectation of default or when there is objective evidence that the Company will not collect all the amounts receivable, and will be subsequently reversed through the statement of profit or loss, if in a later period there is a decrease in the estimated loss amount.

ESTIMATE

Impairment losses related to doubtful receivables are based on the Company's assessment of the probability of recovering the accounts receivable balances. This assessment is made based on the ageing of the receivable, the debtor's profile and the deterioration of the credit situation of the debtors. If the financial conditions of debtors deteriorate, impairment losses may be higher than expected.

Trade and other receivable include mainly amounts receivable from the Company's subsidiaries in respect of the services rendering, the reimbursement of expenses supported by the Company and interest on shareholders loans granted. The balance can be presented as follows:

	31-Dec-20	31-Dec-19
Trade receivables	98 404	102 070
Trade receivables - related entities (note 5.1.1)	2 775 640	3 561 921
Impairment of trade receivables (note 5.1.2)	(67 500)	(77 500)
Total trade receivables	**2 806 544**	**3 586 491**
Other receivables - related entities (note 5.1.1)	11 321 298	14 364 194
Tax group - related entities (note 5.1.2)	3 995 303	4 221 022
State and other public entities	60 170	637 419
Accrued income	683 795	332 893
Other debtors	151 152	355 740
Total other receivables	**16 211 718**	**19 911 268**
	19 018 262	**23 497 759**

Considering the short maturities associated with the balances presented above, it is considered that their book value has no significant difference to fair value.

The balance with State and other public entities refers to VAT to be recovered.

5.1.1. Trade and other debtors – related entities

	31-Dec-20				31-Dec-19			
		Other debtors				Other debtors		
	Trade receivables	Tax group	Other debtors	Total	Trade receivables	Tax group	Other debtors	Total
Subsidiaries								
USATI	972 913	-	6 154 895	7 127 808	565 217	-	6 540 853	7 106 070
HOSPOR	213 324	42 381	2 768 730	3 024 435	444 780	122 323	3 423 712	3 990 815
HLL	58 518	1 233 335	28 307	1 320 160	496 487	2 129 585	91 993	2 718 065
HME	93 148	8 209	544 066	645 423	103 866	9 364	2 188 502	2 301 732
HAG	231 752	-	-	231 752	219 024	1 549 467	-	1 768 491
SURGICARE	97 670	-	803 656	901 326	101 406	-	984 538	1 085 944
ACE	337 207	-	-	337 207	619 284	-	150	619 434
HLF	31 425	2 667	221 118	255 210	41 326	728	420 672	462 726
HL-CCA	24 199	4 175	147 963	176 337	13 487	629	384 404	398 520
SGHL	85 338	39 858	-	125 196	213 663	52 524	36 582	302 769
HLA	99 093	25 302	1 573	125 968	175 118	65 396	31 689	272 203
HLO	11 763	10 472	-	22 235	109 659	157 079	-	266 738
HLG	113 747	13 545	4 633	131 925	176 880	10 861	20 020	207 761
HLC	308 990	-	-	308 990	182 068	-	-	182 068
CCHCI II	5 658	-	143 845	149 503	6 519	-	101 911	108 430
GLSLH	12 232	8 130	99 320	119 682	9 945	-	73 074	83 019
GLST	47 073	2 585 412	347 593	2 980 078	19 939	52 886	7 594	80 419
CASAS CARNAXIDE	5 086	1 591	20 351	27 028	9 171	40 741	27 150	77 062
RML	4 797	-	35 248	40 045	6 396	-	31 350	37 746
VLUSITANO	8 098	-	-	8 098	15 280	15 054	-	30 334
CASAS	5 337	11 311	-	16 648	11 853	14 385	-	26 238
HRM	3 475	8 915	-	12 390	14 772	-	-	14 772
CRB	4 797	-	-	4 797	5 781	-	-	5 781
	2 775 640	**3 995 303**	**11 321 298**	**18 092 241**	**3 561 921**	**4 221 022**	**14 364 194**	**22 147 137**

Tax group column includes the balances related to tax consolidation regime, namely the income tax (CIT) payable by the Company's subsidiaries with taxable earnings in 2020, which are part of the tax group led by Luz Saúde.

5.1.2. Impairment of receivables

	31-Dec-20	31-Dec-19
Impairment of receivables as at 1 January	**77 500**	**77 500**
Effect in profit and loss		
Reversal of impairment	(10 000)	-
Impairment of receivables as at 31 December	**67 500**	**77 500**

5.2. Trade and other payables

POLICY

Trade and other payables present the liabilities regarding the purchase of services, by the Company in the normal course of its activities. If payment is due within a year or less, they are classified as current liabilities, otherwise, they are classified as non-current liabilities. Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method, which considering the short maturities of these liabilities it is equal to its nominal value. Gains or losses are recognized in profit or loss when liabilities are derecognized, as well as through the amortization process at the effective interest rate.

	31-Dec-20	31-Dec-19
Trade payables - current	2 815 063	3 534 341
Trade payables - related entities (note 19)	-	5 100
Total trade payables	**2 815 063**	**3 539 441**
State and other public entities	63 953	64 754
Personnel	1 479 309	1 801 583
Other accruals	1 072 593	867 177
Other payables	5 132	10 582
Tax group - related entities	4 698 739	4 295 958
Other payables - related entities (note 19)	-	80 135
Total other payables	**7 319 726**	**7 120 189**
	10 134 789	**10 659 630**

Considering the maturities associated with the balances presented above, it is considered that its book value has no material difference to fair value.

The item of personnel includes the liability for vacation period and vacation allowance and variable remuneration of the Board of Directors executive members and employees.

Other accruals refer essentially to liabilities assumed with the contracting of services related to the Company's activity.

The tax group item refers to the income tax loss generated in 2020, by the Company's subsidiaries that are part of the tax group led by Luz Saúde. This amount includes only the amount of losses generated in the year, which the tax group will be able to recover in 2021, given that the tax group had no losses from previous years.

5.3. Other current and non-current assets

	31-Dec-20	31-Dec-19
Deferred expenses	728 051	1 603 679
Advances to suppliers	232 102	187 597
	960 153	**1 791 276**
From which:		
Current	442 103	-
Non-current	518 050	1 791 276

6. Financing

6.1. Capital management

The Company manages the Group's corporate debt, with the main business units having independent operational treasury management. The Company's objectives in relation to capital management are:

- Safeguard of the Company's ability to continue operating and thus provide returns for shareholders and benefits for other stakeholders;
- Maintain a solid capital structure to support the development of the Group's activity; and
- Maintain an optimal capital structure that allows the Company to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Capital ratios are usually measured based on the Company's consolidated accounts.

6.2. Share capital

Luz Saúde's share capital is comprised of 95 542 254 ordinary registered shares with a nominal value of €1 (31 December 2019: 95 542 254 shares).

6.2.1. Share premium

Share premium is related to the share capital increase undertaken by the company in 2004, 2005 and 2006 in the amounts of €12 500 thousand, €7 500 thousand and €61 600 thousand, respectively. During the 2011 financial year, these funds were partially used in the amount of €33 870 082, following a Shareholders Meeting resolution, to cover losses carried forward, leaving a balance of €47 729 918.

In the share capital increase that occurred in February 2014, €15 492 959 was recorded as share premiums from which €1 427 084 were deduced for transaction costs with the share capital increase. The caption therefore presents a total balance of €61 795 793.

6.2.2. Reserves and retained earnings

As of 31 December 2020 and 2019 the amount in reserves and retained earnings (which include also the comprehensive income for the year) can be presented as follows:

	31-Dec-20	31-Dec-19
Legal reserve	5 520 044	4 244 034
Other reserves	103 107 910	78 863 720
Accumulated losses	(3 090 229)	(2 761 159)
Comprehensive income for the year	593 702	25 191 129
	106 131 427	**105 537 725**

6.2.3. Non-distributable reserves

The non-distributable reserves include the legal reserve created by allocation of the net profit of each financial year.

6.2.4. Other reserves

Other reserves relate to the unrestricted reserves created by the allocation of the net profit from previous years, available to be distributed to shareholders. The distribution of theses reserves is limited by the debtor balance of the caption accumulates losses.

6.2.5. Profit allocation

According to the proposal presented and approved at the Shareholders General Meeting held on May 25, 2020, the net profit of Luz Saúde, for the year 2019, had the following allocation:

	2019 Year-end	2018 Year-end
Legal reserve	1 276 010	1 131 626
Unrestricted reserves	24 244 190	21 500 880
Statutory profit allocation	**25 520 200**	**22 632 506**

6.2.6. Accumulated losses

Accumulated losses includes, among other, the effectiveness of derivative financial instruments and the result generated in previous years from the purchase and sale of treasury shares held under the stock compensation plan.

6.3. Cash and cash equivalents

POLICY

The amounts included in the item cash and cash equivalents correspond to the amounts of cash, bank deposits, term deposits and other, maturing in or less than three months and which can be immediately mobilized and with an insignificant risk of change in value. Bank overdrafts are presented as current loans in liabilities.

