

Annual
Report
2013

ESPÍRITO SANTO SAÚDE - SGPS, SA
Listed Company

Registered Office:
Rua Carlos Alberto da Mota Pinto,
17, 9.º, 1070-313 Lisbon
Commercial Registry Office of Lisbon
and taxpayer number: 504 885 367
Fully subscribed and paid-up share capital:
EUR 95,542,254

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01

MESSAGE
FROM THE CHIEF
EXECUTIVE
OFFICER



01

Message from the Chief Executive Officer

2013 was a challenging and demanding year especially because of the recessionary context in Portugal, with high levels of unemployment and reduction of families' disposable income. Nonetheless, Espírito Santo Saúde presented a very positive performance, maintaining its top line growth levels, while improving profitability.

On our private healthcare business, our positioning of innovation and excellence continued to fuel our activity levels, reinforcing our facilities market status while enabling them to attract top physicians on their respective areas. Additionally, our relentless focus on efficiency generated cost savings that allowed us to maintain an EBITDA margin of 20% on the private business.

On our public healthcare business, 2013 represented Hospital Beatriz Ângelo's first full year of activity and we were already able to reach positive EBITDA, while building a solid clinical reputation among the medical community. In addition, efficiency, quality and access results were highly positive, with HBA scoring above average on series of indicators measured by the Portuguese Health System Central Administration (ACSS).

Specifically, HBA ranked first in operational costs per standardized patient (EUR 2,313 at HBA versus an average of EUR 2,829 at comparable hospitals). This result, paired with the excellent performance on quality and access indicators, clearly shows the Group's capability to operate in the public healthcare segment.

2013 was also the year where the Group reinforced its commitment to healthcare professionals' training and education, especially physicians that increasingly choose our main facilities to do their medical specialization programs.

Espírito Santo Saúde demonstrated again the capability to accomplish solid results in its several facilities and as a Group, generating a significant level of cash flow despite the adverse economic environment in Portugal. 2014 will be a crucial year for the future of Portugal with the end of the financial assistance program and the economical turnaround of the country. Espírito Santo Saúde will maintain its focus on profitable growth and in delivering value to our shareholders and stakeholders, at the service and in the best interests of those who entrust us with their health.

Isabel Vaz

CHIEF EXECUTIVE OFFICER
OF ESPÍRITO SANTO SAÚDE



Espírito Santo Saúde demonstrated again the capability to accomplish solid results in its several facilities and as a Group, generating a significant level of cash flow despite the adverse economic environment in Portugal.



A photograph of a hospital room. In the center, a tall metal stand holds two medical infusion pumps. To the right, a patient bed is partially visible with a blue and white medical monitor. The background shows a white wall and a window with blinds. A semi-transparent teal banner is overlaid on the right side of the image, containing the company name. A white box on the left side of the banner contains the number '02'.

02

THE
ESPÍRITO SANTO
SAÚDE GROUP

02.1

Identity and Structure

02.1.1

Identity of the Group

Espírito Santo Saúde - SGPS, SA, Publicly Listed Company, as a holding company managing stakes in its subsidiaries, leads one of the largest healthcare provision groups in the Portuguese healthcare delivery market, in terms of revenues, and is continuing to expand. The Group provides its services through 18 healthcare units (including eight private hospitals, one public hospital being operated by Espírito Santo Saúde under a Public-Private partnership agreement (PPP), seven private outpatient clinics and two senior residences) located in the Northern, Central and South-Central regions of Portugal. In some regions Espírito Santo Saúde is operating the only private hospital in the area. The Group has a significant presence in the two regions of the country with the highest purchasing power (according to National Institute of Statistics data): Lisbon, where it operates Hospital da Luz, the largest private hospital in Portugal, and the Oporto metropolitan area, where it operates Hospital da Arrábida.

The Group's structure allows it to operate its units in a complementary and integrated way by referring patients between the various units and sharing know-how (both clinical and process management related) and by facilitating access to some of the best acute care hospitals in the country. The Group is a leader in the Portuguese healthcare service provision market because of the wide range of specialised and complex services it offers, which is supported by the technologically advanced equipment available in several of its units – in some cases the only equipment of its kind in Portugal.



02.1.2 History of the Group

From the time of its founding in 2000, the Espírito Santo Saúde Group has developed an integrated network that includes hospitals, outpatient clinics and senior residences.

2000

In 2000, Espírito Santo Saúde acquired a majority share in Cliria - Hospital Privado de Aveiro and in Hospital da Arrábida in Vila Nova de Gaia.

2002

In 2002, Espírito Santo Saúde began managing Hospital da Misericórdia de Évora in partnership with third parties.

2003

In December 2003, construction began on the Luz Integrated Healthcare Complex, which includes Hospital da Luz and Casas da Cidade - Residências Sénior (senior residences).

2004

In 2004, Cliria - Centro Médico de Águeda began operating and Clube de Repouso Casa dos Leões became fully integrated into the Espírito Santo Saúde Group.

In July of this year, construction began on Hospital do Mar in Loures.

2005

In May 2005, construction began on Hospital da Luz - Clínica de Oeiras (previously known as Clínica Parque dos Poetas).

2006

In 2006, Hospital do Mar opened its doors and Espírito Santo Saúde acquired 100% of the share capital of IRIO - Instituto de Radioterapia.

In March, Espírito Santo Saúde acquired 100% of the share capital of Hospor, which included two hospitals - Hospital de Santiago in Setúbal and Clipóvoa - Hospital Privado in Póvoa de Varzim, and three outpatient clinics - Clínica de Cerveira, Clínica de Amaranite and Clínica do Porto.

2007

In 2007, Hospital da Luz in Lisbon and Hospital da Luz - Clínica de Oeiras (previously known as Clínica Parque dos Poetas) began operating.



2009

In 2009, Casas da Cidade - Senior Residences and Hospital da Luz - Centro Clínico da Amadora opened, and Cliria - Clínica de Oiã was acquired.

At the end of this year a management contract was signed under the Public-Private Partnerships Programme for Hospital Beatriz Ângelo in Loures.

2010

Hospital da Arrábida doubled its capacity in 2010 with a new ambulatory surgery unit and specialised inpatient areas, including a new maternity unit.

Cliria - Hospital Privado was also extensively renovated and began operating at its second location, doubling its ambulatory care capacity for outpatient consultations and imaging exams.

In Póvoa de Varzim, Clipóvoa - Hospital Privado continued its renovation process, involving its inpatient and maternity areas and operating rooms. Hospital de Santiago completed a new urgent care unit.

The laying of the cornerstone ceremony for Hospital Beatriz Ângelo took place in January of this year.

2011

In 2011 there was a heavy focus on preparing for the Hospital Beatriz Ângelo opening. This included completing all the final construction works, structuring of all the hospital processes and recruiting clinical and non-clinical staff.

Hospital da Luz celebrated its fifth anniversary and opened a new outpatient paediatric unit. Hospital de Santiago began operating a new area dedicated to dentistry.

This year was also marked by Espírito Santo Saúde winning the Excellence at Work award from Heidrick & Struggles.

2012

Hospital Beatriz Ângelo opened its doors on 19 January with the launch of its outpatient Paediatric and Dermatology consultations. The opening process was completed on 27 February when the General Emergency Department opened its doors.

In March, Hospital do Mar began construction work to expand its facilities in order to meet the high demand for its specialised services. Remodelling work began on the Cliria - Clínica de Oiã facility in July.

2013

In 2013, the expansion work on Hospital do Mar and the remodelling of Cliria - Clínica de Oiã were completed.

Clínica Parque dos Poetas was rebranded to “Hospital da Luz - Clínica de Oeiras”.

For the third consecutive year, Hospital da Luz received the Best Company in the Healthcare Sector award from Exame magazine in partnership with Informa D&B and Deloitte.

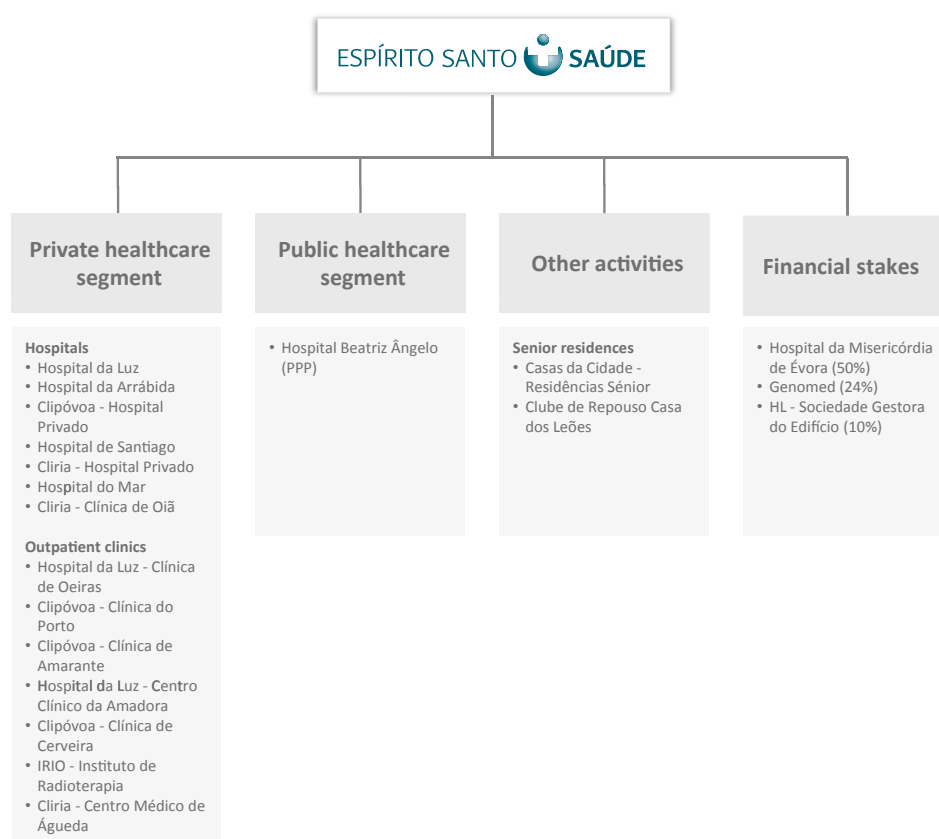


02.1.3

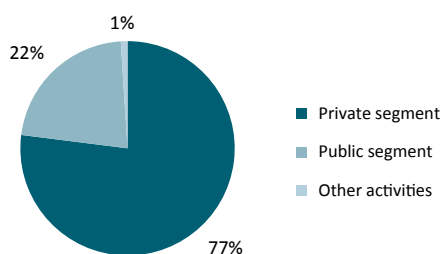
Structure of the Group and business segments

Espírito Santo Saúde has a diversified business model organised into three main operational segments: (i) the private healthcare segment, which includes the main acute care hospitals and the Group's network of outpatient clinics; (ii) the public healthcare segment, which involves management of Hospital Beatriz Ângelo under a Public-Private Partnership agreement and (iii) other activities, which include the two senior residences

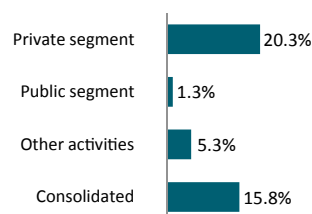
designed to offer an integrated residential solution for independent senior people or those needing assistance with their daily living activities. In addition, the Group's holding company and Espírito Santo Saúde ACE are included in a Corporate Centre, whose activity consists of providing centralised services to the various units of the Group.



Operating revenue by segment (2013)



EBITDA margin by segment (2013)



02.1.4

Management structure and corporate governing bodies

At the top of the management structure of Espírito Santo Saúde - SGPS, SA, Publicly Listed Company is the Board of Directors, which comprises the Chairman and 15 directors. Of this group

of directors, nine form the company's Executive Committee, which is responsible for the strategy and day-to-day management of the Group's business activities.

Diogo José Fernandes Homem de Lucena* | Chairman of the Board of Directors
Isabel Maria Pereira Aníbal Vaz | Chief Executive Officer
João Paulo da Cunha Leite de Abreu Novais | Member of the Executive Committee
Tomás Leitão Branquinho da Fonseca | Member of the Executive Committee
Ivo Joaquim Antão | Member of the Executive Committee
Pedro Gonçalo da Costa Pinheiro Líbano Monteiro | Member of the Executive Committee
António Davide de Lima Cardoso | Member of the Executive Committee
Artur Aires Rodrigues de Morais Vaz | Member of the Executive Committee
José Manuel Malheiro Holtreman Roquette | Member of the Executive Committee
Maria do Rosário Nunes Vicente Rebordão Sobral | Member of the Executive Committee
Luís Espírito Santo Silva Ricciardi | Director
João Carlos Pellon Parreira Rodrigues Pena | Director
José Manuel Caeiro Pulido* | Director
Alexandre Carlos de Melo Vieira Costa Relvas* | Director
Nuno de Carvalho Fernandes Thomaz* | Director
Pedro Guilherme Beauvillain de Brito e Cunha | Director



* Independent Directors

The structure of the Group's holding company and the structure of Espírito Santo Saúde - Serviços, ACE, are composed by centralised services departments that provide support to the Board of Directors as well as to the Group's various operational units. This allows them to take advantage of scale, knowledge and talent economies, while ensuring that a consistent strategy and standards are applied in the various units. The centralised services departments are organised into specific areas: Accreditation and Quality Certification, Administration and Finance, Business Development, Central Diagnostic Imaging, Central Purchasing Negotiations, Commercial and Operational Control, Human Resources, Information Systems, Information Technology Infrastructures, Infrastructures and Maintenance, International Patient Services, Investor Relations, Learning and Development, Legal and Compliance, Logistics, Management Planning and Control, Marketing and Communication, Organization and Processes.

In operational terms, each of the Espírito Santo Saúde units has a Board of Directors, which, in addition to including the members of the holding company's Executive Committee, has a member who is responsible for that unit's operations. This ensures a consistent strategy among the various units and enables sharing of best practices among them.

02.2

Strategic Positioning

The Group's competitive advantages allow it to benefit from trends at the local and regional level that drive demand in the Portuguese healthcare market and allow it to expand, taking advantage of new opportunities at the national and international level. The Group's competitive advantages include, among others:

- A leadership position in Portugal;
- A diversified network of healthcare units that covers a wide geographical area;
- Investment in modern hospital facilities;
- Long-term relationships with the main payers that operate in the Portuguese healthcare sector;
- A model based on the best services and infrastructures in the sector;
- Highly qualified, experienced and motivated clinical staff;
- Integration into the healthcare sector's Public-Private Partnership Programme;
- An experienced management team with a history of managing growth based on clinical excellence.

02.2.1

Vision

To be a healthcare provider recognised as a benchmark of excellence and innovation in medical practice.

Espírito Santo Saúde's commitment is absolute and unequivocal: to ensure the best diagnosis and medical treatment that talent, innovation and dedication can provide.

Espírito Santo 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.

02.2.2

Mission

To diagnose and treat patients rapidly and effectively, with absolute respect for the patient's individuality, and to build an organisation capable of attracting, developing and retaining exceptional people.

The shared mission of all those who work in the Espírito Santo Saúde Group's units is embodied in how they apply best practices every day to achieve excellent results.

In order to fulfil its mission, the Espírito Santo Saúde Group, through its employees, is committed to:

EXCELLENCE

- Placing the interests of patients ahead of the interests of the organisation.
- Abiding by the highest ethical and professional standards.
- Humanising medicine, creating empathy with patients and their families.
- Developing long-term relationships with our customers – patients and third party payers – based on efficacy, integrity and trust.

INNOVATION

- Providing the best possible health care that scientific and technological advances will allow.
- Investing in cutting edge technology for providing innovative treatments.

TALENT

- Working with the best professionals and fostering their continued development by investing in training and establishing a culture of striving to meet the highest standards of professional performance and personal achievement.
- Managing an efficient, high-quality healthcare structure made up of competitive and dynamic employees who are strongly committed to the organisation, its mission and its values.

02.2.3

Values

Eight fundamental values lie at the core of the Espírito Santo 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 RIGOUR

- 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 upon 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 HUMILITY

- 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 the 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

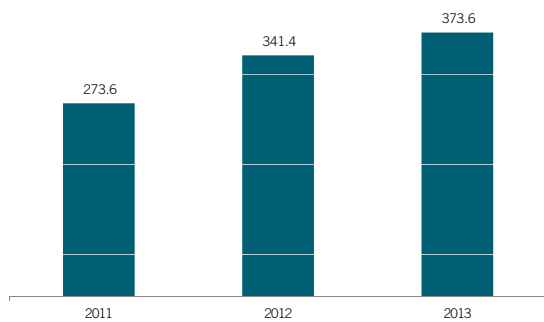
- We believe that collective effort is the best way to achieve our objectives and enhance the impact of our actions on the community.

02.3

Key Information about the Group

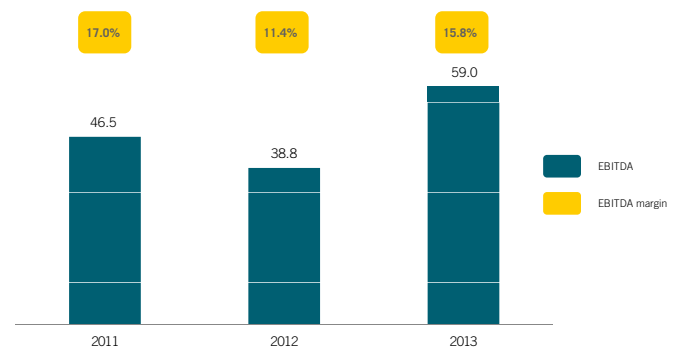
Consolidated operating revenue

Unit: EUR million



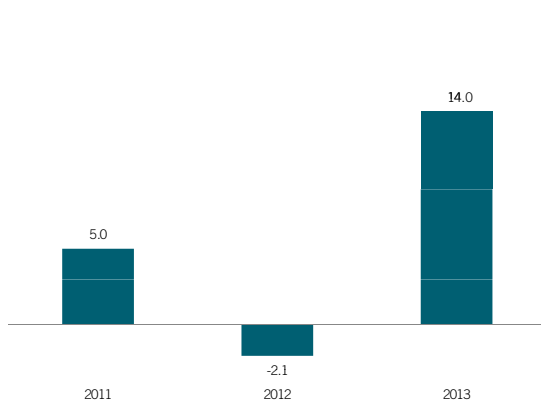
Consolidated EBITDA and EBITDA margin

Unit: EUR million



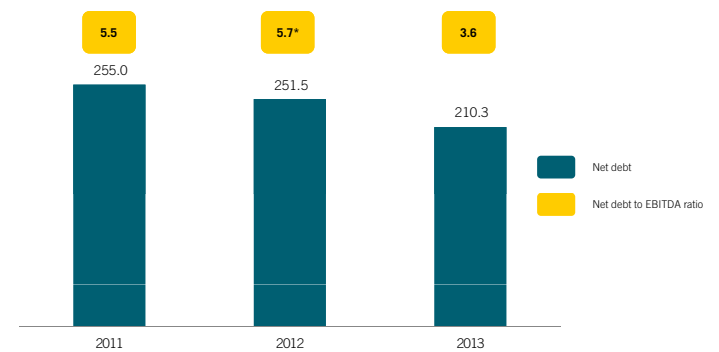
Net income attributable to shareholders

Unit: EUR million



Net debt and net debt to EBITDA ratio

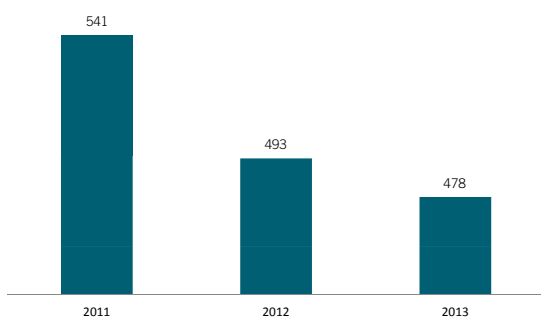
Unit: EUR million



* Considerando EBITDA recorrente, excluindo imparidades de ativos fixos (5,0 milhões de euros em 2012)

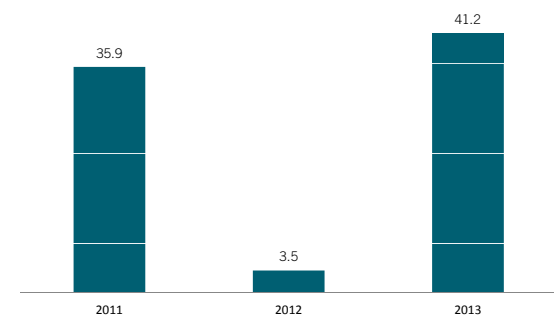
Consolidated total assets

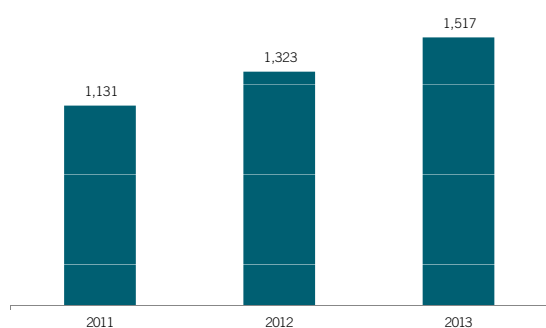
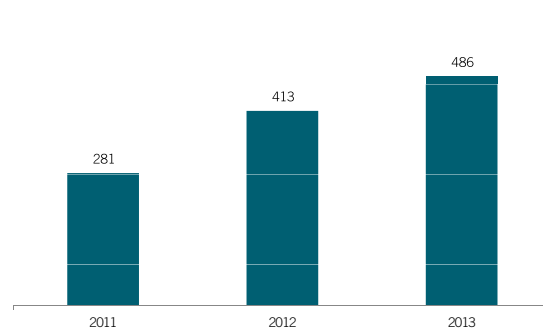
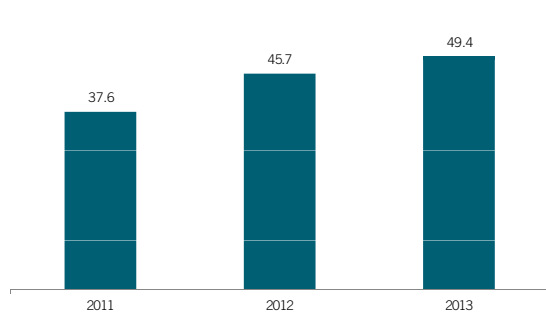
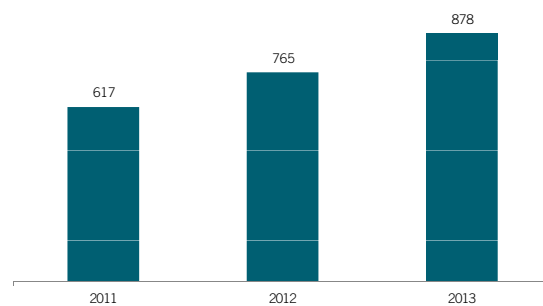
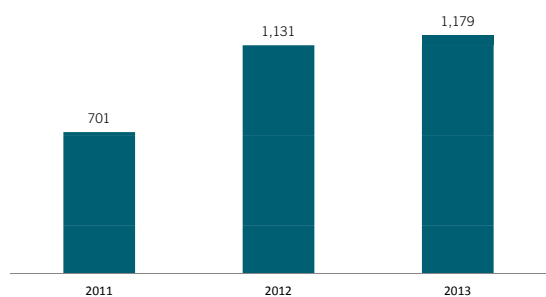
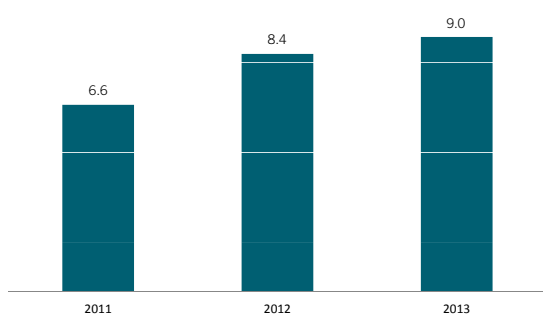
Unit: EUR million



Consolidated free cash flows

Unit: EUR million



Number of medical consultations*Unit: thousand***Number of emergency room visits***Unit: thousand***Number of surgeries and deliveries***Unit: thousand***Number of imaging exams***Unit: thousand***Number of beds****Number of Group employees***Unit: thousand*



A photograph of a surgical team in an operating room. The surgeons are wearing blue scrubs, masks, and hairnets. They are focused on a patient lying on the operating table. The room is dimly lit, with bright surgical lights illuminating the patient. The background shows various pieces of medical equipment and monitors.

03

CONSOLIDATED
ANNUAL REPORT

03.1

Economic Environment in 2013

The year 2013 was marked by a slight improvement in global economic activity, with the United States experiencing accelerated growth in the second semester due to some recovery of the labour and housing markets and strong stimuli from monetary policy. There was also some improvement in market sentiment in relation to the Euro zone. GDP in the Euro zone has begun to show positive quarterly growth, sustaining expectations of a growth rate of around 1% in 2014 after a 0.4% drop in 2013. The year 2013 was also marked by some stabilisation of the growth rate in China, which was around 7.7%. However, the evolution observed in emerging countries has been less favourable due to deceleration of oil prices and of raw materials in general.

In Portugal, exports strong performance and a trend towards stabilisation of internal demand led to some economic recovery beginning in the 2nd quarter. Growth continued but was limited by the deleveraging process underway in various sectors. Although GDP fell by about 1.5% in 2013, it is expected to grow by about 1% in 2014. Unemployment fell from 17.7% to approximately 15.3% of the working population between the 1st and 4th quarter of 2013, and there was a 12.8% increase in the number of new businesses created in Portugal, which amounted to more than 35,000 new companies – significantly more than the number of companies that were dissolved, which totaled approximately 14,000 (20% fewer than in 2012).

In the healthcare market, the public sector was affected by continued budgetary deficits in 2013, which led to further pressure to reduce costs in the public healthcare system. This has a number of implications in terms of access to care, modernisation of public hospitals and employee motivation. In addition, from the standpoint of the Portuguese National Health System, the public sector continues to suffer from stagnation and serious financial difficulties.

In the private healthcare sector, the trend towards consolidation has continued, due to the combined effect of financial pressure on smaller healthcare providers, primarily those that are more dependent on the State, and the fact that payers and customers have tended to prefer the larger healthcare provider groups that offer a wider range of services with a focus on innovation and excellence. This gives Espírito Santo Saúde a competitive advantage in this market environment, especially when it comes to attracting the best physicians. It is estimated that these larger providers were able to achieve overall increases in activity levels despite the slowdown in some areas of the market, such as the declining volume of surgeries

coming from the Integrated Management System for Patients on Surgery Waiting Lists in public hospitals (SIGIC - Sistema Integrado de Gestão de Inscritos para Cirurgia). These increases were achieved through natural growth of the market and, above all, from capturing a greater share of the market due to the consolidation movement mentioned above.

The health insurance sector has seen growth of around 3% in the value of premiums over the previous year (to approximately EUR 571 million) despite the current economic environment. It is estimated that more than 2.2 million Portuguese carry this type of insurance. Between private insurance and other healthcare plans (ADSE, IASFA and SAMS, among others), it is estimated that more than 4.2 million Portuguese have double healthcare coverage in relation to the National Health Service.

03.2

Performance of the Group and Business Segments

Consolidated Income Statement

Unit: EUR million

	2012	2013	Change
Operating Revenues	341.4	373.6	9.4%
Operating costs	(302.6)	(314.6)	4.0%
EBITDA	38.8	59.0	51.8%
EBITDA Margin	11.4%	15.8%	4.4 p.p.
Depreciation and amortisation	(28.5)	(28.1)	-1.3%
EBIT	10.4	30.9	197.4%
EBIT Margin	3.0%	8.3%	5.2 p.p.
Financial income/(loss)	(12.4)	(10.4)	-16.5%
EBT	(2.0)	20.5	N.A.
Taxes	(0.0)	(6.5)	N.A.
Net Income	(2.0)	14.1	N.A.
Income attributable to non-controlling interests	0.1	0.0	-68.3%
Net income/(loss) attributable to Espírito Santo Saúde equity shareholders	(2.1)	14.0	N.A.
EPS (EUR)	(0.02)	0.16	N.A.

In 2013, despite the climate of economic recession in Portugal, high levels of unemployment and a decrease in the disposable income of families, Espírito Santo Saúde increased its operating revenues by 9.4% to EUR 373.6 million. This was driven largely by the growth in activity at Hospital Beatriz Ângelo in the public healthcare segment (growth of 57.2%).