	31-Dec-20	31-Dec-19
Cash	500	500
Immediately available bank deposits	1 339 454	11 335 038
	1 339 954	**11 335 538**

Considering the short maturities associated with the balances presented above, it is considered that its book value has no material difference to the fair value.

For the purposes of preparing the cash flow statement, cash and cash equivalents is detailed as follows:

	31-Dec-20	31-Dec-19
Cash and cash equivalents as presented above	1 339 954	11 335 538
Bank overdrafts	(4 607 886)	-
Balance in the statement of cash flow	**(3 267 932)**	**11 335 538**

6.4. Interest-bearing liabilities

POLICY

Interest-bearing liabilities include mainly the Company's credit lines, whether in the form of bank loans, bond loan or commercial paper programs. These liabilities are recognized at fair value and are subsequently measured at amortized cost calculated using the effective interest rate method. They are classified in current or non-current liabilities depending on their maturity, thus, if the debt matures in less than a year, it will be classified as a current liability, if it is more than a year it will be classified as a non-current liability. Derecognition occurs when the obligations arising from the contracts end, namely at the time of settlement. Financial charges are calculated according to the effective interest rate and, recorded in the statement of profit or loss, on an accrual basis.

	31-Dec-20	31-Dec-19
Interest-bearing liabilities		
Non-current		
Borrowings and bank overdrafts		
Commercial paper	195 950 000	170 393 969
Borrowings	31 807 268	33 998 005
Bond loans	15 000 000	-
	242 757 268	**204 391 974**
Current		
Borrowings and bank overdrafts		
Commercial paper	46 942 089	99 989 022
Borrowings	11 090 954	9 831 995
Other loans	4 607 886	-
	62 640 929	**109 821 017**
Interest-bearing liabilities	**305 398 197**	**314 212 991**

As at 31 December 2020, the Company has unused credit lines in the amount of €47.9 million, of which €22.9 million in the form of bank overdraft.

6.4.1. Commercial paper

ESTIMATE

Commercial paper programs that do not include any firm underwriting clause are classified in current liabilities, although it is expected that the placement by the bank will be able to obtain the necessary funds from their distribution channels. Commercial paper programs with a maturity of more than 12 months after the reporting date are classified as non-current, whenever the Group has the capacity to control the renewal of current issues until the maturity of the programs and these are underwritten by the organizer.

The commercial paper financing lines that the Company has are the following:

Start date	End date	Subscription underwriting	Program amount	Amount used on 31-Dec-20	Amount used on 31-Dec-19
14/10/2015	22/12/2027	Yes	23 000 000	23 000 000	18 000 000
04/08/2017	11/09/2027	Yes	25 000 000	5 000 000	20 850 000
05/06/2019	05/06/2025	Yes	30 000 000	30 000 000	30 000 000
10/02/2011	26/04/2025	Yes	107 200 000	107 200 000	128 600 000
05/05/2020	05/05/2025	Yes	15 000 000	10 000 000	5 000 000
18/05/2016	31/03/2023	Yes	45 000 000	45 000 000	35 000 000
17/03/2017	17/03/2022	No	20 000 000	5 000 000	17 950 000
10/08/2018	10/02/2022	Yes	10 500 000	10 500 000	10 500 000
06/10/2018	06/10/2021	No	15 000 000	7 700 000	-
22/12/2017	23/12/2020	Yes	5 000 000	-	5 000 000
				243 400 000	**270 900 000**
Interest and other expenses, net				(507 911)	(517 009)
				242 892 089	**270 382 991**

The commercial paper programs due in 2025 (amounting €107.2 million and €30 million) and in 2027 are secured with mortgages of the buildings of Hospital da Luz in Lisbon, Hospital da Luz Arrábida, Casas de Carnaxide, Hospital da Luz - Clínica da Amadora, Hospital da Luz in Póvoa do Varzim and Hospital da Luz in Setúbal.

Of the amount used in December 2020, the amount of €7.7 million, relates to balances with related entities: Hospital da Luz Arrábida (€3 million), Casas da Cidade (€0,5 million), CRB (€ 2.6 million) and Luz Saúde Serviços ACE (€1.6 million).

6.4.2. Bank loans

Start date	End date	Amount used on 31-Dec-20	Amount used on 31-Dec-19
31/10/2017	31/10/2026	8 331 739	8 331 739
21/11/2019	21/11/2025	10 000 000	10 000 000
23/11/2018	23/11/2024	8 919 725	8 919 725
22/04/2019	22/10/2023	10 000 000	10 000 000
09/10/2017	09/04/2023	5 661 748	6 761 936
17/04/2020	17/04/2021	-	-
		42 913 212	**44 013 400**
	Accrued interest and other expenses, net	(14 990)	(183 400)
		42 898 222	**43 830 000**

The loan maturing in 2026 is secured by the mortgage of Hospital da Luz Oeiras building.

6.4.3. Bond loan

Start date	End date	Amount used on 31-Dec-20	Amount used on 31-Dec-19
18/12/2020	18/12/2027	15 000 000	-
		15 000 000	**-**

On 15 December 2020, the Company contracted a bond loan in the amount of €30 million, represented by 300 bonds with a value of €100 thousand each, called "Luz Saúde 2020-2027", to be divided into two series of €15 million each. The 1st series was subscribed on 18 December 2020 and the 2nd series was subscribed on 31 March 2021.

6.4.4. Maturity of the interest-bearing loans

As at 31 December 2020 and 2019, the commercial paper, bond loan and bank loan presented the following details based on the contracted maturity date:

	31-Dec-20				31-Dec-19			
	Commercial paper	**Borrowings**	**Bond loans**	**Other loans**	**Commercial paper**	**Borrowings**	**Bond loans**	**Other loans**
Up to 12 months	46 942 089	11 090 954	-	4 607 886	99 989 022	9 831 995	-	-
12-24 months	51 600 000	11 195 054	-	-	42 793 969	11 456 139	-	-
24-36 months	83 100 000	10 115 985	-	-	38 250 000	11 500 201	-	-
36-48 months	28 100 000	5 668 351	-	-	32 300 000	6 291 665	-	-
More than 48 months	33 150 000	4 827 878	15 000 000	-	57 050 000	4 750 000	-	-
	242 892 089	**42 898 222**	**15 000 000**	**4 607 886**	**270 382 991**	**43 830 000**	**-**	**-**

6.4.5. Guarantees

Most of the aforementioned financing lines contain financial constraints / covenants that are common in financing agreements. Typical non-financial constraints included are:

- negative pledge provisions, in relation to the lines with the highest value and maturity;
- restrictions on the use of capital resources, acquisitions and disposal of assets;
- *pari passu* obligations:
- conditions of non-compliance with responsibilities, which include cross-compliance clauses in relation to companies that are under control or in a group relationship with the respective borrower;
- conditions for changing corporate control (change of control provisions) that require the controlling shareholder (Fosun Group) maintains control, direct or indirect, in the Company; and,
- obligations to meet debt and equity ratios.

Commercial paper and bank loans lines disclosed above are secured by mortgages on some of the Group's real estate properties. The amount secured is usually greater than the amounts of the contracted lines.

6.4.6. Financial covenants

In terms of financial covenants, the Company is obliged to comply with financial ratios, calculated on the basis of its consolidated accounts, established in the financing agreements in force on this date, namely:

- Net interest-bearing debt / EBITDA
- Equity to assets

6.5. Leases

POLICY

Until 31 December 2018, the Company classified its leasing operations as finance leases or operating leases, according to their substance and not their legal form, in accordance with the criteria established in IAS 17 - Leases. Operations where the risks and benefits of the ownership of the asset were transferred to the lessee, were classified as finance leases. All other leasing operations were classified as operating leases.

From 1 January 2019 onwards, leasing contracts, began to be recognized both in assets (under right-of-use assets) and in liabilities from the date the underlying asset became available for use by the Company. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a purchase option, when the Company has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the Company exercises this option; and
- payments to be made under contract extension options when the Company is reasonably certain of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, the Company 's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the right-of-use asset for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the Company whenever possible, uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate imply a revaluation of the lease liability against the increase in the right-of-use assets.

The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Lease liabilities have the following maturities:

	31-Dec-20	31-Dec-19
Less than a year	275 694	317 676
Between one to five years	722 538	119 443
More than five years	-	-
	998 232	**437 119**

7. Other information

7.1. Other financial assets

POLICY

This note includes the equity instruments held by the Company related to companies on which has no control or significant influence. Other financial assets are measured at fair value through profit or loss when the Company holds them without a long-term strategic purpose.

	31-Dec-20	31-Dec-19
Financial assets at fair value through profit or loss		
Capital Criativo IV	1 939 238	2 000 000
IBERIS Bluetech Fund, FCR	938 817	999 810
Other assets	311 091	8 742
	3 189 146	**3 008 552**

The caption other assets include the participation in the company Uphill, SA and the participation units in the Fundo de Compensação do Trabalho (FCT).

7.2. Provisions

POLICY

Provisions are recognized when the Company (i) has a present, legal or constructive obligation, (ii) it is probable that its payment will be required and (iii) when a reliable estimate of the value of that obligation can be made. When one of these requirements is not met, the Company discloses the events as a contingent liability, unless the possibility of an outflow of funds is remote. Provisions are reviewed at the reporting date and are adjusted to reflect the best estimate at that date. Contingent assets are not recognized in the financial statements but are disclosed when a future economic benefit is probable.