EBITDA reached EUR 59.0 million in 2013 (growth of 51.8% in relation to 2012 and 33.5% in relation to the recurrent EBITDA in 2012 excluding impairment losses related to land value in amount of EUR 5.0 million). The EBITDA margin was 15.8%, up 4.4 p.p. from 2012 (3.0 p.p. in relation to the recurring EBITDA last year). The positive performance was driven by two main factors: i) the turnaround of Hospital Beatriz Ângelo (PPP), which went from a negative EBITDA of EUR 12 million in 2012 to a positive EBITDA of EUR 1 million in 2013 and ii) an improved EBITDA margin in the private healthcare segment, which showed an increase of 0.8 p.p. compared to the recurring EBITDA (excluding impairment losses related to land value) in 2012, reaching 20.3%. The latter was influenced by Espírito Santo Saúde winning a VAT related lawsuit (EUR 0.6

million) and by a release of trade receivables provisions due to recovery of older outstanding client debt and collections process improvement (EUR 1.4 million).

The net income attributable to Espírito Santo Saúde shareholders was EUR 14.0 million, which was driven by the abovementioned rise in EBITDA and improvement in the margin, as well as by improved financial results due to lower Euribor rates and lower spreads charged by financial institutions.

Consolidated Financial Position Statement*Unit: EUR million*

	2012	2013
Fixed assets	367.6	351.2
Working capital	11.4	0.8
Shareholder capital	127.5	141.7
Net debt	251.5	210.3
Net debt / EBITDA ¹	5.7	3.6

¹ 2012 Recurring EBITDA (excluding impairments associated with land valuation)

In 2013, Espírito Santo Saúde had a consolidated CAPEX of EUR 12.5 million, EUR 5.2 million of which represented investment in additional capacity, specifically for Hospital Beatriz Ângelo, Hospital do Mar and Cliria - Clínica de Oiã. The remaining EUR 7.3 million corresponded to maintenance CAPEX distributed among the Group's various units, which represented 1.9% of the consolidated operating revenues.

At the end of 2013, Espírito Santo Saúde's consolidated net debt totalled EUR 210 million, EUR 41 million less than in 2012. This was mainly driven by the generation of operating cash flow in the Group's various units. The net debt/EBITDA ratio was 3.6 versus 5.7 in 2012.

Operating revenues by segment

Unit: EUR million

	2012	2013	Var.
Consolidated operating revenues	341.4	373.6	9.4%
Private healthcare	286.3	288.8	0.9%
Public healthcare	52.2	82.1	57.2%
Other activities	2.9	3.5	21.4%
Corporate centre	12.2	8.9	-27.0%
Eliminations	(12.0)	(9.6)	-19.9%

In 2013, Espírito Santo Saúde's operational revenues reached EUR 373.6 million, an increase of 9.4% compared to 2012. In a climate of economic recession with high levels of unemployment and decreased purchasing power of families, Espírito Santo Saúde achieved this growth without any expansion of its installed capacity.

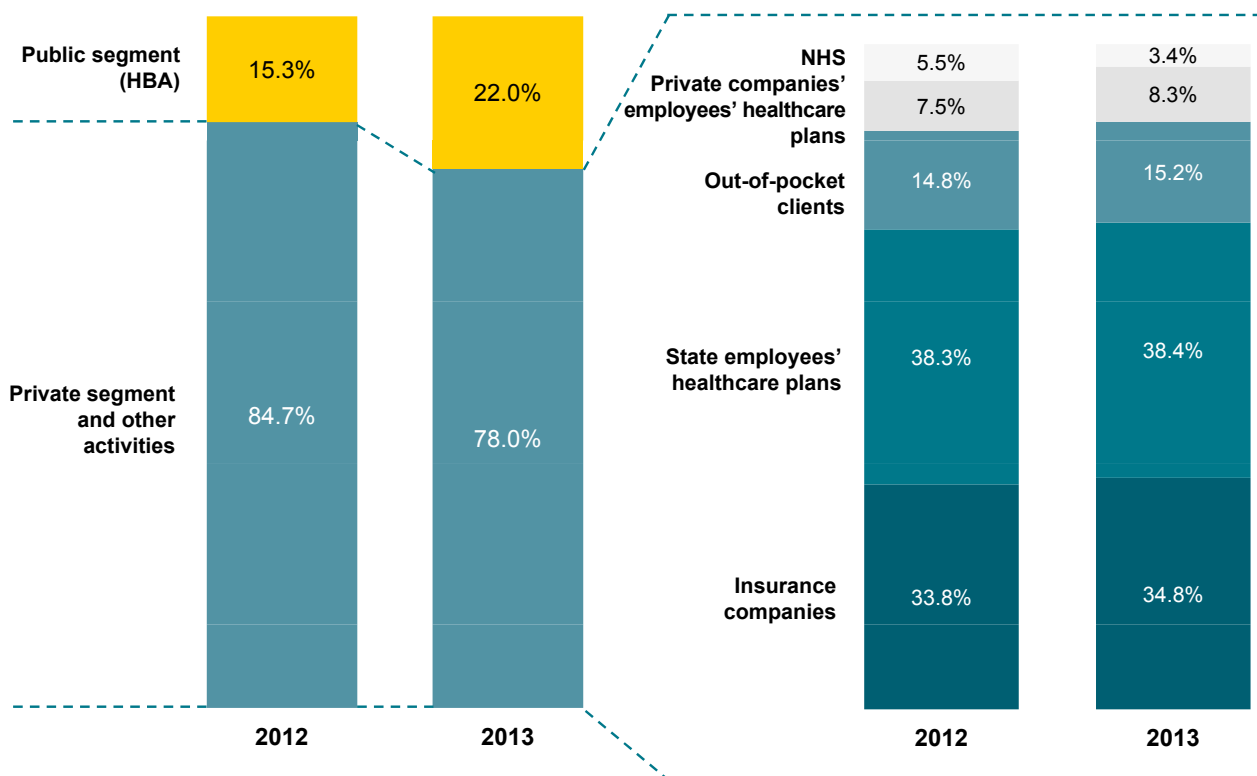
Operational revenues in the private healthcare segment totalled EUR 288.8 million, 0.9% more than in 2012. There are two factors to be considered regarding this growth: i) change in the consolidation perimeter in 2013 due to new accounting rules regarding joint ventures, resulted in Hospital da Misericórdia de Évora being consolidated by the equity method in 2013 while in 2012 was proportionally consolidated, accounting for 1.2 p.p. variation in revenue growth, to 2.1%; and ii) significant reduction of surgery volumes from SIGIC (public hospitals waiting lists management system), which accounts for a 2.1 p.p. revenues growth reduction. Overall, excluding these two effects, private healthcare revenues grew 4.2%.

Growth in 2013 was driven by an overall increase in ambulatory care in all the units (with the volume of medical consultations, emergency room visits and outpatient treatments rising 6%, 8% and 7%, respectively), compensating the effect on average revenue per service, positive in consultations (+1%), negative in emergency visits (-2%) and imaging exams (-6%) and neutral in other exams and treatments. In addition, there was a reduction of surgical activity by 2% in volumes, essentially due to SIGIC activity decrease, with a 1% increase in average revenue per procedure. In our two main units on the private healthcare segment, Hospital da Luz and Hospital da Arrábida, the first experienced a 4.4% revenue growth, with activity growth across all clinical areas, while the second, despite the generalized activity growth, faced a 1.8% revenue decrease, not being able to compensate the reduction in surgical activity (-9.6%), relative to the public waitlist management system (SIGIC), to which was historically more exposed.

The public healthcare segment (HBA) operating revenues reached EUR 82.1 million, growing 57.2% when compared with the previous year. This growth is justified by the fact that 2012 was the first year of Hospital Beatriz Ângelo that gradually opened its clinical services from January 19th up to February 28th followed by an activity ramp-up period until September, which resulted in a lower revenue level. In 2013 the Hospital had its first full year of operation, with higher activity levels. The enhancement of the primary care referral network articulation with the Hospital and the improvement of the public transportation network were important contributors to upgrade the population access to the Hospital.

The other activities segment (which currently comprises the senior residences) obtained EUR 3.5 million in operating revenues, up 21.4% in relation to 2012. This growth was driven primarily by Casas da Cidade, through the development of services for patients in the early stages of dementia (initiated in 2012), which has made it possible to increase the utilisation of the unit's installed capacity with a value-added product that takes advantage of the extensive Espírito Santo Saúde know-how in this area.

Revenues from sales and services provided according to type of payer (all business segments included)



Espírito Santo Saúde payer mix has changed in 2013, mostly because of the activity increase in Hospital Beatriz Ângelo (PPP). In the private healthcare segment, insurance companies and private companies' employees' healthcare plans gained share on the segment's total revenues, from 33.8% to 34.8% and from 7.5% to 8.3%, respectively. Out-of-pocket clients maintained their share of approximately 15%, as well as

the State employees' healthcare plans (ADSE, military, police forces, etc. which maintained an approximately 38% share), while there was a significant decrease on the services provided to public hospitals (from 5.5% to 3.4% of private revenues), due to the reduction in surgical activity provided for waiting lists management systems, as mentioned earlier.

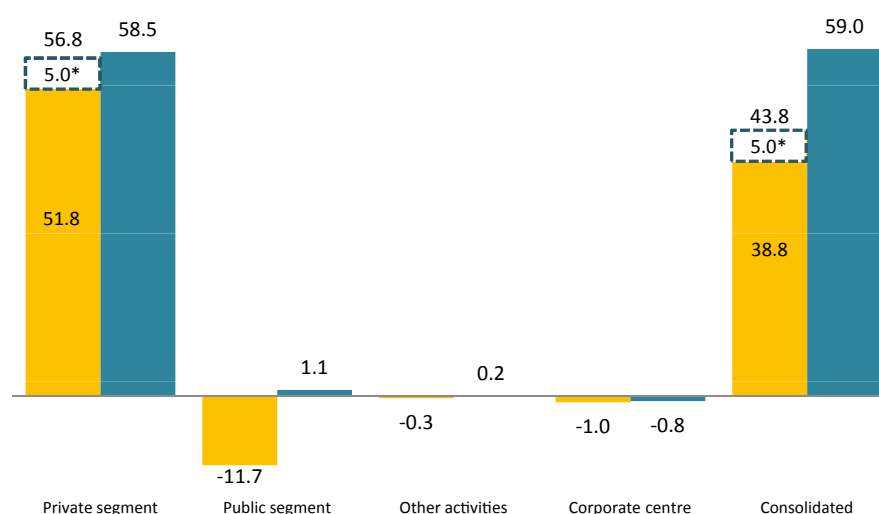
03.2.2 Income Statement

Consolidated EBITDA and EBITDA margin

	2012		2013		Change
	EUR million	Margin	EUR million	Margin	
Consolidated EBITDA	38.8	11.4%	59.0	15.8%	51.8%
Private healthcare	51.8	18.1%	58.5	20.3%	12.9%
Public healthcare	(11.7)	-22.4%	1.1	1.3%	N.A.
Other activities	(0.3)	-11.9%	0.2	5.3%	N.A.
Corporate centre	(1.0)	N.A.	(0.8)	N.A.	16.6%

Contribution to consolidated EBITDA performance

Unit: EUR million



* Corresponding value of impairment of fixed assets

Espírito Santo Saúde's consolidated EBITDA was EUR 59.0 million, which represents growth of 51.8% when compared to 2012. The EBITDA margin rose from 11.4% in 2012 to 15.8% in 2013. This performance was largely due to improved profitability in the public healthcare segment.

In the private segment, excluding the impairment reported in 2012 due to the declining value of non-operating land (impairment losses of EUR 5 million), the EBITDA margin rose from 19.8% in 2012 to 20.3% in 2013. This growth was influenced by Espírito Santo Saúde winning a VAT related lawsuit (EUR 0.6 million) and by a release of trade receivables provisions due to recovery of older outstanding client debt and collections process improvement (EUR 1.4 million).

In the public segment (Hospital Beatriz Ângelo), the increase in activity compared to 2012 generated a significant increase in operating income (57.2% growth), which made it possible to dilute fixed costs, especially personnel costs that have been present from the time the hospital opened. This has enabled us to achieve a positive EBITDA in the hospital's second year of activity, its first full year of operations.

The consolidated net income attributable to shareholders reached EUR 14.0 million, based on the significant improvement in the EBITDA margin and on a decrease in financial costs (-16.5% compared to 2012) due to lower Euribor rates and lower spreads charged by financial institutions.

03.2.3

Financial Position

Financial Position

Unit: EUR million

	2012	2013		2012	2013
Property, plant and equipment	271.2	253.9	Share capital and premiums	136.2	136.2
Intangible assets	94.6	95.7	Reserves, retained earnings and net income	(8.8)	5.5
Others	1.8	1.5	Shareholder capital	127.5	141.7
Fixed assets	367.6	351.2	Non-current bank loans and trade payables	144.7	140.6
Inventories	7.9	7.4	Current bank loans	83.9	66.1
Trade and other receivables	91.9	84.4	Non-current finance leases	35.9	27.4
Trade and other payables	(81.5)	(78.2)	Current finance leases	11,3	11.1
Others ¹	(6.9)	(12.7)	Cash and equivalents	(24.3)	(34.8)
Working capital	11.4	0.8	Net debt	251.5	210.3
Fixed assets + Working capital	379.0	352.0	Shareholder capital + Net debt	379.0	352.0

¹ Income tax receivables deducted of non controlling interests, provisions and deferred taxes liabilities, and current income tax payables.

In terms of fixed assets, Espírito Santo Saúde's capital expenditure (CAPEX) in 2013 reached EUR 12.5 million, EUR 5.2 million of which was related to investment in additional capacity and significant renovations. More specifically, Hospital do Mar's capacity was increased by 25% in response to demand for its services and high occupancy rates; Hospital Beatriz Ângelo invested in additional clinical equipment in line with its functional plan; and Cliria - Clínica de Oiã underwent major renovations to upgrade the facility and bring its image and standards to fit with those of the Group. The remaining EUR 7.3 million correspond to maintenance CAPEX distributed among the Group's various units, which represented 1.9% of the consolidated operating revenue.

Working capital decreased to EUR 0.8 million, mainly due to a decrease in trade and other receivables (from 99 days for revenue from sales and services provided in 2012 to 83 days in 2013), which resulted from extra payments on the part of some payers in the last quarter and ongoing improvements in the

revenue cycle process. There was also a decrease in trade and other payables (from 102 days of inventory consumed and sold, materials and services consumed and staffing costs in 2012 to 94 days in 2013), which can be explained by the fact that some suppliers offered better terms in exchange for a reduction in payment days.