ESTIMATE

The Company exercises considerable judgment in recognizing and measuring provisions. Judgment is essential to assess the probability that a given litigation process will be successful. Provisions are set up when the Company expects, in relation to the lawsuits in progress, that the loss is probable, an outflow of funds is plausible and, it can be reasonably estimated. Due to the uncertainties inherent in the valuation process, the actual losses may be different from the estimated losses in the provision. These estimates are subject to change as new information about the processes is known. Revisions to the estimates of these losses may affect future earnings.

	Operational risks
Provisions	
Balance as at 1 January 2019	767 663
Balance as at 31 December 2019	**767 663**
Balance as at 1 January 2020	767 663
Charged/(credited) to the income statement:	
Unused amounts reversed	(750 000)
	(750 000)
Balance as at 31 December 2020	**17 663**

The reversal of provisions recorded in 2020 refers to the maturity of a liability related to an operations carried out in previous years.

C. Financial risk management

8. Financial risk

Luz Saúde, SA main activity is the development and participation in the healthcare business, the Company is largely dependent on the financial structure of its subsidiaries and their ability to generate sufficient cash flow to carry out distribution of dividends, payment of interest, repayment of loans made by the company and payment of the services rendered by the Company.

The Company is exposed to the following types of risk as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Company's exposure to each of the aforementioned risks, as well as its goals, procedures and practices for measuring and managing these risks. Further disclosures of a quantitative nature are presented throughout these financial statements.

The identified risks are reviewed regularly to ensure they reflect real market conditions and are consistent with the Company's activities.

8.1. Credit risk

Credit risk arises from the possibility that financial losses may occur due to a client's default on contractual obligations with Luz Saúde during its business.

The Company's exposure to credit risk is essentially related to the balances receivable from its subsidiaries arising from the Company's operating and investment activity, as well as from the liquidity managed within the Company's treasury activity.

The following table presents the maximum exposure of the Group to the credit risk:

	31-Dec-20	31-Dec-19
Trade receivables and accrued income	714 699	357 463
Trade receivables and accrued income - related entities	2 775 640	3 561 921
Financial intestments - loans to associates	178 662 213	257 188 319
Other receivables	151 152	355 740
Other receivables - related entities	15 316 601	18 585 216
	197 620 305	**280 048 659**
Bank deposits and cash equivalents	1 339 454	11 335 038
	198 959 759	**291 383 697**

8.1.1. Trade receivables

In terms of monitoring of the credit risk arising from operating and investment activities, relevant credit risk is limited to transactions with related entities of the Company, as these entities represent around 99.9% of the receivables balance.

Monitoring the activity of the subsidiaries by the Company's management enables a detailed monitoring of this risk.

8.1.2. Bank deposits

The breakdown of bank deposits, according to the rating of the financial institutions where assets were deposited, can be presented as follows (taking as based on Moody's rating observable in the market as at 31 December 2020:

	31-Dec-20	31-Dec-19
Rating		
A2	291 953	271 865
Baa1	238 604	521 584
Ba1	382 167	3 937 000
Ba2	-	5 400 854
Caa1	277 345	1 117 883
Other	149 385	85 852
	1 339 454	**11 335 038**

As guideline, the Company tries to maintain an alignment between the financial institutions where deposits its cash equivalents, and the financial institutions with credit lines to finance the operations, in order to create a natural hedge to prevent the risk of a potential credit event that may occur at the level of counterparty where the funds are deposited.

8.2. Liquidity risk

Liquidity risk arises from the possible inability to finance the Company's assets or from meeting the liability contract on the maturity date. The aim is to maintain a satisfactory level of cash flow to meet the financial needs, in the short, medium and long term. To assess overall exposure to this type of risk, reports are prepared to enable the company to identify occasional treasury deficits and activate the measures intended to cover them.

To finance its business, the Company has the credit lines referred to in note B6.4.

The liquidity of the financial liabilities will give rise to the following non-discounted monetary flows, excluding interest, based on the remaining period until maturity on the balance sheet date:

	31-Dec-20				31-Dec-19
	Bank Loans	Commercial paper	Other liabilities (*)	Total	Total
Under 12 months	11 090 954	46 942 089	14 742 675	72 775 718	120 480 647
12 to 24 months	11 195 054	51 600 000	-	62 795 054	54 250 108
24 to 36 months	10 115 985	83 100 000	-	93 215 985	49 750 201
36 to 48 months	5 668 351	28 100 000	-	33 768 351	38 591 665
49 to 60 months	3 452 878	8 350 000	-	11 802 878	35 625 000
Over 60 months	1 375 000	24 800 000	15 000 000	41 175 000	26 175 000
	42 898 222	**242 892 089**	**29 742 675**	**315 532 986**	**324 872 621**

(*) Excludes non-financial liabilities and customer advance payments

8.3. Market risk

Market risk refers to the Company exposure to changes in market prices, such as foreign exchange rates, interest rates or developments in the capital markets, may affect the Company's results and financial position. Because the Company is not exposed to foreign exchange or capital market risks, the goal of its market risk management policies focus mainly on monitoring changes in interest rates that affect interest-bearing liabilities with floating interest rates.

Most credit lines contracted by the Company are exposed to floating interest rates, given by the market index contracted plus a spread.

In previous years in order to balance the exposure to changes in interest rates, the Company has contracted hedging instruments to mitigate the cash flow risk, in order to fix the interest rates of some of the credit lines that are in place.

Considering the level of financial debt that the Company has as at 31 December 2020 and considering the effectiveness that these instruments may have (considering the actual level of interest rates), the Company will have about 44% of its financial debt exposed to fixed interest rate (2019: 47%).

A general reform of the main interest rate benchmarks is underway, which will replace some benchmarks, including Euribor, for alternative risk-free rates. The Company presents exposures to Euribor variations in its financial instruments that will be impacted by this general reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. The Company, presently, does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The Company will assess and analyze the potential impacts of the potential change from Euribor when the timings and the respective methods of change became effective and, in particular, in the designated interest rate risk hedging relationships.

9. Financial instruments by category

	31-Dec-20	31-Dec-19
Financial assets		
Financial assets at amortized cost		
Loans to subsidiaries and associates	216 953 492	284 052 988
Trade and other receivables	19 018 262	23 497 759
Cash and cash equivalents	1 339 954	11 335 538
Financial assets at fair value through profit or loss		
Other financial asstes	3 189 146	3 008 552
	240 500 854	**321 894 837**
Financial liabilities		
Liabilities at amortized cost		
Trade payables	2 815 063	3 539 441
Other payables	7 319 726	7 120 189
Borrowings and bank overdrafts	305 398 197	314 212 991
Lease liabilities	998 232	437 119
Derivative financial instruments		
Used for hedging	3 305 152	3 771 157
	319 836 370	**329 080 897**

The hierarchy for the purposes of assessing fair value should have the following levels and basis of measurement:

- Level 1 - quotes from active liquid markets and to which the Company has access at the reporting date;
- Level 2 - generally accepted valuation models based on observable market inputs alternative to those referred to in level 1;
- Level 3 - valuation models, that the main inputs are not observable in the market.

The Company's financial instruments carried at fair value are disclosed in notes B7.1 and 10. The fair value of the instruments in note 10 was determined by bank entities based on observable market inputs and used in the generally accepted valuation models and techniques (level 2).

10. Derivative financial instruments

POLICY

Derivative financial instruments are recognized on the contract date at their fair value, which is assumed to be equal to their acquisition cost on the contract date. Subsequently, the fair value of derivative financial instruments is remeasured on each reporting date, with the gains or losses resulting from this remeasurement being recorded directly in the statement of profit or loss, except with respect to the effects relating to cash flow hedging derivatives.

The Company uses financial instruments to hedge the interest rate risk resulting from its financing activity. Derivatives that do not qualify as hedging within the scope of IAS 39 are recorded as trading. Cash flow hedging derivatives are recorded at fair value and insofar as changes in fair value are effective for hedging purposes, they are recognized against reserves in equity. Changes in fair value that are not considered to be hedging, as they are considered inefficient in whole or in part, are immediately recognized in the statement of profit or loss. The amounts accumulated in reserves are reclassified to results in the periods when the hedged item affects results.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Company assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 related to the reform of the interest rate benchmarks.

The aforementioned policy is applicable to all hedging relationships designated as of 31 December 2020.

The Group will cease to apply the above policy when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or
(ii) the respective hedging relationship is discontinued.

The Company uses derivative financial instruments to hedge interest rate risks affecting the value of the expected future cash flows. The hedged risk is the change in the index that the floating rate incorporates, being applicable to all the Company's credit lines.