At the end of 2013, consolidated financial debt totalled EUR 245 million, with EUR 207 million in bank loans and EUR 38 million in finance leases. The bank loans took the form of short and medium to long-term commercial paper (EUR 174 million), medium and long-term loans (EUR 28 million) and short term credit lines (EUR 5 million), with an overall average spread of 2.7% over Euribor and an average maturity of 4 years. Net debt reached EUR 210 million, which represented a decrease of EUR 41 million compared with 2012. This is largely explained by the generation of operating cash flow by the Group's various units and by the improvement on working capital. The net debt/EBITDA ratio was 3.6 versus 5.7 in 2012.

03.3

Main Risks and Uncertainties for Espírito Santo Saúde

The Espírito Santo Saúde Group manages its risks by prioritising detection and coverage of risks that may have a materially significant impact on the Group's revenue or equity, or which may lead to significant constraints on its ability to conduct business.

The main risks identified are of operational and financial nature. The Group's policy includes taking any measures it deems necessary to cover or minimise these risks.

With respect to operational risks, it should be noted that:

All of Espírito Santo Saúde's revenue arises from operations located in Portugal; therefore, operating profits / (losses) are affected by financial, economic and political developments in the country

Adverse macroeconomic conditions in Portugal have exacerbated budgetary problems in the public sector, which has led to strong pressure to contain costs in the National Health Service (NHS). Although a substantial part of the Espírito Santo Saúde Group's activity is concentrated in the private healthcare segment, it is also exposed to the National Health Service, mainly through Hospital Beatriz Ângelo, which the Group operates in partnership with the Portuguese government.

At the same time, since an important part of the Espírito Santo Saúde Group's revenue is generated through the private healthcare plans of public service workers, a reduction in the costs borne by the government in these healthcare plans (which include those of public service employees and their dependents and retirees) could have an impact on the Group's business activity. However, recent changes in the employee contribution schemes for these plans and decreases in the prices charged for care over the last few years have made them less dependent on government funding.

In addition to the direct impact that the economic slowdown has had on the State, it has also led to a sharp increase in unemployment, a decrease in public and private sector incomes and greater difficulty in obtaining credit, among other effects.

However, despite current macroeconomic trends and the adverse economic climate in Portugal, the Espírito Santo Saúde Group's units have shown great resilience. Moreover, throughout

this period, real growth in the private health insurance market has continued.

Competition in the healthcare services market in Portugal

Competition between hospitals and other healthcare providers for patients and customers has intensified during the last few years as a result of a certain degree of consolidation in the sector. The Group also faces competition from other healthcare providers, such as public hospitals, independent clinics and ambulatory and diagnostic centres, and it could also face competition from international healthcare corporations that may begin to offer healthcare services in Portugal in the future.

Hospitals compete on factors such as reputation, clinical excellence, technology, customer satisfaction and price. The ability to recruit experienced doctors and other healthcare professionals, such as high quality nurses and technicians, is crucial for the Group to be able to attract and retain customers.

In a context of increasing levels of competition, in order to strengthen its leadership position in the market, the Group must continue to (1) recruit high quality, experienced doctors and other healthcare professionals; and (2) continually improve its facilities with the most recent technological advances in diagnostic and surgical equipment.

On the other hand, transposition into Portuguese law of the European Directive on Trans-border Health Care may represent an opportunity for Espírito Santo Saúde. The directive establishes rules of access and the right to reimbursement of healthcare costs incurred in other Member States up to the limit that that the State of residence would have paid if the care had been given within their own borders. The Group's units are in a position to offer high quality medical care at competitive prices, especially when compared to the top European healthcare providers.

Pressure on prices from health insurance companies and health plans

In order to mitigate the effect of pricing pressure from insurance companies and private employers, the Espírito Santo Saúde Group strives to keep abreast of the most recent technological and clinical advances in order to ensure that its clinical portfolio of services and products, equipment and technol-

ogy is specialised and offers high added-value. This positioning, coupled with the size of the Group and the wide geographical area it covers, are part of the value proposition it offers to its customer base. This has enabled the Group to minimise the effect of the price cuts that have occurred in some of its business areas over the last few years.

Espírito Santo Saúde manages Hospital Beatriz Ângelo in partnership with the government

Espírito Santo Saúde manages Hospital Beatriz Ângelo through the company Sociedade Gestora do Hospital de Loures, SA (SGHL) under a Public-Private Partnership agreement (PPP) with the Portuguese government. Hospital de Loures – Sociedade Gestora do Edifício (HL-SGE), a company in which the Group holds a 10% share, is also part of the PPP agreement. HL-SGE was responsible for construction of the hospital and is currently responsible for managing maintenance of the Hospital Beatriz Ângelo building and facilities.

Under the terms of the PPP agreement, SGHL is obliged to provide healthcare for the NHS through Hospital Beatriz Ângelo for a period of 10 years counting from the date Hospital Beatriz Ângelo began operations (on 19 January 2012). The PPP agreement may also be renewed by mutual agreement for successive periods. These periods may not exceed 10 years. The total duration of the PPP agreement, including the initial period and any additional periods, may not exceed thirty years counting from the date the PPP agreement came into force (on 31 December 2009).

With respect to management of the hospital, the PPP agreement regulates relations between the State and SGHL, sets prices and payment terms, establishes quality indicators, communication and information obligations, levels of compliance (clinical and non-clinical), hospital operating rules (e.g. with respect to human resources) and other obligations and responsibilities of each party, as well as penalties for non-compliance with the contractual obligations.

In addition, the PPP agreement establishes that annual volumes of patient treatments at Hospital Beatriz Ângelo (with regard to medical consultations, emergency room visits, and inpatient and ambulatory surgical and non-surgical services) shall be agreed by means of annual negotiations between the Ministry of Health and the hospital board, based on historical information regarding the demand for public healthcare services by the population in the area served by the hospital. However, it should be noted that the aforementioned level of production is defined based on historical data related to the level of demand for public healthcare services on the part of the population living in the area the hospital serves.

The prices that the hospital charges to the NHS are contractually agreed and adjusted annually based on the inflation rate.

The PPP agreement also provides that at the beginning of each month the State must pay 90% of one-twelfth of the annual contracted value of production (regardless of the real value of production), with a final adjustment of the amount (which may include the remaining 10% plus any additional production above the contracted amount, since there are areas in which surpassing the set production limit is allowed, such as emergency room visits and hospitalisation episodes) being liquidated during the following financial year.

Certain loan agreements concluded by the Company and some of its subsidiaries contain change of control provisions that will be activated if ESI ceases to have a direct or indirect controlling interest in the Company.

Certain loan agreements in which the Company and some of its subsidiaries are parties contain change of control provisions that require ESI to maintain a direct or indirect controlling interest in the Company. As at 31 December 2013, the total amount of debt covered by these agreements was EUR 172 million.

Some of these change of control provisions may be activated if ESI's direct or indirect share falls below 51% of the Company's share capital, or if ESI's direct or indirect share falls below 51% of the share capital and voting rights in the Company, or if ESI ceases to hold, directly or indirectly, a majority of the Company's share capital and voting rights. ESI currently has a controlling interest in RF with 100% of its share capital. RF owns 55% of the share capital of ESHCI, which, in turn, owns 51% of Espírito Santo Saúde. If ESI's direct or indirect interest in the Company falls below the applicable limits, these change of control clauses may also trigger cross-default and cross-acceleration mechanisms due to default on some or all of these agreements. In this event, under the terms of the respective agreements, the creditors will have the right to demand early payment of the amounts from the Company and/or the subsidiaries involved. Should this situation occur and the Company is unable to obtain financing to pay the debt early, this may have a materially adverse impact on the Company's business, financial position, operating results or future prospects. In addition, the change of control provisions in these agreements may limit the Company's ability to raise capital in the future or seek additional loans, which may limit the Company's operational flexibility and its future prospects for expansion.

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

Credit risk

Credit risk results from the possibility of financial losses occurring due to a customer's default on contractual obligations established with the Group in the course of its business activity. Customer portfolios and their open balances are managed on an ongoing basis.

This approach is complemented by the Group's efforts to continually improve the methods and tools it uses for assessing and monitoring risk when vetting customers and setting credit limits, as well as for the debt collection process.

The Group's credit risk is monitored regularly by the Operations and Financial Department, namely with respect to changes in credit exposure and default losses. Compliance with approved credit levels is also reviewed regularly.

The Group's exposure to credit risk essentially consists of balances due arising from its operating activities and is affected by the specific characteristics of each customer. Customer demographic and geographic characteristics have no significant impact on each customer's credit risk.

The Group has established a credit policy in which each new customer is vetted individually from a credit risk standpoint prior to being accepted as a customer. This process includes a review of outside information and, whenever possible, third party references about the entity.

Adjustments to outstanding receivables are estimated based on likely losses on the customer portfolio following a review of each outstanding balance.

Under the PPP agreement, at the beginning of each month the State must pay 90% of one-twelfth of the annual contracted value of production (regardless of the real value of production), with a final adjustment of the amount (which may include the remaining 10% plus any additional production above the contracted value, as there are areas in which surpassing the set production limit is allowed, such as emergency room visits and hospitalisation episodes) being liquidated during the following financial year. To date, the government has complied with the terms of this contractual provision, namely with respect to settling the aforementioned monthly payments.

Nearly all of the amount reported under trade receivables at the consolidated level applies to the private healthcare segment (since, in the public healthcare segment, only balances owed relative to patient co-payments and non-NHS entities are reported in this category). On 31 December 2013, this balance represented approximately 64 days of revenue from sales and services in the private healthcare segment (to customers outside the Espírito Santo Saúde Group). This amount reflects the history of timely compliance on the part of the ADSE subsystem and the private subsystems with which the Group works.

On 31 December 2013, the breakdown of the consolidated trade receivables balance was as follows:

<i>Unit: euros</i>	
	Amount
Private segment	50 449 147.96
Other segment and eliminations	406 466.90
Trade receivables	<u>50 855 614.86</u>

On 31 December 2013, the ageing of trade receivables in the private healthcare segment based on the date the respective invoice is detailed below:

<i>Unit: euros</i>	
Ageing of trade receivables in the private healthcare segment on 31 December 2013	Amount
0-3 months	39 371 081.95
3-6 months	4 684 293.32
6-12 months	3 179 132.72
12-18 months	1 167 153.44
18-24 months	687 915.68
> 24 months	8 447 229.08
	<u>57 536 806.19</u>
Accumulated impairment	<u>(7 087 658.23)</u>
Net trade receivables balance	<u>50 449 147.96</u>

More than 50% of the trade receivables balance is for outstanding balances less than 3 months overdue. Most of the provisions for trade receivables more than 24 months overdue had already been made by 31 December 2013.

Liquidity risk

Liquidity risk arises from the potential inability to finance the Group's assets or to satisfy contractual responsibilities on their due dates. Management of liquidity risk is centralised in the Financial Department. Management of liquidity risk aims at maintaining a satisfactory level of available resources to meet the Group's short-term, medium-term and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that make it possible to identify occasional liquidity shortages and activate mechanisms to cover them.

On 31 December 2013, the amount of committed lines of credit available for use (including commercial paper programmes) was approximately EUR 46 million. Commercial paper issues that do not include a guaranteed subscription clause are classified as current liabilities, even though it is expected that the banks involved in the organisation and underwriting of the securities will be able to obtain the necessary funds through their distribution channels.

The liquidity of financial liabilities will lead to the following non-discounted cash flows, excluding interest, based on the remaining period of the contract on the balance sheet date:

Unit: euros

	Finance leases	Bank loans	Commercial paper	Other Liabilities ¹	Total
< 1 year	11 091 102	22 266 812	43 787 765	78 200 106	155 345 786
1-2 years	8 180 960	2 601 063	33 501 654	399 061	44 682 739
2-3 years	4 709 372	3 259 728	12 700 000	299 296	20 968 396
3-4 years	3 079 146	1 021 431	16 700 000	-	20 800 577
4-5 years	2 511 990	185 095	19 500 000	-	22 197 085
> 5 years	8 891 266	2 500 000	47 899 758	-	59 291 024
	38 463 837	31 834 129	174 089 177	78 898 464	323 285 607

¹ Includes trade and other payables

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or stock market conditions, may affect the Group's results and financial position. As the Group is not exposed to currency or stock market risks, the Group's market risk management focuses mainly on

monitoring changes in interest rates that affect interest-bearing liabilities based on floating interest rates.

No financial instruments are used to cover this market risk.

03.4

Environmental Information

Concern for sustainable development in the environmental area in order to ensure that future generation will be able to meet their needs leads organisations to devote special attention to saving resources and energy efficiency. Efforts have been made in Espírito Santo Saúde Group facilities to disseminate information related to environmental protection: energy efficiency; conservation of resources to minimize the environmental impact on energy, gas and water; reduction of gaseous and liquid emissions and appropriate triage of waste, among others.

The activities undertaken by some of the companies in which Espírito Santo Saúde is a shareholder are subject to specific legislation as regards treatment of the waste generated. In these cases, all the applicable regulations and guidelines are followed at each site and for each specific activity. In addition, a series of training sessions on the processes of separation and treatment of the various types of hospital waste have been held for employees of the various Espírito Santo Saúde Group units. In certain cases, companies specialized in destroying medical and toxic waste are subcontracted to handle this waste in accordance with the law.

In 2013, during the course of doing business, the Group did not incur any significant costs of an environmental nature. No liabilities of an environmental nature are recorded in the financial statements, nor has any environmental contingency been mentioned since it is the administration's conviction that no obligations or contingencies relative to past events that could result in materially relevant costs to the company exist at this time.



03.5

Outlook for 2014

In 2014, the Portuguese economy is expected to return to positive GDP growth (0.8% according to the Portuguese Central Bank). However, there are still several factors that can and may offset the economical turnaround, being the most relevant the high level of unemployment, the considerable tax burden on individuals and companies, the absence of consolidation of public services and the possible deceleration of exports, all of which can lead to a reduction of families' available income and consumption. On the healthcare market, Espírito Santo Saúde believes the public sector will continue to be under significant pressure on the available funding, which in the absence of sector structural reforms, will have implications on access levels, modernization of public hospitals and staff motivation. On the private sector, Espírito Santo Saúde expects the continuation of market consolidation benefiting larger players with a diversified payer portfolio and focus on innovation and excellence that have a competitive advantage in this market environment, especially in attracting top physicians.

During 2014, Espírito Santo Saúde will be focused on leveraging the high demand for its services on the private healthcare segment, especially in Lisbon and Oporto. Simultaneously, through continuous process engineering and improvement, Espírito Santo Saúde will be working on increasing efficiency in its major private facilities, in order to improve capacity utilization, assets turnover and overall profitability. At the same time, the Group will take the initial steps in the expansion projects of its private facilities, namely Hospital da Luz, Hospital da Arrábida and Hospital da Luz – Clínica de Oeiras.