The fair value of these instruments have been determined by banking entities based on observable inputs on the market and used in valuation models generally accepted (Level 2), can be presented as follows:

	31-Dec-20	31-Dec-19
Interest rate swap contracts - cash flow hedges	3 305 152	3 771 157
Interest rate swap contracts - held for trading	-	-
Total	**3 305 152**	**3 771 157**
Non-current		
Interest rate swap contracts - cash flow hedges	(3 305 152)	(3 771 157)
Interest rate swap contracts - held for trading	-	-
Current	**-**	**-**

The detail of fair value per contract can be presented as follows:

Covered instrument	Notional	Begin	End	Fair value
Commercial paper program	107 200 000	26/10/2016	28/04/2025	3 305 152
				3 305 152

In December 2020, the Company settle one of the interest rate swap contracts with maturity on 30 September 2022.

Trading derivatives are classified in current assets or current liabilities according to their fair value at the reporting date.

The fair value of the hedging derivative is classified in non-current assets or non-current liabilities when the maturity of the hedge target operation is more than 12 months of the reporting date and as current assets or current liabilities if the maturity of the hedge target operation is less than 12 months of the reporting date.

The notional interest rate swap contract outstanding at 31 December 2020 amounted to €107.2 million (2019: €146.6 million), all of which are considered as cash flow hedges. These contracts resulted in the recognition of a change in fair value in Group's equity in 2020 arising from the part considered as efficient for hedging purposes of approximately €745 thousand, negative (2019: €416 thousand, negative), and were recognized in the statement of profit or loss the amount of €368 thousand due to the effect arising from changes in fair value as a result of the contracts were assumed to be efficient, relating to the part considered as trading or ineffective in terms of hedging, and approximately €1 324 thousand related to accrued interest (2019: €1 449 thousand), in the statement of profit or loss, these amounts are presented net of the tax effect.

D. Performance in 2020

11. Revenue and services rendered

POLICY

Revenue or income is recognized whenever economic benefits are likely to flow to the Company and can be estimated reliably, being recorded with reference to the stage of completion of the transaction at the reporting date, based on the activity produced in the period, valued according to the established agreements, regardless of the time of their actual billing.

The amount of revenue for services rendered comes entirely from services rendered direct and indirectly to Luz Saúde's subsidiaries, in the areas of marketing, financial, tax, legal and business and strategy development, according to the Group business segments:

	31-Dec-20	31-Dec-19
Revenue from services rendered to related entities		
Private segment	2 473 139	2 151 774
Corporate center	231 861	235 386
Public segment	70 595	128 005
Other activities	3 267 598	84 581
	6 043 193	**2 599 746**
Revenue based on timing of recognition		
At a point in time	-	-
Over time	6 043 193	2 599 746
	6 043 193	**2 599 746**

The increase in revenue from the other activities segment results from the Company's involvement and support in the operation carried out by its subsidiary GLST during 2020.

12. Materials and services consumed

	31-Dec-20	31-Dec-19
Specialised work	945 106	1 257 840
Advertising	689 882	49 538
Professional fees	180 359	168 465
Insurance	166 664	145 488
Materials	103 871	6 519
Transportation and accommodation	72 316	124 668
Representation expenses	67 183	93 213
Rent and leases	42 360	23 376
Maintenance and repair	41 980	77 392
Other materials and services consumed	228 548	266 411
	2 538 269	**2 212 910**

The increase in advertising is due to during the year 2020, Luz Saúde developed an advertising campaign to publicize the Luz Saúde and Hospital da Luz brands.

13. Personnel expenses

POLICY

Liabilities for payments to personnel are recognized in the statement of profit or loss in the period in which employees acquire the rights, regardless of the date of their payment. The responsibility is recognized in liabilities under the heading other accounts payable, namely:

- Vacation and vacation allowance: According to the Portuguese legislation, employees are entitled to one month of vacation and one month of vacation allowance, a right acquired in the year prior to their payment;
- Variable remuneration: Through the performance evaluation system in place, employees may receive a bonus if they meet certain objectives, a right usually acquired in the year prior to their payment.

ESTIMATE

The Company recognizes on a monthly basis an estimate for bonuses that considers the objectives agreed with employees and executive members of the Board of Directors, the achievement of those objectives and the overall situation of the Company's activity. Current expense estimate is recorded under the heading other accounts payable, being prepared based on Management's best estimate, based on the performance of the current year. Final value to be paid is only known in the following year.

Personnel expenses can be presented as follows:

	31-Dec-20	31-Dec-19
Corporate body remunerations	875 432	1 738 874
Personnel wages and salaries	407 530	359 617
Payroll related expenses	296 354	288 958
Other personnel expenses	25 980	19 404
	1 605 296	**2 406 853**

The average number of Company employees in 2020 was 10 (2019: 10).

The decrease in the corporate body remuneration is mainly due to the decrease of the liability for bonuses in 2020, as a result of the financial performance of the Company and the Group.

The fees agreed with the Statutory Auditor are registered in the income statement in the caption materials and services consumed (note 12), and can be presented as follows:

	31-Dec-20	31-Dec-19
Audit and statutory audit	97 028	60 500
	97 028	**60 500**

14. Finance income

POLICY

The Company classifies dividends received, interest and financial discounts obtained from third parties as finance income, being recognized in the year to which they relate.

Finance income is recognized in the statement of profit or loss on an accrual basis during the period to which they relate. Dividends are recognized when the right to receive is established.

	31-Dec-20	31-Dec-19
Dividends	21 962 438	21 544 000
Interest from loans to subsidiaries	11 305 703	12 446 550
Other interests	82 167	59 150
	33 350 308	**34 049 700**

The amount of dividends received has the following detail:

	31-Dec-20	31-Dec-19
HLL	12 889 599	11 850 000
HAG	8 700 064	8 700 000
HLO	-	994 000
GLST	372 775	-
	21 962 438	**21 544 000**

The amount of interest from loans to subsidiaries can be detailed as follows:

	31-Dec-20	31-Dec-19
USATI	6 154 895	6 540 854
HOSPOR	2 768 730	3 423 712
SURGICARE	803 656	984 538
HME	528 471	687 164
GLST	347 593	7 594
HLF	221 118	233 299
HL-CCA	147 963	192 202
CCHCI II	143 845	101 911
GLSLE	99 320	73 074
RML	35 248	31 350
HLL	28 307	91 993
CASAS CARNAXIDE	20 351	27 150
HLG	4 633	20 020
HLA	1 573	31 689
	11 305 703	**12 446 550**

15. Finance cost

POLICY

Finance costs include interest incurred and other bank expenses and are recognized in the year to which they relate, using the amortized interest cost method, thus the initial costs of assembly, commissions and stamp tax incurred with medium and long-term loans they are deferred over the expected term of the loans and recognized based on the respective interest. Finance costs are recognized in the statement of profit or loss on an accrual basis during the period to which they relate.

	31-Dec-20	31-Dec-19
Interest expenses from commercial paper	4 560 204	4 832 855
Expenses from derivatives (note 16)	1 692 259	1 448 845
Interest expenses from loans	857 141	575 019
Other finance costs	1 220 594	847 799
	8 330 198	**7 704 518**

The caption other finance costs mainly includes expenses incurred with commissions from financing agreements.

16. Income tax

POLICY

Income tax for the financial period is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the statement of profit or loss, except when related to items directly recognized in equity, in which case they are also reported in equity.

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved in each jurisdiction.

Deferred taxes are calculated according to the liability method based in the balance sheet on the reporting date, on temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred tax liabilities are recognized for all temporary taxable differences with the exception of non-deductible differences arising from the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and for differences related to investments in subsidiaries to the extent they are unlikely to be reversed in the future. Deferred tax assets are recognized only to the extent it is likely that future taxable profit will be able to absorb the temporary deductible differences.

Luz Saúde is taxed according to the special tax regime for groups of companies (RETGS), which covers all entities in which the parent company of the tax group, Luz Saúde participates, directly or indirectly, in at least 75% of the investee share capital and, provided that they comply with the requirements of the Corporate Income Tax Code (CIRC).

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% of taxable profits, and a State surcharge of 3% of taxable profits between €1.5 million and €7.5 million and 5% on taxable profits between €7.5 million and €35 million, and 9% on taxable profits above €35 million.

The income tax payment is made based on self-assessment tax returns that are subject to inspections and possible adjustment by the tax authorities during the period of four years from the year to which they refer. Tax losses for a given year, which are also subject to inspection and adjustment for a period of ten years, can be used against tax profits in the following 12 years, for losses generated in 2020. The 2020 tax period is disregarded for the purposes of computation of the carry forward period of existing taxable losses. As of 2014, the deduction of taxable losses is capped at 70% of the taxable profit assessed in the tax year in which the taxable losses are used. Said cap is increased to 80% in respect of taxable losses assessed in the tax year of 2020.

It is possible to deduct first the taxable losses which carry forward period ends first.

ESTIMATE

The calculation of income tax and deferred tax amounts requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of income tax payable is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of income tax recognized in the period.

Additionally, the Portuguese Tax Authorities are responsible for reviewing the calculation of the taxable income made by the Company over a period of four, to ten years in the event of reportable tax losses (five years for Social Security). Thus, it is possible that may be corrections to the tax returns, mainly resulting from differences in the interpretation of tax legislation. However, the Board of Directors believes that there will be no significant adjustments to income tax recorded in the financial statements.

16.1. Corporate income tax in the statement of profit or loss

The income tax heading in the statement of comprehensive income can be presented as follows:

	31-Dec-20	31-Dec-19
Current tax	(703 436)	1 899 927
Tax from previous years	443 506	610 701
Deferred tax	(121 434)	195 646
Total income tax in the statement of profit or loss	**(381 364)**	**2 706 274**

The tax from previous years essentially includes the amount received by the end of an existing dispute with the Portuguese Tax Authorities (PTA), regarding financial charges paid by the Company in previous years in relation to its financial investments.

16.2. Reconciliation of the effective income tax rate

	31-Dec-20	31-Dec-19
Profit for the year	5 245	25 520 200
Income tax expense	(381 364)	2 706 274
Profit before income tax	**386 609**	**22 813 926**
Tax rate	21,00%	21,00%
	(81 188)	(4 790 924)
Untaxed dividends	4 612 112	4 524 240
R&D tax incentive (SIFIDE)	-	2 474 843
Tax from previous years	443 506	610 701
Impairment from financial investments	(5 323 500)	-
Autonomous taxes	(35 000)	(40 000)
Other less relevant items, net	2 706	(72 586)
	(381 364)	**2 706 274**

During 2019, the Company incurred in expenses, which, were likely to be eligible for the purpose of SIFIDE II, as it is stated in the legislation for that research and development (R&D) incentive regime allowing to obtain a tax shield in the amount of €2 474 thousand, in the 2019 income tax estimate.

Luz Saúde as the parent company of a tax group, has recorded in its liabilities and assets the amounts of tax payable / receivable calculated on a stand alone basis by the entities that are included in the tax group.

The parent company is responsible for performing the payments on account, additional payments on account and special payment on account, as well as the global calculation and self-assessment of income tax.

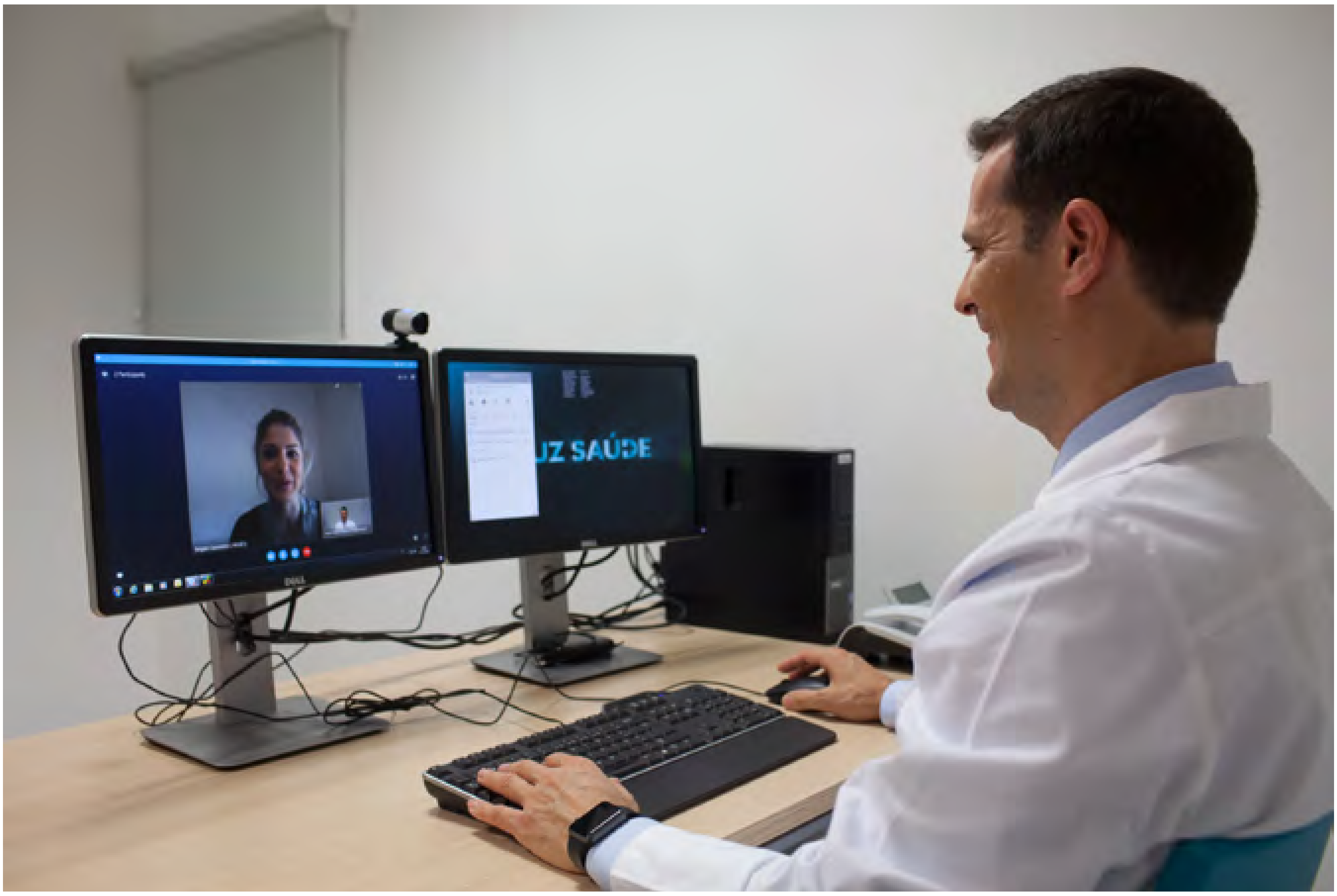
16.3. Reconciliation of current tax in the statement of profit or loss with the tax on the balance sheet

	31-Dec-20	31-Dec-19
Current tax on the statement of profit or loss of the Company	(703 436)	2 029 927
Income tax from the previous year	1 347 555	-
Liability in respect of companies that are part of the tax group	703 647	(3 432 187)
Payments on account and withholding tax	2 160 783	2 755 098
Current income tax on the balance sheet	**3 508 549**	**1 352 838**

16.4. Changes in deferred tax assets

	31-Dec-19	Profit or loss	Equity	31-Dec-20
Deferred tax assets				
Impairment on financial investments	2 247 139	(52 500)	-	2 194 639
Derivatives	732 940	-	(156 425)	576 515
Other	331 434	(68 934)	-	262 500
	3 311 513	**(121 434)**	**(156 425)**	**3 033 654**

	31-Dec-18	Profit or loss	Equity	31-Dec-19
Deferred tax assets				
Impairment on financial investments	2 217 703	29 436	-	2 247 139
Derivatives	645 464	-	87 476	732 940
Other	165 224	166 210	-	331 434
	3 028 391	**195 646**	**87 476**	**3 311 513**



E. Other information

17. Disputes and contingent liabilities

17.1. Disputes

The following disputes are pending resolution, for which the Board of Director, based on the opinion of its tax and legal advisors, evaluate the likelihood of the outcome of each of the processes, and recognized provisions for the amounts estimated to represent future outflows for the Company:

- Luz Saúde as the parent company of the Tax Group has a dispute with the Portuguese Tax Authority (PTA) regarding the deductibility of financial charges in the amount of €1.05 million and €11.13 million relating to the periods of 2007, and 2008 to 2011, respectively, arising from financing of one of its subsidiaries. Management with the support of its legal and tax consultants, believes there are reasons for the treatment followed by the subsidiary and as such filed a legal complaint against the assessment promoted by the PTA.

  As a result of the position of the PTA, and considering the proposed corrections, additional tax assessments were received in 2016 and 2017 in the amounts of €1.1 million and €2 million, respectively. The Company presented the necessary bank guarantees to continue to contest the corrections made by the PTA.

  In 2016 there was a decision by the First Instance Court on this dispute, with regard to the lawsuit related to the 2007 financial year, which was in favor of Luz Saúde. This decision was appealed by the PTA Representant and in October 2020, the final decision of the Supreme Administrative Court was also favorable to the Company.

  Regarding the second case, from the period 2008 to 2011, a sentence from the First Instance Court was known on 17 February 2021 and like in the first case, was favorable to the Company, the PTA could appeal of the sentence to the Supreme Administrative Court.

- Following an inspection, PTA questioned the calculation of the tax benefits considered by two subsidiaries for the years 2013 and 2014 and identified corrections to Luz Saúde's taxable income (as the parent company of the Tax Group) of €305 thousand and €530 thousand, respectively. For the year 2013, following the payment notification received, the Company opted to provide a bank guarantee in the amount of €240 thousand. In November 2019, Luz Saúde received a review of the tax act from the PTA revoking the corrections for 2014 in the amount of €296 thousand, reducing the amount in dispute for that year to €234 thousand. Management, based on the understanding of its legal and tax consultants, understands that the amounts considered are in accordance with what is prescribed by law and consequently maintained the challenge regarding all the corrections made by the PTA.

17.2. Contingent liabilities

In the Company's Shareholders General Meeting held on 22 January 2014 and considering the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the Group's business development, an award of €850 thousand to the latter was approved in recognition of professional services rendered to the Group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the Company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due as a result of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the Company, whatever the cause and the moment of termination thereof.