On the public healthcare segment, 2014 will be characterized by the maintenance of the effort in terms of volume growth according to the activity levels negotiated with the State and by the development of efficiency enhancement initiatives, in order to continue to improve Hospital Beatriz Ângelo's profitability levels.

On the senior residences, Espírito Santo Saúde focus will be on increasing occupancy levels through the development of services such as early dementia care and the promotion of closer cooperation with acute care facilities.

Espírito Santo Saúde will continue to develop, in partnership with Teixeira Duarte, the project for a new private Hospital in Luanda, the first step in the international expansion of the Group.

As a Group, Espírito Santo Saúde will continue to follow its strategy of being a reference player in the Portuguese health-

care market, continuing an active effort to consolidate the market. Simultaneously, Espírito Santo Saúde will continue to invest in innovation that adds value to clients and by developing its human resources as the engine of competitive differentiation, while concentrating in increasing efficiency and consequently improving profitability and cash flow generation.

As to distribution of dividends, the Board of Directors expects to be in a position to propose payment of a dividend beginning in 2015 (in relation to the financial year ending on 31 December 2014). This dividend is expected to represent at least 25% of the consolidated profit, subject to submission of a proposal regarding allocation of profits and its approval by Espírito Santo Saúde's governing bodies. The Board of Directors may propose a review of the dividend policy periodically to reflect on factors such as changes in the business strategy and capital requirements, among others.

03.6

Authorisations Granted for Business Dealings between the Company and its Board of Directors

No authorisations have been granted for business dealings between the company and its board members under the terms of Article 397 of the Portuguese Company Code.

03.7

Subsequent Events

Espírito Santo Saúde initiated its IPO process on September 2013, which culminated in the Company's listing on the Lisbon Stock Exchange on 12 February 2014.

The offering consisted of a mix of primary and secondary shares, with a capital increase of approximately EUR 23 million to reduce Espírito Santo Saúde' leverage in order to improve its financial position and increase flexibility for future investments. After capital increase (and including over-allotment option), Espírito Santo Saúde floated 49% of its share capital, with 20% of this allocated through retail offering.

The operation was closed at a EUR 3.20 price and the selling shareholders were Rio Forte Investments, Espírito Santo Financial Group and Companhia de Seguros Tranquilidade, leaving, after the IPO, Espírito Santo Healthcare Investments as the major shareholder of the company (51%). The 49% free-float includes six qualifying shareholders: T. Rowe Price Price Associates (5.0%); HSBC Bank plc (4.8%); Espírito Santo Financial Group (3.4%); Invesco Limited (3.0%); Fidelity International Limited (2.9%); and Fidelity Management and Research (2.6%).

Regarding the results of the institutional part of the offering, there were 60 institutional investors participating in the IPO, with the share capital acquired distributed across several geographies (53% in the United Kingdom, 16% in Portugal, 13% in the United States, 12% in Spain and the remainder in the rest of Europe).

The IPO process represented additional costs to Espírito Santo Saúde of EUR 1.8 million. In addition, the adjustments made at the corporate governance level and in the corporate center structures, in order to respond to needs arising from the fact that Espírito Santo Saúde is a listed company, will result in up to EUR 1.2 million additional recurrent costs.

03.8

Proposal for the Appropriation of the Net Profit

In the 2013 financial year, Espírito Santo Saúde - SGPS, SA had a consolidated net income of EUR 14,023,330.80 and an individual net income of EUR 17,203,913.36.

As announced in the initial public offering, Espírito Santo Saúde will not be paying dividends in relation to the financial year ending on 31 December 2013 in light of the capital increase completed in February of 2014 as part of the IPO for the purpose of reducing Espírito Santo Saúde's debt level in order to improve the company's financial situation and increase flexibility for future investments.

Therefore, the Board of Directors proposes the following allocation of the individual net profit/ (loss):

Unit: euros

Legal reserve	860 200.00
Free reserves	16 343 713.36
Total	17 203 913.36

03.9

Annex to the Consolidated Annual Report

03.9.1

Information about the shareholdings of members of the company's board of directors and supervisory board in the company's capital as of 31 December 2013

In accordance with Article 447(5) of the Portuguese Company Code, Espírito Santo Saúde - SGPS, SA presents the details of the shareholdings of members of the company's board of directors and supervisory board in the company's capital below. Being that the company was not yet listed on the stock

exchange on 31 December 2013, since the initial public offering only occurred on 12 February 2014, the shareholdings shown below are those held on the date the company was first listed on the stock exchange and on 31 March 2014.

Members of the Board of Directors	Shares held on 12 February 2014	Additions during the period	Decreases during the period	Shares held on 31 March 2014
Diogo José Fernandes Homem de Lucena	-	-	-	-
Isabel Maria Pereira Aníbal Vaz	15.000	-	-	15.000
João Paulo da Cunha Leite de Abreu Novais	15.000	-	-	15.000
Tomás Leitão Branquinho da Fonseca	55.000	470 ¹	-	55.470
Ivo Joaquim Antão	4.000	2.500 ²	-	6.500
Pedro Gonçalo da Costa Pinheiro Líbano Monteiro	13.950	-	-	13.950
António Davide de Lima Cardoso	4.000	-	-	4.000
Artur Aires Rodrigues de Morais Vaz	3.500	-	-	3.500
José Manuel Malheiro Holtreman Roquette	500	-	-	500
Maria do Rosário Nunes Vicente Rebordão Sobral	10.000	-	-	10.000
Luís Espírito Santo Silva Ricciardi	600	-	-	600
João Carlos Pellon Parreira Rodrigues Pena	-	-	-	-
José Manuel Caeiro Pulido	15.000	-	-	15.000
Alexandre Carlos de Melo Vieira Costa Relvas	-	-	-	-
Nuno de Carvalho Fernandes Thomaz	-	-	-	-
Pedro Guilherme Beauvillain de Brito e Cunha	-	1.000 ³	-	1.000
António Luís Castanheira Silva Lopes – Audit Board	-	-	-	-
João Carlos Tovar Jalles – Audit Board	-	-	-	-
Luis Manuel Pereira da Silva – Audit Board	-	-	-	-
Clara José Cruz de Sequeira Viegas Penha Ventura – Audit Board	-	-	-	-

¹ The 470 shares were acquired on 04 March 2014 for an average share price of EUR 3.24

² The 2,500 shares were acquired on 20 February 2014 for an average share price of EUR 3.22

³ The 1,000 shares were acquired on 12 February 2014 for an average share price of EUR 3.18

03.9.2

Statutory auditor

The statutory auditor, Ernst & Young Audit & Associados-SROC, SA, held no shares on 31 March 2014 (the same period as above), and has not made any transactions involving Espírito Santo Saúde - SGPS, SA securities.

03.9.3

List of transactions of managers and persons closely associated with them

Espírito Santo Saúde - SGPS, SA hereby discloses, in accordance with Article 14(7) of CMVM Regulation 5/2008, all transactions made by company managers during the period between the date of the initial public offering and 31 March 2014.

	Type	ISIN Code	Volume	Price (Euros)	Place
Tomás Leitão Branquinho da Fonseca					
Date					
04.03.2014	Purchase	PTEPTOAM0005	250	3,240	Euronext Portugal
04.03.2014	Purchase	PTEPTOAM0005	220	3,240	Euronext Portugal
Ivo Joaquim Antão					
Date					
20.02.2014	Purchase	PTEPTOAM0005	2.500	3,220	Euronext Portugal
Pedro Guilherme Beauvillain de Brito e Cunha					
Date					
12.02.2014	Purchase	PTEPTOAM0005	1.000	3,180	Euronext Portugal
Ricardo Espírito Santo Silva Salgado					
Date					
12.02.2014	Purchase	PTEPTOAM0005	16.000	3,18	Euronext Portugal
12.02.2014	Purchase	PTEPTOAM0005	6.730	3,18	Euronext Portugal
12.02.2014	Purchase	PTEPTOAM0005	2.500	3,15	Euronext Portugal
Manuel de Barros Caldas de Almeida					
Date					
04.03.2014	Sale	PTEPTOAM0005	25.000	3,200	Euronext Portugal
Rui Manuel Fraga Martins Maio					
Date					
21.03.2014	Sale	PTEPTOAM0005	5.000	3,700	Euronext Portugal
Ana Teresa Marques de Sousa Costa Freire de Andrade					
Date					
21.03.2014	Sale	PTEPTOAM0005	3.830	3,550	Euronext Portugal

03.9.4

List of qualified shareholders as of 31 December 2013

Following admission of the Company's shares to trading on the Euronext Lisbon market, the Company's share capital and voting rights subject to free float as at 31 March 2014 included the following qualifying shareholdings that represent at least

2% or the share capital of Espírito Santo Saúde, which are calculated according to the provisions of Article 20 of the VM Code:

List of qualifying shareholders (as at 31 March 2014)

	Number of shares	Capital (%)	Voting Rights (%)
Espírito Santo Health Care Investments, SA ^[1]	48,726,550	51.00	51.00
T. Rowe Price Associates, Inc. ^[2]	4,790,000	5.01	5.01
HSBC Bank plc	4,600,000	4.82	4.82
Espírito Santo Financial Group, SA	3,228,283	3.38	3.38
Invesco Limited ^[3]	2,850,000	2.98	2.98
Fidelity International Limited ^[4]	2,800,000	2.93	2.93
Fidelity Management & Research LLC ^[5]	2,500,000	2.62	2.62

[1] Under the terms of Article 16 (4) (a) of the Securities Code (VM Code), Rio Forte Investments, SA owns 55% of ESHCI. Rio Forte Investments is, in turn, 100% owned by Espírito Santo International, SA, in which Espírito Santo Control, SA holds a 56.5% share. Espírito Santo Control, SA has the following "ultimate beneficial owners" of qualifying shares representing its share capital: (a) Maria do Carmo Alzina Moniz Galvão Espírito Santo Silva, who indirectly holds 3,147,463 shares corresponding to 19.37% of the company's share capital; (b) José Manuel Pinheiro Espírito Santo Silva, who indirectly holds 3,011,268 shares corresponding to 18.53% of the company's share capital; (c) António Luis Roquette Ricciardi, who indirectly holds 2,898,339 shares corresponding to 17.84% of the company's share capital; (d) Ricardo Espírito Santo Silva Salgado, who indirectly holds 2,770,183 shares corresponding to 17.05% of the company's share capital; and (e) Heirs of Mário Mosqueira do Amaral, who indirectly holds 2,529,775 shares corresponding to 15.57% of the company's share capital. Historically, the aforementioned people have exercised their influence on Espírito Santo Control, SA jointly.

[2] T. Rowe International Ltd is a discretionary investment management firm that carries out this function for the Espírito Santo Saúde shareholders. One of the shareholders, T. Rowe Price International Discovery Fund, holds 4.4%. T. Rowe Price International Ltd is a wholly-owned subsidiary of T. Rowe Price Associates, Inc.

[3] The Invesco Limited entities that have voting rights in the Company are: (i) Invesco Asset Management Limited – 267,541 shares; (ii) Invesco Fund Managers Limited – 541,700 shares; (iii) Invesco Asset Management Ireland – 2,000,746 shares; and (iv) Invesco Canada Limited – 40,103 shares.

[4] Custodian: Brown Bros Harriman Ltd Lux (C) – Advisor: FFML-FIL Fund Management Limited.

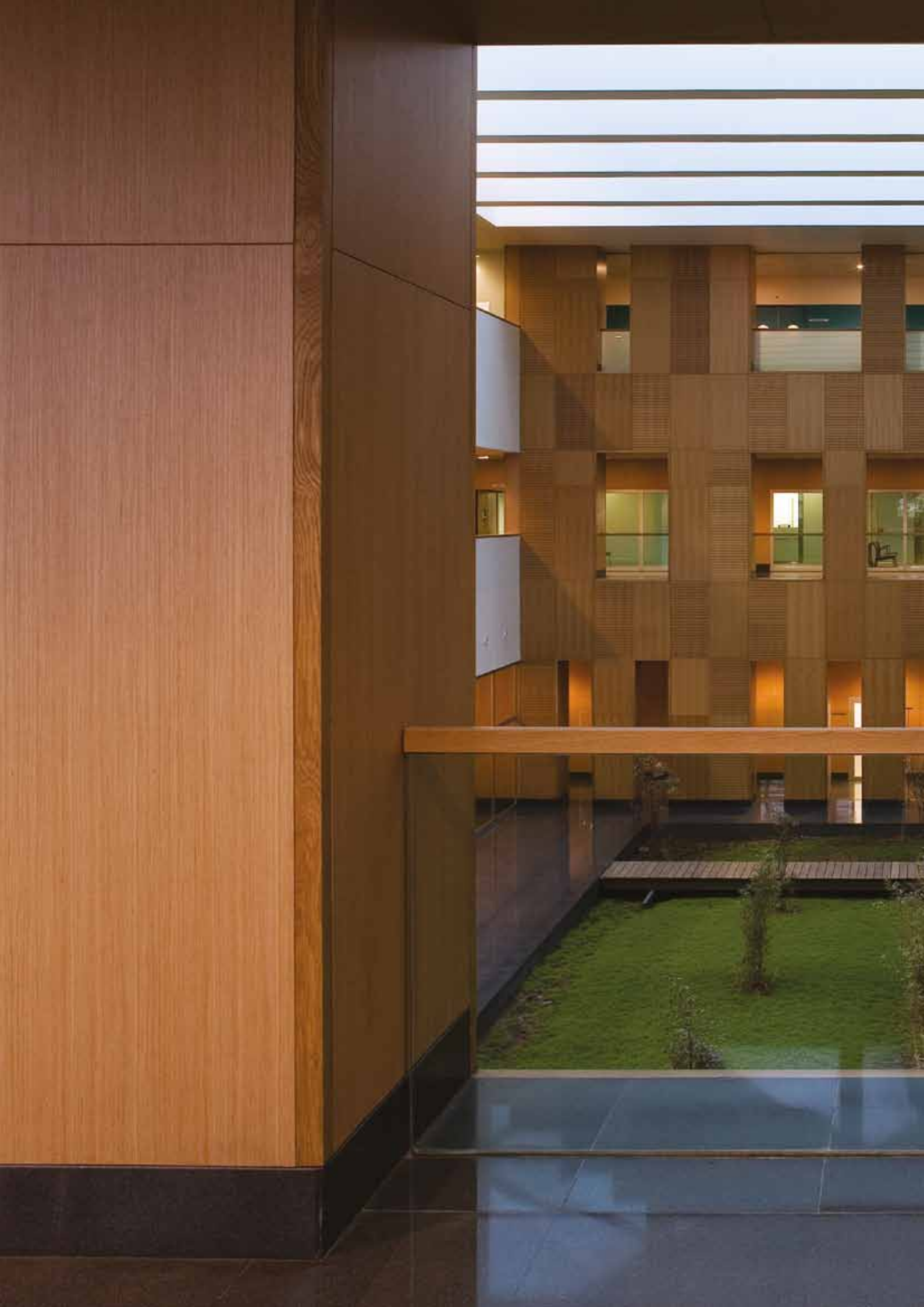
[5] (i) 260 (voting rights held) – Custodian: Brown Brothers Harriman and Co; Advisor: FMR-Fidelity Management and Research; (ii) 1,631 (voting rights held) – Custodian: JPMorgan Chase Bank; Advisor: FMR-Fidelity Management and Research; (iii) 20,665 (voting rights held) – Custodian: NORTHERN TRUST CO (C); Advisor: FMR-Fidelity Management and Research; (iv) 2,443 (voting rights held) – Custodian: State Street Bank and Trust Co; Advisor: FMR-Fidelity Management and Research.

Proxy for exercising voting rights: The total number of voting rights acquired by Fidelity Management & Research LLC on 12 February 2014 was 25,000.

Note: As a result of an over-the-counter swap negotiated on 07 February 2014 and settled on 12 February 2014, and which will expire on 12 April 2016, 4,600,000 shares of Espírito Santo Saúde became attributable to Och-Ziff Capital Management LLC, a long position representing 4.82% of the voting rights and the corresponding share of the Company's share capital. In addition, as a result of a subsequent over-the-counter swap negotiated on 12 February 2014 and settled on 17 February 2014, and which will expire on 17 February 2016, 600,000 shares of Espírito Santo Saúde became attributable to Och-Ziff Capital Management LLC, a long position representing 5.44% of the voting rights and the corresponding share of the Company's share capital.

Both swap transactions provide for financial settlement as a settlement option. The above transactions were concluded by the following entities: (i) OZ Management LP, as the investment management firm for the following funds: Gordel Capital Ltd., OZ Master Fund, Ltd., OZ Europe Master Fund, Ltd. OZ Global Special Investments Master Fund, L.P., OZEA Holdings, L.P., OZ Global Equity Opportunities Master Fund, Ltd., Merrill Lynch Investments Solutions - Och Ziff European Multi Strategy UCITS Fund, OZ Enhanced Master Fund, Ltd. and (ii) OZ Global Equities Master Fund, L.P.; and (iii) OZ Management II LP, as the investment management firm for the following funds: OZ Eureka Fund, L.P., Goldman Sachs Profit Sharing Master Trust and OZ ELS Master Fund, Ltd.

Och-Ziff Management Europe Ltd. Acts as sub-advisor for both investment management firms. Both OZ Management II LP and Och-Ziff Management Europe Ltd. are wholly-owned subsidiaries of OZ Management LP. Och-Ziff Holding Corporation is the General Partner of OZ Management LP, and is wholly owned by Och-Ziff Capital Management Group LLC.



A photograph of a modern building's interior courtyard. The space is characterized by warm wood paneling on the walls and ceiling. A glass railing runs across the middle of the frame, overlooking a green lawn area with several small trees. The lighting is soft and ambient, highlighting the architectural details.

04

CONSOLIDATED
FINANCIAL
STATEMENTS

Consolidated Statement of financial position for the year ended 31 December

Unit: euros

	Notes	31 December 2013	31 December 2012
Assets			
Property, plant and equipment	14	253 873 748.34	271 194 631.23
Intangible assets	15	95 747 666.08	94 553 488.22
Investments in associates and joint ventures	21	1 545 560.98	1 834 850.36
Total non-current assets		351 166 975.40	367 582 969.81
Inventories	16	7 358 159.58	7 916 680.78
Trade receivables	22	50 855 614.86	71 274 462.68
Other receivables	22	33 517 508.95	20 657 202.35
Current taxes receivable	22	30 460.81	1 096 876.62
Cash and cash equivalents	23	34 818 560.99	24 260 963.86
Total current assets		126 580 305.19	125 206 186.29
Total assets		477 747 280.59	492 789 156.10
Shareholders' Equity			
Share capital		88 500 000.00	88 500 000.00
Share premiums		47 729 917.86	47 729 917.86
Non-distributable reserves		1 003 300.00	122 600.00
Distributable reserves		18 643 645.26	2 180 078.59
Retained earnings/(losses)	24	(28 197 942.09)	(8 950 699.65)
		127 678 921.03	129 581 896.80
Net income/(loss) attributable to equity holders of the parent		14 023 330.80	(2 122 126.49)
Total equity attributable to equity holders of the parent		141 702 251.83	127 459 770.31
Shareholders' equity attributable to non-controlling interests		1 509 754.20	1 481 299.29
Total shareholders' equity		143 212 006.03	128 941 069.60
Liabilities			
Provisions for risks and charges	17	7 940 056.52	5 606 206.65
Trade payables	26	698 357.10	-
Non-current bank liabilities	27	139 868 729.50	144 690 598.67
Financial lease liabilities	19	27 372 734.79	35 945 596.90
Deferred tax liabilities	13	579 764.44	225 750.72
Total non-current liabilities		176 459 642.35	186 468 152.94
Trade payables	26	23 618 889.06	29 060 752.12
Other payables	26	54 581 217.40	52 471 513.99
Current bank liabilities	27	66 054 577.06	83 865 661.17
Tax payable	26	2 729 846.35	725 681.34
Financial lease liabilities	19	11 091 102.34	11 256 324.94
Total current liabilities		158 075 632.21	177 379 933.56
Total liabilities		334 535 274.56	363 848 086.50
Total shareholders' equity and liabilities		477 747 280.59	492 789 156.10

Notes are an integral part of these statements

Consolidated statement of comprehensive income for the period ended 31 December

Unit: euros

	Notes	31 December 2013	31 December 2012
Income and earnings			
Revenue from sales and services	6	371 051 493.03	338 962 693.92
Other operating income and earnings	7	2 534 907.31	2 472 597.35
Capitalised internal construction costs	7	-	14 086.92
Other financial income and earnings	7	698 983.93	3 329 052.01
Total income and earnings		374 285 384.27	344 778 430.20
Expenses and losses			
Inventory consumed	9	(51 436 144.65)	(44 873 842.07)
Costs of services and materials	10	(167 513 140.18)	(160 405 327.26)
Personnel expenses	11	(94 595 983.03)	(88 186 840.13)
Depreciation and amortisation	14 e 15	(28 100 452.33)	(28 460 910.54)
Other operating expenses and losses	12	(1 508 860.09)	(6 794 945.27)
(Accrual to)/release of provisions	17	(60 814.69)	(2 399 518.39)
Write downs and impairment losses	18	497 620.66	51 455.21
Interest and other financial expenses and losses	8	(11 049 029.81)	(15 730 013.60)
Total expenses and losses		(353 766 804.12)	(346 799 942.05)
Income/(losses) before taxes		20 518 580.15	(2 021 511.85)
Results from discontinued operations		-	-
(Income taxes)/tax benefit	13	(6 466 977.89)	(11 506.93)
Net income/(loss) for the period		14 051 602.26	(2 033 018.78)
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income/(loss)		14 051 602.26	(2 033 018.78)
Income attributable to equity holders of the parent		14 023 330.80	(2 122 126.49)
Income attributable to non controlling interests		28 271.46	89 107.71
Basic earnings per share	25	0.158	(0.024)
Diluted earnings per share	25	0.158	(0.024)

Notes are an integral part of these statements

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2012 and 2013

Unit: euros

	Notes	Share capital	Share premiums	Non-distributable reserves	Distributable reserves	Retained earnings/ (losses)	Net income/ (loss) for the period	Non-controlling interests	Total
Balance as at 1 January 2012		88 500 000.00	47 729 917.86	-	-	(10 552 679.35)	4 967 136.67	1 402 213.20	132 046 588.38
Increase of retained earnings reserve		-	-	-	-	-	-	-	-
Increased reserves from retained earnings		-	-	122 600.00	2 180 078.59	1 779 458.08	(4 082 136.67)	-	-
Distribution of dividends		-	-	-	-	-	(885 000.00)	-	(885 000.00)
Other change in reserves		-	-	-	-	(177 478.38)	-	(10 021.62)	(187 500.00)
Transfers		-	-	-	-	-	-	-	-
Total direct change in shareholders' equity		-	-	122 600.00	2 180 078.59	1 601 979.70	(4 967 136.67)	(10 021.62)	(1 072 500.00)
Net income for the period		-	-	-	-	-	(2 122 126.49)	89 107.71	(2 033 018.78)
Balance as at 31 December 2012	24	88 500 000.00	47 729 917.86	122 600.00	2 180 078.59	(8 950 699.65)	(2 122 126.49)	1 481 299.29	128 941 069.60
Balance as at 1 January 2013		88 500 000.00	47 729 917.86	122 600.00	2 180 078.59	(8 950 699.65)	(2 122 126.49)	1 481 299.29	128 941 069.60
Increase of retained earnings reserve		-	-	-	-	-	-	-	-
Increased reserves from retained earnings		-	-	880 700.00	16 463 566.67	(20 351 393.16)	3 007 126.49	-	-
Distribution of dividends		-	-	-	-	-	(885 000.00)	-	(885 000.00)
Other change in reserves		-	-	-	-	1 104 150.72	-	183.45	1 104 334.17
Transfers		-	-	-	-	-	-	-	-
Total direct change in shareholders' equity		-	-	880 700.00	16 463 566.67	(19 247 242.44)	2 122 126.49	183.45	219 334.17
Net income for the period		-	-	-	-	-	14 023 330.80	28 271.46	14 051 602.26
Balance as at 31 December 2013	24	88 500 000.00	47 729 917.86	1 003 300.00	18 643 645.26	(28 197 942.09)	14 023 330.80	1 509 754.20	143 212 006.03

Notes are an integral part of these statements

Consolidated cash flow statement for the periods ended 31 December 2013 and 2012

Unit: euros

	<u>Notes</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Operating Activities			
Received from clients		383 189 767.75	334 617 796.60
Payments to suppliers		(215 082 808.71)	(194 373 653.57)
Payments to employees		(55 423 731.78)	(56 920 867.67)
Cash flow generated by operations		<u>112 683 227.26</u>	<u>83 323 275.36</u>
Income tax (payments)/proceeds		(2 745 110.44)	(2 147 532.96)
Other proceeds/(payments) related to operating activities		(47 285 788.09)	(32 849 724.66)
Net cash flow from operating activities		<u>62 652 328.73</u>	<u>48 326 017.74</u>
Investing Activities			
Proceeds from:			
Financial Investments		300 000.00	44 666 416.90
Interest received		249 788.74	8 472 437.06
Tangible fixed assets		86 795.80	59 323.85
Payments related to:			
Financial Investments		(1 170 000.00)	(1 111 068.40)
Tangible fixed assets		(9 397 816.40)	(6 218 979.87)
Intangible fixed assets		(68 944.77)	-
Net cash flow used in investing activities		<u>(10 000 176.63)</u>	<u>45 868 129.54</u>
Financial Activities			
Proceeds from:			
Bank loans		1 014 862 325.98	629 299 876.32
Payments related to:			
Financial lease liabilities		(11 428 391.55)	(10 800 876.14)
Interest and other similar expenses paid		(9 439 547.27)	(13 688 495.52)
Dividends		(867 300.00)	(867 422.59)
Bank loans		(1 035 220 393.27)	(705 710 559.83)
Shareholders loans		-	(1 496 111.45)
Net cash flow from financial activities		<u>(42 093 306.11)</u>	<u>(103 263 589.21)</u>
Change in cash and cash equivalents		10 558 845.99	(9 069 441.93)
Cash and cash equivalents at the beginning of the period		24 259 715.00	33 330 405.79
Cash and cash equivalents at the end of the period	20	34 818 560.99	24 260 963.86

Notes are an integral part of these statements

Notes to the Consolidated Financial Statements

(Amounts expressed in euros)

1

General Information about the Company and the Group's Business Activities

ESPÍRITO SANTO SAÚDE - SGPS, SA (ES SAÚDE) is a public company headquartered in Lisbon, Portugal. The company was formed on 6 July 2000 as a holding company under the terms of Decree-Law 495/88 of 30 December for the purpose of managing investments in other companies as an indirect way to carry out economic activities.

ES SAÚDE was set up to operate as a holding company for developing and participating in businesses in the area of healthcare.

The ES SAÚDE Group, of which ES SAÚDE is the parent company, comprises companies that operate exclusively in the area of healthcare delivery, including management of acute care hospitals, outpatient clinics, residential hospitals, senior residences with services and national health system (NHS) hospitals in Public-Private Partnerships (PPPs).

ES SAÚDE's consolidated financial statements in Portugal relative to the year ended 31 December 2013 were approved and authorised for publication by the Board of Directors on 21 April 2014.

The Portuguese Healthcare System

In Portugal the healthcare sector revolves around the national health system (Sistema Nacional de Saúde), which was created in 1979 to provide universal healthcare to all citizens in all parts of the country, regardless of their social and economic status.

The Healthcare Regulatory Environment in Portugal

The healthcare sector is one of the basic pillars of the State and it is a highly regulated sector. The healthcare delivery system in Portugal consists of a network of public and private healthcare service providers, with all healthcare delivery being coordinated by the Ministry of Health – the government department responsible for defining and implementing national health policy, ensuring sustainable use of resources and evaluation of outcomes as well as the funding of public healthcare.

According to Law 48/90 of 24 August (Basic Law on Health) the Ministry of Health's primary function is to plan, regulate and manage the NHS, as well as to supervise and inspect private healthcare service providers, whether they are integrated into the NHS or not.

In 1993, a new NHS statute was approved (Decree-Law 11/93 of 15 January) which identifies and clarifies the role of the NHS. The NHS provides mainly direct acute hospital care, general healthcare and maternity and paediatric services. Specialist and dental consultations, diagnostic services, kidney dialysis, and physiotherapy treatments are more commonly provided in the private sector (although they are in large part publicly funded). Diagnostic services, kidney dialysis, and physiotherapy treatments are typically provided by private practitioners under agreements with the NHS. No healthcare services are explicitly excluded from NHS coverage except for dental services (which are neither provided nor funded by the NHS). Highly specialised medical treatment that cannot be provided in Portugal for lack of technical or human resources may be provided abroad under the NHS coverage in accordance with specific legislation. The amounts to be paid for healthcare provided under the NHS are established by the Ministry of Health, as set out in Ministerial Order 163/2013 of 24 April.