18. Guarantees

In 31 December 2020 the company had two bank guarantees provided to the Portuguese Tax Authorities in the total amount of €3 983 thousand (2019: three guarantees in the total amount of €4 223 thousand).

Some of the Commercial Paper agreements are entered into, both by the Company and some of its subsidiaries, and therefore there is joint responsibility of issuers for the payment of amounts underwritten by any of the parties under those programs. On 31 December 2020, the programs in force, respective issuers and amounts used by the subsidiaries, were the following:

Entities	Amount used by the subsidiaries	Total amount used
Luz Saúde and HOSPOR	-	23 000 000
Luz Saúde and HLL	-	10 500 000
	-	**33 500 000**

Additionally, the following guarantees were granted to subsidiaries:

- Guarantee of the loan to the subsidiary HAG in the amount of €4 million (amount used as of the reporting date);
- Guarantee of the loan of the subsidiary RML in the amount of €3.75 million (value used at the reporting date);
- Financial pledge of the shares of the subsidiary SGHL - Sociedade Gestora do Hospital de Loures, SA, to guarantee a credit line of €2.5 million contracted by this subsidiary, and which as of 31 December 2020 was fully utilized;
- Comfort letter regarding the fulfillment of the obligations arising from the loans contracted by RML in the amount of €500 thousand;
- Some loans contracted by the subsidiaries include control clauses by Luz Saúde, under which banks may request the early repayment of their loans, but there are no financial obligations on the part of Luz Saúde;
- The company is guarantor in most of the leasing agreements entered by its subsidiaries.

19. Related entities

On 15 October 2014 and following the takeover bid for Luz Saúde's share capital, Fosun International, Ltd through Fidelidade – Companhia de Seguros S.A. has taken control over Luz Saúde.

The Company's financial statements are included in the consolidated financial statements of Fidelidade – Companhia de Seguros, SA with its headquarters in Largo do Calhariz nr 30, in Lisbon.

Fidelidade - Companhia de Seguros, SA is held at 84.9884% by Longrun Portugal, SGPS, SA, which is 100% owned by Hong Kong-based Millennium Gain Limited. The latter is wholly owned by Fosun Financial Holdings Limited (Hong Kong), which is wholly owned by Fosun International Limited, a company listed on the Hong Kong Capital Market (00656.HK). This is held at 71.05% by Fosun Holdings Limited, which in turn is held by Fosun International Holdings, Ltd., whose ultimate beneficial owner is Mr. Guo Guangchang. In January 2018, as a result of an operation carried out between Fidelidade - Companhia de Seguros, SA and Fosun International Ltd, Fosun International Ltd now holds 49% of the capital and voting rights of Luz Saúde, with Fidelidade - Companhia de Seguros, SA reduced its participation to 50.85%

The remuneration of the members of the corporate bodies is disclosed in note D13.

In addition to the information presented in the table below, balances and transactions with Group entities are presented in the notes 4.4, 5.1, 5.2, 6.4.1, 11 and 14.

The amounts reported as income are the services rendered to related entities within the normal business, at market rates. The amounts reported as expenses are related to service supplies and from interests related with the loans to the subsidiaries. The balances are due to regular maturity or as established in the financing agreements.

Balances and transactions with Group related entities at 31 December are as follows:

Luz Saúde Group

	31-Dec-20				31-Dec-19			
	Current assets	Current liabilities	Revenue	Expenses	Current assets	Current liabilities	Revenue	Expenses
HLL	1 320 160	-	13 295 185	-	2 718 065	-	12 166 795	10 150
USATI	7 127 808	-	6 964 307	-	7 106 070	54 193	7 268 262	-
HAG	231 752	-	8 894 411	-	1 768 491	-	8 899 363	57 154
HOSPOR	3 024 435	-	3 021 895	-	3 990 815	-	3 660 905	-
HME	645 423	-	564 262	-	2 301 732	-	724 071	-
SURGICARE	901 326	-	955 495	-	1 085 944	6	1 111 280	-
HLO	22 235	-	59 763	-	266 738	-	1 042 476	3 312
ACE	337 207	-	231 861	-	619 434	-	235 387	-
HLF	255 210	-	282 373	-	462 726	-	287 107	-
HL-CCA	176 337	-	212 319	-	398 520	-	259 239	-
SGHL	125 196	-	70 595	-	302 769	-	128 005	-
HLA	125 968	-	108 742	-	272 203	-	123 777	-
HLC	308 990	-	176 642	-	182 068	-	153 142	-
HLG	131 925	-	113 691	-	207 761	-	124 165	-
CCHCI II	149 503	-	161 645	-	108 430	-	118 711	-
GLSLH	119 682	-	133 775	-	83 019	5 100	97 976	-
CASAS CARNAXIDE	27 028	-	34 387	-	77 062	-	43 020	-
GLST	2 980 078	-	3 926 068	-	80 419	2 100	36 322	-
RML	40 045	-	48 148	-	37 746	-	45 550	-
VLUSITANO	8 098	-	15 346	-	30 334	-	20 433	-
HRM	12 390	-	14 117	-	14 772	18 613	15 028	-
CASAS	16 648	-	13 407	-	26 238	-	15 082	-
CRB	4 797	-	12 900	-	5 781	4 917	14 200	37 224
	18 092 241	**-**	**39 311 334**	**-**	**22 147 137**	**84 929**	**36 590 296**	**107 840**
Trade receivables (note 5.1)	2 775 640	-	-	-	3 561 921	-	-	-
Other debtors (note 5.1)	15 316 601	-	-	-	18 585 216	-	-	-
Trade payables (note 5.2)	-	-	-	-	-	5 100	-	-
Other payables (note 5.2)	-	-	-	-	-	80 135	-	-
Services rendered (note 11)	-	-	6 043 193	-	-	-	2 599 746	-
Interests (note 14)	-	-	11 305 703	-	-	-	12 446 550	107 840
Dividends (note 14)	-	-	21 962 438	-	-	-	21 544 000	-
	18 092 241	**-**	**39 311 334**	**-**	**22 147 137**	**85 235**	**36 590 296**	**107 840**

20. Main accounting principles

The most significant accounting policies are briefly described in the notes to these financial statements. The accounting policies presented were applied consistently in all periods covered by these financial statements.

20.1. Property, plant and equipment

20.1.1. Recognition and valuation

Tangible assets are valued at cost less the respective accumulated depreciations and impairment losses.

Acquisition/construction costs include the invoice price, transport and instalment costs, financing costs and other related expenses, occurring during the construction period, as well as indirect costs attributable to it during the construction period.

Subsequent expenses with property, plant and equipment are only recognized if the company is likely to obtain economic benefits in the future. All ongoing maintenance and repair expenses are recognized in the profit or loss when incurred, on an accruall basis.

When there is indication that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and an impairment loss recognized whenever the book value of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

The recoverable amount is determined as the higher of the sale value of the asset, less any expenses with the sale and its value in use, which is calculated based on the current value of the estimated future cash flows expected to obtain from the continued use of the asset and its disposal at the end of its useful life.

Gains or losses arising from the write-off or disposal of property, plant and equipment are measured as the difference between the asset's sale price, less transaction costs, and the asset's carrying value. They are recorded in the statement of profit or loss under the caption other operating income and gains or other operating expenses.

Property, plant and equipment in progress represent tangible assets that are still being constructed or installed and are recorded at acquisition cost. Depreciation of these assets begins in the month they become available for use for their intended purpose.

20.1.2. Depreciation

Depreciation of tangible assets is calculated using the straight-line method, from the month the assets are available for use. The depreciation rates used reflect, on average, the estimated useful lives of the assets:

	Years
Administrative equipment	2-20
Other tangible assets	3-20

Depreciation ceases when the assets are classified as assets held for sale.

20.2. Intangible assets

Intangible assets are recognized at the acquisition cost less accumulated amortization and impairment losses, if any. Intangible assets are recognized only when it is likely Luz Saúde will obtain economic benefits in the future that can be reliably measured. Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the agreement. Intangible assets with indefinite useful lives (goodwill) are not amortized but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment.

20.3. Financial investments in subsidiaries

Financial investments in subsidiaries are presented at their acquisition cost less impairment losses, when applicable.

20.4. Financial instruments

20.4.1. Financial assets

20.4.1.1. Initial recognition and measurement

The Company initially measures a financial asset at its fair value plus transaction costs, the other receivables and trade receivables are measured at the transaction price determined under IFRS 15, that is similar to the fair value at the transaction date.

20.4.1.2. Subsequent measurement

The subsequent measurement of financial assets depends on their classification, the following categories are being used:

(i) Financial assets at amortized cost;
(ii) Financial assets at fair value through profit or loss;
(iii) Financial assets at fair value through Other Comprehensive Income (OCI).

The Company financial assets includes financial assets at amortized cost (trade receivables, other receivables and cash) and financial assets at fair value through profit or loss (other financial assets). The Company doesn't hold any financial assets at fair value through other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost, when both of the following criteria are met (i) the asset is held under a business model with the objective of holding financial instruments to obtain contractual cash flows, and (ii) the asset has cash flows that are 'only capital repayments and interest payments' ("Solely Payments of Principal and Interest" or "SPPI") over the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment tests. Gains or losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

The Company classifies the following financial assets at fair value through profit or loss:

(i) financial instruments to obtain cash flows that do not qualify to be measured at amortized cost;
(ii) capital instruments held for trading purposes;
(iii) equity instruments for which the Company has decided not to record fair value through other comprehensive income.

Classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through Other Comprehensive Income

The Company measures the following financial assets at fair value through other comprehensive income:

(i) equity instruments held for purposes other than trading, being considered by the Company at the time of acquisition as strategic investments;
(ii) debt instruments with cash flows that are only capital repayments and interest payments on the principal amount outstanding and for which the Company objective is to obtain their contractual and sales cash flows.

The Company does not hold any financial assets in this category.

20.4.1.3. Derecognition

Financial assets are derecognized when: (i) the Company contractual rights to receive their cash flows expire; (ii). the company has substantially transferred all the risks and rewards of ownership; or (iii) although it retains a portion but not substantially all the risks and rewards of ownership, the Company has transferred control over the assets.

20.4.2. Financial liabilities

20.4.2.1. Initial recognition

All financial liabilities are initially recognized at fair value and, in the case of loans, financing and accounts payable, net of directly attributable transaction costs.

The Company's financial liabilities include suppliers and other accounts payable, loans and financing, including bank overdrafts and derivative financial instruments.

20.4.2.2. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

(ii) Financial liabilities at amortized cost

After initial recognition, trade and other creditors, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method.

20.5. Impairment

20.5.1. Impairment of tangible assets, intangible assets, except goodwill

The Company performs impairment tests on its tangible and intangible fixed assets whenever there is an event or change that indicates that the amount for which the asset is registered may not be recovered. In the event of such evidence, the Company determines the recoverable value of the asset, in order to determine the possible extent of the impairment loss. When it is not possible to determine the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which that asset belongs is estimated.

The recoverable amount of the asset or cash-generating unit consists of the largest of (i) the net selling price and (ii) the value in use. The net selling price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable entities, less expenses directly attributable to the sale. The value in use arises from the estimated and discounted future cash flows of the asset during its expected useful life. The discount rate used to update discounted cash flows reflects the current value of capital and the specific risk of the asset.

Whenever the carrying amount of the asset or cash-generating unit is greater than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the consolidated statement of profit or loss, under other operating expenses and losses.

When an impairment loss is subsequently reversed, the book value of the asset is updated to its estimated value, being recognized in the statement of profit or loss as a deduction to the item other operating expenses and losses. However, the reversal of the impairment loss is made up to the limit of the amount that would be recognized (net of depreciation or amortization) had the impairment loss not been recorded in previous periods.

20.5.2. Impairment of financial assets

The Company recognizes impairments for expected credit losses on financial assets not held at fair value through profit or loss. Losses are estimated based on the difference between the net book value of the financial instruments and the cash flows the Company expects to receive, discounted according to the original effective interest rate estimate.

Losses are estimated using two different approaches, which are described below:

(i) Credits with increased credit risk compared to initial recognition are provisioned based on the economic analysis carried out by the management of each subsidiary, taking into account the credit situation of the debtor, the market in which it operates and its known default history. According to this criterion, the provision for credit risk is constituted on an economic basis taking into account the age of the credit, the internal and external information available about each debtor;

(ii) The credit risk associated with credits for which there is no significant increase in credit risk compared to initial recognition, is estimated based on a calculation model, which takes into account the debtor's credit profile, life of the asset on each reporting date and the average expected payment terms for each debtor based on its credit profile. In carrying out the assessment of the provision for losses, the Company takes into account the experience with historical credit losses and specific prospective factors of debtors and the economic environment.

20.6. Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, which is presumed to be equal to its acquisition cost on that date, and subsequently, re-measured at their fair value at each reporting date, being the gains or losses generated in the remeasurement recognized in the statement of profit or loss, except for derivatives designated as a cash flow hedging instruments.

The fair value of derivative financial instruments is the market value of the instrument, when available, or determined by external entities based on valuations methods generally accepted in the market.

The Company uses financial instruments to hedge the interest rate risk from its financing activity. The derivative that do not qualify for hedging in accordance with IAS 39 are registered as trading instruments.

A hedging relationship exists when:

- At the date of inception there is formal documentation of the hedging relationship;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting period;
- In relation to the hedge of a future transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect net profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument related to a forecast transaction is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

20.7. Leases

The Company uses lease agreements to use assets in its operating activities such as medical and administrative equipment and vehicles.

Typically, lease agreements are made for periods of 4 to 10 years. When applicable, the Company allocates lease payments from the contract to lease components and other than leases, based on the value of each component, except for vehicle leases, where the Company has chosen not to separate the lease components and non-lease, registering the two components together as if it were a single lease component.

Until 31 December 2018, the Company classified leasing operations as finance leases or operating leases, according to their substance and not their legal form, fulfilling the criteria defined in IAS 17 - Leases. Operations where the risks and benefits inherent in the ownership of an asset are transferred to the lessee were classified as finance leases. All other leasing operations were classified as operating leases.

As of 1 January 2019, leasing contracts started to be recognized in assets (with the name of assets under right of use) and in liabilities from the date the underlying asset became available for use by the Company. The assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the current value of the following lease payments:

- fixed payments (including fixed payments in substance), less leasing incentives;
- variable payments, based on an index or rate;
- expected payments for residual value guarantees;
- exercise value of a call option, when the Company has reasonable certainty of exercising that option;
- payment of penalties for terminating contracts, as long as the Company exercises this option, and
- payments to be made under contract extension options when the Company is reasonably sure of exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be easily determined, as is the case for leases between group companies, the Company's incremental financing rate is used, which is the rate that the lessee would have to pay for obtaining the funds necessary to obtain an asset of a similar value to the asset under right of use for a similar period, in a similar economic environment, and with similar guarantees.

To determine the incremental financing rate, the Company:

- whenever possible, it uses the recent financing conditions obtained from third parties, adjusted to reflect changes in financing conditions since the financing was obtained, for contracts lasting up to 7 years;
- for contracts with a duration of more than 7 years, typically building lease contracts, the incremental rate was composed from the aggregation of the interest rate without observable risk in the real estate market, adjusted by the Company's financing rate differential for the market and for the rate of Portuguese OTs for similar terms.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability value until they come into effect. Adjustments to lease payments based on an index or rate, imply a reassessment of the lease liability against the increase in the asset under usage rights.

The lease payments are separated by the settlement of the acquisition value and its financial component, in which the financial cost is recorded in the statement of profit or loss during the lease period, in order to produce an effective interest rate.

Assets under right of use are measured at cost, which comprises:

- the value of the initial measurement of the lease liability;
- any lease payments made on or before the lease start date, less the rental incentives received;
- any initial direct costs; and
- dismantling and replacement costs.

Assets under right of use are generally depreciated by the lesser, between the useful life of the asset and the lease term, except when the Company has a call option on the underlying asset and it is reasonably certain that this option will be exercised.

Payments associated with short-term leases (term less than 12 months) for equipment and vehicles and contracts for the lease of low-value assets are recognized on a straight-line basis in the statement of income over the term of this contract.

When the lease contracts have a sublease agreement associated with it, the Company recognizes a financial liability for all lease payments updated at the incremental rate, and financial assets and for Use Rights to the extent of the agreed sublease.

20.8. Revenue

Revenue is recognized whenever it is likely that the company will obtain economic benefits that can be reliably measured.

Revenue is recognized with reference to its stage of completion as of the transaction date, based on the activities performed in the period, valued in accordance with the prices established for each service, independently of the moment of invoicing.

As a service Company and the Parent Company of a Group, the Company enters into agreements with suppliers that render services across the various Group companies. Costs invoiced by suppliers directly to Luz Saúde under these agreements are entirely transferred to the subsidiaries and are recorded in the statement of profit or loss as a decrease of Luz Saúde's costs.

Dividends are recognized from the moment in which the right to receive payment is granted.

20.9. Accrual basis

Luz Saúde recognize their revenue and expenses on an accrual basis. Therefore, revenue and expenses are recognized when generated regardless of when they are collected or paid. Differences between the amounts collected and paid and the corresponding expenses and revenue are reported in the statement of financial position under the captions other receivables or other payables, respectively.

20.10. Employee benefits

20.10.1. Liabilities with holidays, subsidies and bonuses

Pursuant to Portuguese legislation, employees are currently entitled to one-month holiday and one-month holiday allowance. This right is earned in the year prior to the year payment is made.

Under the performance assessment system in place, employees may come to earn a bonus should they attain certain goals. This right is usually earned in the year prior to the year payment is made.

Liabilities are recognized in the profit and loss in the period in which the employees earn the referred right, regardless of the date of payment. The obligation is recognized under liabilities in the caption other payables.

20.11. Finance costs and income

Finance income includes interest and financial discounts obtained from third parties and are recognized in the period in which they occur.