All hospitals belonging to the NHS are an integral part of the public sector, including hospital facilities operated under Public-Private Partnership agreements (PPPs), as is the case of Hospital Beatriz Ângelo (HBA) in Loures. This hospital is managed by the Group under the supervision of the Ministry of Health. In addition to the NHS, there are several other healthcare subsystems. These subsystems allow individuals other options when choosing a healthcare provider. Under these subsystems, healthcare is provided either by professionals directly hired by these subsystems or through contracts with public and/or private healthcare providers.

Decree-Law 279/2009 of 6 October (Private Health Services Law) regulates the establishment and operation of private healthcare facilities in Portugal. A private healthcare facility is an establishment that provides healthcare but which is not part

of the NHS. The functional requirements, namely with respect to the materials that can be used, minimum areas, etc., are defined in ministerial orders issued by the Ministry of Health.

The Group has entered into a management agreement, through its subsidiary, SGHL, to serve as the management entity for Hospital Beatriz Ângelo under the law governing Public-Private Partnerships (PPPs). The legal framework governing

Public-Private Partnerships in Portugal was initially set out in Decree-Law 185/2002 of 20 August and subsequently amended by Decree-Law 111/2012 of 23 May (PPP Law). The law establishes the general rules regarding the State's role in the design, the tender process, supervision and modification of PPPs. The PPP Law prevails over any other general or specific rules that may apply to certain public sectors (e.g. the health sector).

(a) Scope of the consolidation

	Head-quarters	Percentage of share capital held		Method of consolidation
		Direct	Indirect	
Parent company:				
Espírito Santo Saúde - SGPS, SA, Listed Company	Lisboa	-	-	Parent
Subsidiaries:				
Casas da Cidade - Residências Sénior, SA	Lisbon	100.00%	-	Full
Clínica Parque dos Poetas, SA	Oeiras	100.00%	-	Full
CLIRIA - Hospital Privado de Aveiro, SA	Aveiro	90.59%	-	Full
Espírito Santo Saúde - Serviços, ACE	Lisbon	-	100.00%	Full
Espírito Santo - Unidades de Saúde e de Apoio à Terceira Idade, SA	Lisbon	100.00%	-	Full
Instituto de Radiologia Dr. Idálio de Oliveira - Centro de Radiologia Médica, SA	Lisbon	-	100.00%	Full
Espírito Santo Saúde - Residência com Serviços Sénior, SA	Oeiras	100.00%	-	Full
Hospital da Arrábida - Gaia, SA	V. N. Gaia	100.00%	-	Full
CRB - Clube Residencial da Boavista, SA	Oporto	-	100.00%	Full
Hospital da Luz, SA	Lisbon	100.00%	-	Full
Hospital da Luz - Centro Clínico da Amadora, SA	Amadora	100.00%	-	Full
HOSPOR - Hospitais Portugueses, SA	P. de Varzim	100.00%	-	Full
RML - Residência Medicalizada de Loures, SGPS, SA	Lisbon	75.00%	-	Full
Hospital Residencial do Mar, SA	Loures	-	100.00%	Full
Vila Lusitano - Unidades de Saúde, SA	Lisbon	-	100.00%	Full
SGHL - Sociedade Gestora do Hospital de Loures, SA	Lisbon	98.00%	2.00%	Full
Surgicare - Unidades de Saúde, SA	Lisbon	100.00%	-	Full

¹ Espírito Santo Saúde - Serviços, ACE, which was formed with no share capital, groups together ten of the Group's subsidiary companies. The percentage indicated refers to the voting rights held.

(b) Joint ventures and associated companies

	Head-quarters	Percentage of share capital held		Method of consolidation
		Direct	Indirect	
GENOMED - Diagnósticos de Medicina Molecular, SA	Lisbon	24.00%	-	Equity
HL - Sociedade Gestora do Edifício, SA	Oeiras	10.00%	-	Excluded
HME - Gestão Hospitalar, SA	Évora	50.00%	-	Equity

Espírito Santo Control, headquartered in Luxembourg, is the ultimate beneficial owner of the ES SAÚDE Group

2

Basis of Presentation

These consolidated financial statements have been prepared under the going concern assumption and under the historical cost basis of accounting from the accounting records of the companies included in the consolidation (see Note 1 (a)) in accordance with International Financial Reporting Standards (IFRS) that had been adopted by the European Union as at 31 December 2013. These standards include the IFRS issued by the International Accounting Standards Board (IASB) as well as the international accounting standards (IAS) issued by the International Accounting Standards Committee (IASC) and their respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). These standards and interpretations are collectively known as IFRS.

The financial statements are expressed in euros.

Up to 31 December 2005, inclusive, ES SAÚDE's financial statements were prepared according to the generally accepted accounting standards used in Portugal.

After EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002, was transposed into Portuguese law in the form of Decree-Law 35/2005 of 17 February,

the Company's financial statements could be prepared according to the International Financial Reporting Standards (IFRS) starting from 2006. The Board of Directors decided to present the Group's financial statements according to the IFRS as adopted by the European Union starting from 1 January 2006.

Preparing the financial statements according to the IFRS required the Group to make judgements and estimates and use assumptions that affect how accounting policies are applied and the amounts of income, costs, assets and liabilities reported. Any changes or differences in these assumptions with respect to the actual situation may have an impact on current estimates and judgments.

During the 2013 financial year, new accounting standards and interpretations were approved by the European Union and published in the Official Journal of the European Union (OJ). These standards apply to subsequent financial years, although early adoption is allowed. The standards and amendments adopted by the Group in drawing up its financial statements, as well as the standards not adopted early are summarised below.

2.1

New standards and interpretations applicable in force from 1 January 2013

Following endorsement by the European Union, the following new issues, revisions, amendments and improvements made to the standards and interpretations entered into force on 1 January 2013:

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for statements starting in or after
June 2012	IAS 1 – Presentation of Financial Statements (amendments)	475/2012	1 July 2012
June 2012	IAS 19 – Employee Benefits (revised)	475/2012	1 January 2013
December 2012	IFRS 1 – First-time Adoption of International Financial Reporting Standards: Exemption for Severe Hyperinflation and Removal of Fixed Dates (amendments)	1255/2012	1 January 2013
December 2012	IFRS 13 – Fair Value Measurement (new)	1255/2012	1 January 2013
December 2012	IAS 12 – Income Taxes (amendments)	1255/2012	1 January 2013
December 2012	IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (new)	1255/2012	1 January 2013
December 2012	IFRS 7 – Financial instruments: Disclosures (amendments)	1256/2012	1 January 2013
March 2013	IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government Loans (amendments)	183/2013	1 January 2013
March 2013	IFRS 1 – First-time Adoption of International Financial Reporting Standards (amendments)	301/2013	1 January 2013
March 2013	IAS 1 – Presentation of Financial Statements (improvement)	301/2013	1 January 2013
March 2013	IAS 16 – Property, Plant and Equipment (improvement)	301/2013	1 January 2013
March 2013	IAS 32 – Financial Instruments: Presentation (improvement)	301/2013	1 January 2013
March 2013	IAS 34 – Interim Financial Reporting (improvement)	301/2013	1 January 2013

The Group believes that the new issues, revisions, amendments and improvements to the abovementioned standards do not have a significant impact on its financial statements.

2.2

New standards and interpretations issued but not yet in force

New standards and interpretations recently issued by IASB that will become mandatory for periods beginning on or after 1 January 2014 are the following:

(a) Endorsed by the UE but not yet adopted by the Group

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for periods beginning on or after (IASB)
December 2012	IAS 32 – Financial Instruments: Offsetting Financial Assets and Financial Liabilities (improvement)	1256/2012	1 January 2014
November 2013	IFRS 10, 12 and IAS 27 – Entity that controls one or more entities (amendments)	1174/2013	1 January 2014
November 2013	IAS 36 – Impairment of Assets (amendments)	1374/2013	1 January 2014
November 2013	IAS 39 – Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (amendments)	1375/2013	1 January 2014

(b) Endorsed by the UE and early adopted by the Group

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for periods beginning on or after (IASB)
December 2012	IFRS 10 – Consolidated Financial Statements (new)	1254/2012	1 January 2014
December 2012	IFRS 11 – Joint Arrangements (new)	1254/2012	1 January 2014
December 2012	IFRS 12 – Disclosures of Interests in Other Entities (new)	1254/2012	1 January 2014
December 2012	IAS 27 – Consolidated and separate financial statements (revised)	1254/2012	1 January 2014
December 2012	IAS 28 – Investments in Associates and Joint Ventures (revised)	1254/2012	1 January 2014
April 2013	IFRS 10, 11 and 12 – Transition Regime (amendments)	313/2013	1 January 2014

IFRS 10 – “Consolidated Financial Statements”, which was issued in May 2012 and adopted by the EU in December 2012 through EU Regulation no. 1254/2012, establishes the principles for preparing and presenting consolidated financial statements when a company controls one or more entities. This accounting standard identifies control as being the key factor for determining whether an entity should be included in the consolidated financial statements of its parent company. IFRS 10 changes the consolidation requirements set out in SIC 12 Consolidation and in IAS 27 – “Consolidated and Separate Financial Statements. The impact of this change is disclosed in Note 4.

IFRS 11 – “Joint Arrangements”, issued and adopted on the same dates as IFRS 10, classifies joint arrangements as either Joint Operations or Joint Ventures (entities controlled jointly). This definition brings about a change in the consolidation method used in jointly controlled entities, requiring the use of the equity method instead of the proportional method of consolidation. This accounting standard replaces IAS 31 – “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non Monetary Contributions by Venturers”. With the adoption of this new standard, the Group ceased to use the proportional consolidation method for its investments in jointly

controlled entities, namely for HME – Gestão Hospitalar, SA. The impact of this change is disclosed in Note 4.

IFRS 12 – “Disclosure of Interests in Other Entities”, issued and adopted on the same dates as IFRS 10 and 11, establishes the minimum requirements for disclosure of an entity’s interests in subsidiaries, joint arrangements, associates and other unconsolidated entities. According to this standard, an entity must disclose enough information to enable the readers of its financial statements to evaluate the nature of and risks

associated with its interests in other entities, as well as the financial impact of these interests on its financial position, performance and cash flows.

Early adoption of the three aforementioned IFRSs also implied adoption of the amendments to IAS 27 – “Consolidated and Separate Financial Statements” (transition guidance) and to IAS 28 – “Investments in Associates and Joint Ventures”, issued in May 2011 by the IASB and adopted by the EU in December 2012 (Regulation 1254/2012).

(c) New standards, amendments and interpretations issued by IASB but not yet endorsed by the EU

Issued	IASB Standard or IFRIC Interpretation	Endorsed by the EU in	Regulation	Mandatory application for financial years starting on or after (IASB)
October 2010	IFRS 9 – Financial Instruments – Classification and Measurement	NA	NA	1 January 2015
May 2013	IFRIC 21 – Levies (new)	NA	NA	1 January 2014
November 2013	IAS 19 – Employee Benefits: Employee Contributions (amendments)	NA	NA	1 July 2014
December 2013	IFRS 2 – Share-based Payments (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 3 – Business Combinations (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 8 – Operating Segments (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 13 – Fair Value Measurement (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 16 – Property, Plant and Equipment (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 24 – Related Party Disclosures (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 38 – Intangible Assets (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 1 – First-time Adoption of International Financial Reporting Standards (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IFRS 3 – Business Combinations (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IFRS 13 – Fair Value Measurement (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IAS 40 – Investment Property (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014

3

Principal Accounting Policies

3.1

Basis of consolidation

The consolidated financial statements presented herein reflect the assets, liabilities, shareholders' equity and income of ES SAÚDE and its subsidiaries (the Group), and the share of profits of associated companies.

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

(a) Subsidiaries

Companies controlled by the Group are classified as subsidiaries. Control is normally presumed when the Group holds a majority of the voting rights in the company. Control may also exist when the Group directly or indirectly has the power to determine the financial and operational policies of a given company in order to obtain benefits from its activities, even when the Group holds less than 50% of the company's equity.

Subsidiaries are fully consolidated from the moment the Group assumes control over their activities until such control ceases.

The equity and net profit/(loss) of these companies attributable to third party interests are disclosed separately in the consolidated statement of financial position on a separate line under equity and in the consolidated statement of comprehensive income under "non-controlling interests", respectively. The subsidiaries included in these consolidated financial statements are listed in Note 1.

The identifiable assets acquired and liabilities assumed are measured at acquisition-date fair value. The excess of the purchase price paid over the fair value of the identifiable assets acquired is recorded as goodwill (see Note 15). If the purchase price is less than the fair value of the net assets of the acquired subsidiary ("bad-will", also known as negative good-will), the difference is recognised as a gain in the consolidated comprehensive income statement. Non-controlling interests are disclosed at their proportion of the fair value of the assets and liabilities identified.

In accordance with the full consolidation method, the assets, liabilities, income, expenditure and cash flows of Group companies are consolidated, while internal transactions, balances, unrealised gains on transactions and dividends distributed among the Group companies are eliminated in the consolida-

tion process. Unrealised losses are also eliminated unless the transaction shows evidence of impairment of the asset transferred.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceeded the non-controlling interest in the subsidiary's equity, the excess was attributable to the Group and the losses were charged to income as they occurred. Profits subsequently obtained were recognised as income of the Group until the losses attributed to non-controlling interests previously absorbed by the Group were recovered. As from 1 January 2010, accumulated losses are attributed to non-controlling interests in proportion to the interests held, which means that the Group may be able to recognise negative non-controlling interests.

As from 1 January 2010, in a step acquisition that results in gaining control, revaluation of any previously held interest is recognised against income when goodwill is calculated. In a partial disposal that results in loss of control over a subsidiary, any remaining interest is revalued at fair market value on the date of the sale and any gain or loss resulting from this revaluation is recognised on the income statement.

(b) Associated companies

Companies over which the Group has significant power to influence financial and operational policies are classified as associated companies, even if the Group does have a controlling interest in the company. Normally the Group is assumed to exercise significant influence when it holds more than 20% of the voting rights of the associated company. Even when voting rights are less than 20%, the Group may exercise significant influence by participating in the management of the associated company or by being a member of the board of directors with executive powers.