Finance costs include interest expenses and other banking expenses, being recognized in the financial period in which they occur, using the amortized cost method, through which the initial costs, commissions and stamp duty incurred with medium/long term loans are deferred for the period estimated of the loans and recognized according to the respective interest.

20.12. Income tax

Income tax for the financial period is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the statement of profit or loss, except when related to items directly recognized as equity, in which case they are also reported as equity.

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved in each jurisdiction.

Deferred taxes are calculated according to the liability method based in the balance sheet on the reporting date, on temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred tax liabilities are recognized for all temporary taxable differences with the exception of non-deductible for differences arising from the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and for differences related to investments in subsidiaries to the extent they are unlikely to be reversed in the future. Deferred tax assets are recognized only to the extent it is likely that future taxable profit will be able to absorb the temporary deductible differences.

Luz Saúde is taxed according to the special regime for the taxation of groups of companies (RETGS), which covers all entities in which the parent company of the tax group, Luz Saúde participates, directly or indirectly, in at least 75% of the investee share capital and, provided that they comply with the requirements of the Corporate Income Tax Code.

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies' resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surcharge of up to a maximum of 1.5% of taxable profits, and a State surcharge of 3% of taxable profits between €1.5 million and €7.5 million and 5% on taxable profits between €7.5 million and €35 million, and 9% on taxable profits above €35 million.

Pursuant to IAS 12, the company offsets assets and liabilities against deferred tax whenever: (i) the respective company has a legally enforceable right to offset assets against current taxes and liabilities against current taxes; (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority and on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously in future periods in which deferred taxes are expected to the settled or recovered.

The income tax payment is based on self-assessment tax returns that are subject to inspection and possible adjustment by the tax authorities during the period of four years, from the year to which they refer. Tax losses for a given year, which are also subject to inspection and adjustment for a period of 10 years, can be used against tax profits in the following twelve years, for losses generated in 2020. The 2020 tax period is disregarded for the purposes of computation of the carry forward period of existing taxable losses. As of 2014, the deduction of taxable losses is capped at 70% of the taxable profit assessed in the tax year in which the taxable losses are used. Said cap is increased to 80% in respect to taxable losses assessed in the tax year of 2020.

It is possible to deduct first the taxable losses which carried forward periods end first.

20.13. Provisions, contingent assets and liabilities

Provisions are recognized when (i) Luz Saúde has a present obligation (legal or constructive), (ii) it is likely that its payment will be required and (iii) when the amount of the obligation can be reliably estimated. When one of these conditions is not met, the Company discloses the event as a contingent liability, unless the possibility of an outflow of funds is highly unlikely.

The amount of provisions corresponds to the present value of the obligation, with the financial discount being recorded as a financial expense in the item other finance cost.

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date.

A provision is recognized for litigation in progress when the costs that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having to make payment, based on the opinion of the Company's legal advisors.

Contingent assets are not recognized in the financial statements but are disclosed when it is likely they will generate a future economic benefit.

20.14. Capital

Share capital refers to the nominal value of ordinary share issued.

Share premium is recognized, when the share issue value exceeds the nominal value of each share, by the amount of the excess referred, net of the expenses related with the new shares issued.

Treasury shares acquired are valued at their acquisition price and recorded as a decrease in equity. At the time of disposal, the amount received, less any direct transaction costs, is recognized directly in equity.

20.14.1. Non-distributable reserves

Legal reserves

According to the commercial legislation in force, at least 5% of the result must be allocated to the constitution or reinforcement of the legal reserve until it represents at least 20% of the share capital.

The legal reserve is not distributable except in the event of liquidation and can only be used to absorb losses, after all other reserves have been exhausted, or for incorporation in the share capital.

20.15. Dividend distribution

The distribution of dividends is recognized as a liability from the time they are approved by the Company's General Shareholders Meeting until they are paid to the shareholder.

20.16. Cash flow statement

The cash flow statement is prepared using the direct method, by which cash inflows and outflows relative to operating, investment and financing activities are reported.

20.17. Subsequent events

Events that occur between the closing date and the date in which the financial statements are approved by the Board of Directors and which provide additional information about conditions that existed as of the reporting date are reflected in the financial statements. Any events that occur after the closing date that are indicative of conditions that arose after the financial reporting date are disclosed in the notes to the financial statements, if considered material.

21. Subsequent events

From the date to which these financial statements refer until the date of their approval, there have been no significant events that are not reflected in these financial statements.

The Certified Accountant

Sónia Amoedo Matos

The Board of Directors

Jorge Manuel Batista Magalhães Correia

Isabel Maria Pereira Aníbal Vaz

Chen Qiyu

Lingjiang Xu

Fang Yao

Ivo Joaquim Antão

João Paulo da Cunha Leite de Abreu Novais

Rogério Miguel Antunes Campos Henriques

Tomás Leitão Branquinho da Fonseca

Report and Opinion on Luz Saúde Annual Report

(Free translation of a report originally issued in Portuguese)

Report

Dear Shareholders

In accordance with the bylaws, the Company supervision is entrusted to an Audit Board composed by three effective members and one alternate, that are elected by the General Shareholder's Meeting and one Statutory Auditor or an Audit firm.

Therefore, and as set out in article 420(1)(g) of the Portuguese Companies Code, the Audit Board hereby presents its Report on the supervision of Luz Saúde, S.A. (the "Company"), as well as its Opinion on Luz Saúde, SA Individual and Consolidated Financial Statements for the financial year ended on 31 December 2020.

The Audit Board monitored on a regular basis the evolution of the Company's activities and its main subsidiaries, monitored compliance with the law and the articles of association, supervised the management of the Company, the effectiveness of the risk management and internal control systems, internal audit and the preparation and disclosure of individual and consolidated financial information. In addition, verified the accounting records on a regular basis, the accuracy of the individual and consolidated financial statements and the accounting policies and valuation criteria adopted by the Company in order to verify that they lead to a proper presentation of the assets, liabilities, and both individual and consolidated results, as well as cash flows.

During its activity, the Audit Board periodically met with the Statutory Auditor and the External Auditors, in order to follow up the audit work carried out by them and be aware of the respective conclusions, supervising their activity, independence and competence. It also met on a regular basis with those responsible for Internal Audit and Legal Services and also with the Board of Directors member responsible for the finance area, from time to time and whenever deemed necessary and timely. The Audit Board obtained full cooperation of all.

The Audit Board also received a letter from the Statutory Auditor confirming its independence as regards the Company.

Thereby it issues the following:

Opinion

The Audit Board is aware of the conclusions of the audit procedures on the Individual and Consolidated Financial Statements for the 2020 financial year which comprise the individual and consolidated balance sheet as at 31 December 2020, the individual and consolidated statement of comprehensive income, the individual and consolidated statement of changes in equity, the individual and consolidated statement of cash flow and accompanying notes. The Audit Board reviewed the Consolidated and Individual Statutory Audit Reports issued by the Statutory Auditor which contains no reserves but includes one emphasis of matter on the opinion over the Consolidated Financial Statements, which we considered. We also highlight the uncertainty of the future that the world pandemic environment has brought and that endures among us.

Within the scope of the powers of the Audit Board, it is stated that, to the best of the Audit Board's knowledge, the Management Report and the Individual and Consolidated Financial Statements of the Company for the year ended 31 December 2020 were prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets, the liabilities, and the financial position and results of Luz Saúde, SA and the companies included in the consolidation scope. In addition, the Management Report faithfully reflects the evolution of the business, performance, and position of the Company and of the Group, and complies with the applicable legal, accounting, and statutory requirements and, whenever applicable, contains a description of the main risks and uncertainties faced.

Considering the actions developed, opinions and information of the Board of Directors, the services of the Company, the Statutory Auditor and the External Auditor, the Audit Board is of the opinion that:
i) There is nothing to prevent the approval of the Management Report for the year 2020;
ii) There is nothing to prevent to the approval of the Individual Financial Statements and Consolidated Financial Statements for the year 2020;
iii) There is nothing to prevent the approval of the profit allocation proposal presented by the Board of Directors, namely considering the provisions of Article 32 of the Commercial Companies Code.

Lisbon, 5 May 2021

The Audit Board:

João Carlos Tovar Jalles

(Chairman)

Clara José Cruz de Sequeira Viegas Penha Ventura

(Member)

António Luís Castanheira Silva Lopes

(Member)

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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Luz Saúde, S.A. (the Entity), which comprise the Balance Sheet as at December 31, 2020 (which show a total of 583,323,507 euros and a total equity of 263,469,474 euros, including a net profit for the year of 5,245 euros), and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Luz Saúde, S.A. as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessment of the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicate with those charged with governance, including the supervisory board, 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;

Our responsibility includes the verification of the consistency of the Management Report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited financial statements and, taking into consideration our assessment and understanding of the Entity, we have not identified any material misstatement.

Lisbon, May 5, 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Ricardo Miguel Barrocas André - ROC nº 1461
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07 LUZ SAÚDE GROUP CONTACTS

LUZ SAÚDE
20 ANOS DE LUZ

7
Luz Saúde Group Contacts

(free translation from the original version in portuguese)

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