Investments in associated companies are consolidated using the equity method from the moment at which the Group acquires significant influence until the moment that influence ceases. Under the equity method, investments in associated companies are recognised in the consolidated financial position statement at their cost and are periodically adjusted in the

proportion corresponding to the Group's share of the associated company's net income and reported as gains or losses directly in the comprehensive income statement. The investments may also be adjusted by recognising impairment losses.

Dividends paid by associated companies are recorded as a decrease in the carrying value of the investments at the time they are paid.

When the amount of accumulated losses incurred by an associate company and attributable to the Group equals or exceeds the carrying value of the shares and any other medium and long-term interests in that company, the equity method is no longer applied unless the Group is under legal obligation to recognise these losses or has made payments on behalf of the associated company.

(c) Investments in joint ventures

A joint venture consists of a mutual agreement through which two or more entities (venturers) undertake an economic activity that is subject to joint control. Joint control is deemed to exist only if crucial financial and operational decisions relating to the business require unanimous approval of all the venturers involved. A jointly controlled entity is a joint venture based on incorporation of an entity in which the business that the venturers control jointly is conducted.

The financial statements of the jointly controlled entities are prepared for the same period as the Group's financial statements. Unrealized gains in transactions between the Group and these entities are eliminated in the proportion corresponding to the Group's share in the jointly controlled entities. Investments in joint ventures may also be adjusted through recognition of impairment losses. Whenever there are indications

that assets may be impaired, an assessment is carried out and if impairment losses are found, these are reported as costs in the consolidated income statements. Adjustments are made to these financial statements as needed to make the accounting policies used consistent with those of the Group.

Financial investments in jointly controlled companies are consolidated using the equity method. According to this method, the investments are initially recorded at their cost and are subsequently adjusted by the amount corresponding to proportional share of the net profit (loss) of the jointly controlled companies under "Gains/losses in jointly controlled companies", and by changes in equity that have occurred under "Retained earnings". Classification of financial investments in jointly controlled companies is based on shareholder agreements that regulate ownership and joint control.

(d) Goodwill

Goodwill resulting from acquisitions made prior to 1 January 2005 is recognised as the carrying value measured according to the previous accounting policy on the date of transition to the IFRS, in accordance with the option allowed by IFRS 1, which was adopted by the Group on the date of transition to the IFRS.

The Group records acquisitions of subsidiaries and associated companies that occurred after 1 January 2005 using the purchase method. For acquisitions that occurred on or before 31 December 2009, the cost of acquisition is equal to the fair value on the date of purchase of the assets and capital instruments transferred and liabilities incurred or assumed plus the

direct costs of acquisition. After 01 January 2010, costs directly related to the acquisition of a subsidiary are directly recognised on the income statement.

Goodwill represents the difference between the cost of acquiring the share as described above and the fair value attributable to the net assets acquired.

In accordance with IFRS 3 – Business Combinations, positive goodwill is reported under assets at its cost and is not amortised. In the case of investments in associated companies, goodwill is included in the carrying value determined by the equity method. Negative goodwill is recognised directly in the

income statement in the period in which the acquisition occurs.

The recoverable amount of goodwill reported under assets is revised annually, regardless of whether there are signs of impairment. Any impairment losses are recognised on the income statement.

In testing goodwill for impairment, the goodwill is added to the cash-generating unit or units to which it is allocated. The value in use is determined by discounting estimated future cash

flows of the cash-generating unit. The recoverable value of the cash-generating units to which the goodwill is allocated is determined based on the assets' value in use of the assets, which is determined using the discounted cash flow method of analysis, taking into account market conditions, time value and business risks. The discount rate used in updating the discounted cash flows reflects the pre-tax weighted average cost of capital (WACC) of the ES SAÚDE Group for the business segment to which the cash-generating unit belongs. Impairment testing is done on each reporting date.

(e) Balances and transactions eliminated in the consolidation

Intra-group balances and transactions, as well as any unrealised gains or losses resulting from these transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains and losses from transactions with associates and joint ventures are eliminated in proportion to the Group's shareholdings in them.

3.2

Principal accounting policies

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

(a) Property, plant and equipment

(i) Recognition and determination of value

The values of ES SAÚDE's property, plant and equipment are measured at cost less the respective accumulated depreciation and impairment losses. On the date of transition to IFRS, ES SAÚDE elected to consider the cost of its property, plant and equipment as the revalued amount determined according to the previous accounting policies, which was generally comparable to the depreciated cost measured according to the IFRS adjusted to reflect changes in the general price index. Acquisition/construction costs include the actual cost, the cost of transport and installation, financing costs and exchange rate differences in bank loans carried during the construction period and indirect costs attributable during the construction period.

Subsequent costs related to property, plant and equipment are only recognised if it is likely they will result in future economic benefits for the Group. All maintenance and repair expenses are recognised as costs incurred, in keeping with the principles of accrual accounting.

When there are indications that an asset may be impaired, IAS 36 requires its recoverable value to be estimated and an impairment loss recognised whenever the carrying value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement. The recoverable value is the higher of an asset's fair value and its value in use, with the latter being based on the current value of the future estimated cash flow that can be expected from the asset's continued use and its disposal at the end of its useful lifespan.

Gains or losses arising from disposal of property, plant and equipment are defined as the difference between the selling price of the assets disposed of less costs of disposal and the asset's carrying value and are recorded on the income statement under "Other operating income and earnings" or "Other operating expenses and losses".

Assets under construction correspond to property, plant and equipment 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 in-

(ii) Depreciation

Land is not depreciated. Depreciation of the remaining property, plant and equipment is calculated according to the straight line method, on a 12-month basis, beginning with the month the assets become available for use. The following annual depreciation rates, which reflect the estimated useful lives of the assets, are applied:

tended purpose.

	Annual rate
Land and buildings	2.5 to 25%
Basic and transport equipment	5 to 50%
Office equipment	5 to 50%
Other equipment	5 to 33.33%

Depreciation ceases when the assets are classified as held for sale.

(b) Intangible assets

Intangible assets are recognised at the acquisition cost less accumulated amortisation and impairment losses, if any. Intangible assets are recognised only whenever it is likely that they will result in future economic benefits for the Group and when these benefits can be measured reliably.

Intangible assets include goodwill and property rights. Intangible assets with a definite useful life are amortised using the

straight line method during their useful lives beginning in the month they become available for use. Intangible assets with indefinite useful lives are not amortised, but they are assessed for impairment on the reporting date and anytime there is an indication that they might be impaired (see Note 15).

(c) Write-off and impairment of non-financial assets, except goodwill

The Group's companies assess their tangible and intangible assets for impairment whenever an event or change occurs that indicates that the carrying value of an asset may not be recoverable. If these circumstances occur, the Group undertakes to determine the recoverable value of the asset in order to determine the possible extent of the impairment loss. If 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 fair value and (ii) its value in use. Fair value is the amount obtainable from the sale of the asset in a transaction between independent and knowledgeable entities, less the costs directly attributable to its disposal. Value in use is the present value of the future estimated discounted cash flows expected to be derived from the asset during its useful life. The discount rate used to calculate discounted cash flows reflects the current 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 the recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the consolidated comprehensive income statement for the applicable financial year under "Other operating costs and losses".

When an impairment loss is subsequently reversed, the carrying value of the asset is updated to its estimated value and the reversal is recognised in the consolidated income statement as a deduction under "Other operating costs and losses". However, reversal of the impairment loss is limited to the carrying amount that would have been recognised (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(d) Financial assets and liabilities

Financial assets and liabilities are recognised in the consolidated financial position statement when the Group becomes a party to the contractual provisions of the corresponding instrument. A financial asset is any asset that is cash or a cash equivalent, a contractual right to receive cash or an equity instrument of another entity. A financial liability is a liability that entails a contractual obligation to deliver cash or a cash equivalent to another entity.

The Group's financial assets are presented in the consolidated financial position statement under "Trade receivables", "Other receivables" and "Cash and equivalents". The Group's financial liabilities comprise "Trade payables", "Bank loans and overdrafts", "Finance lease liabilities" and "Other payables".

Financial assets are initially recognised at their fair value plus the cost of the transaction, except for assets at fair value

derived through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised 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 their ownership, or (iii) the Group has transferred control of the assets even though it has retained part but not substantially all of the risks and benefits associated with their ownership.

Financial liabilities are recognised: (i) initially at their fair value less the transaction costs incurred and (ii) subsequently at their amortised cost based on the effective interest rate method; or at fair value if the Group decides, when the liability is initially recognised, to designate this financial liability at fair value through profit and loss under the fair value option.

(i) Trade and other receivables

Non-interest-bearing trade and other receivables classified as current assets are presented using the amortised cost method, which is equal to the nominal value less any related impairment losses, which are calculated based on two factors: the age of the receivable balance and the risk profile of the debtor. If the amount receivable is expected to be settled within one year or less, it is classified as a current asset. Otherwise, it is classified as a non-current asset.

Impairment losses are written down against income when there is objective evidence that the Group will not receive the full

amounts due. If there is a subsequent decrease in the amount of the estimated loss, the write-down is reversed in a later period.

Trade and other receivables classified as non-current assets are recognised at their amortised cost, which is determined according to the effective interest rate method. When there is evidence they are impaired, the corresponding loss is recognised in the income statement.

(ii) Cash and equivalents

For the purposes of the cash flow statement, cash and equivalents comprise the amounts reported on the statement of financial position that mature within three months of the date

of their contract/acquisition, which includes cash and deposits on demand in credit institutions.

(iii) Bank liabilities

Loans are recognised under liabilities at cost or amortised cost. Amortised cost is calculated according to the effective interest rate method. They are expressed as current liabilities or non-current liabilities depending on their maturity dates. If payment is due within one year, they are considered current liabilities; otherwise they are considered non-current liabilities. De-recognition of these liabilities occurs when the contractual obligations cease to exist, namely at the time of settlement.

Financial costs are calculated on an accrual basis using the effective interest rate method and are recognised on an accrual basis in the income statement. Amounts due but unpaid as at the reporting date are reported under "Other payables".

(iv) Trade and other payables

“Trade payables” are liabilities related to goods or services acquired by the Group during the normal course of its business. If the payment falls due within one year, they are classified as current liabilities; otherwise, they are classified as non-current liabilities.

Trade and other payables that are considered current liabilities are recognised at their amortised cost, which is identical to their nominal value, i.e. at cost.

(e) Leases

ES SAÚDE classifies lease operations as being finance leases or operating leases, depending on their substance rather than their legal form, in accordance with the criteria set out in IAS 17 – Leases. Operations in which the risks and benefits

inherent in ownership of an asset are transferred to a lessee are classified as finance leases. All other leasing operations are classified as operating leases.

(i) Operating leases

Payments made under operating lease agreements are recorded as costs in the periods to which they pertain (see Note 20).

(ii) Finance leases

Finance lease agreements are recognised on their starting date, under both assets and liabilities, as the cost of acquisition of the leased property, which is equivalent to the current value of the lease payments due. Lease payments are allocated between (i) interest charges, which is debited on the balance

sheet and (ii) principal, which is deducted from liabilities. Interest expenses are recognised as costs over the lease period in order to produce a constant periodic interest rate on the remaining balance of the liability in each period (see Note 19).

(f) Inventories

Inventories are valued according to the criteria described below.

(i) Goods and raw materials

Goods and raw materials are valued at the lower of cost of acquisition and net realisable value. The cost of acquisition includes expenses incurred up until storage of the inventory, and costs are determined by the weighted average cost method.

If the net realisable value is lower than the cost, the difference is reported under operating costs.

Net realisable value corresponds to the estimated selling price less the estimated selling costs (completion and disposal).

(ii) Finished products, intermediate goods and work in progress

Finished products, intermediate goods and work in progress are valued at the lower of the cost of production and the net realisable value.

Production costs include the cost of the raw materials incorporated, labour and general manufacturing expenses.

(g) Revenue recognition

Revenue is recognised whenever it is likely that it will result in future economic benefits for the Company and when these benefits can be measured reliably.

(i) Provision of services

Revenue from provision of services is recognised when the transaction that involves provision of services can be measured reliably. The revenue associated with the transaction is recognised in relation to its stage of completion as of the reporting date.

In the case of activity carried out by the units in the private healthcare segment, revenue is recognised based on the services provided during the period in question and the prices associated with each of these services as set out on the price list, regardless of the actual billing date.

In the case of activities carried out in the public healthcare segment (under the PPP agreement), revenue is recognised based on the services provided and the table of contractual prices agreed with the contracting public entity. Under the contract, billing is done on a monthly basis for an amount equivalent to one-twelfth of 90% of the annual contract amount. The difference between the annual contract amount and the amount corresponding to the services actually provided is billed during the first six months of the following year. The difference between the amounts invoiced and the actual production is recorded under "Other payables" or "Other receivables" according to the accrual principle (see (h) below).

Revenue from the senior residences is recognised based on lifetime rights of use (ROUs). This recognition is made in accordance with the characteristics of each type of contract:

- In lifetime ROUs with no transmission rights, or with the right to only one transmission, the value of the contract is initially recognised as deferred income. Once the member moves into the club, the revenue is recognised in the income statement for a period that takes into account the age of the member (or that of the person to whom the right of use can be transmitted if applicable) on the date the member enters the residence and average life expectancy taken from the GRM95/GRF95 actuarial tables.
- In lifetime ROUs with unlimited transmission rights, the contract value is immediately recognised as revenue and an accrued expense corresponding to unit's portion of the total cost of the buildings is also recognised. The accrued expense is later recognised as revenue in the same period as the amortisation of the corresponding asset.

(h) Accrual basis

The Group's companies recognise their revenue and costs on an accrual basis. Therefore, revenue and costs are recognised with they are generated regardless of when that are collected

or paid. Differences between the amounts collected and paid and the corresponding costs and revenue are reported under "Other receivables" or "Other payables", respectively.

(i) Financial gains and losses

Financial gains include interest and financial discounts obtained from third parties and are recognised in the year in which they occur. Dividend income is also recognised from the moment the company declaring distribution of dividends becomes obliged to distribute them.

Financial losses include interest paid and other banking costs and are also recognised in the year they occurred.

(j) Income taxes

Income taxes for the period are recognised according to IAS 12 – “Income Taxes”, including both current and deferred income taxes. Taxes on profits are recognised in the income statement, except when they are related to items directly recognised as equity, in which case they are also reported against equity.

Current taxes are those that are expected to be paid on taxable income calculated according to the tax laws and rates enacted or substantively enacted in each jurisdiction.

Deferred taxes are calculated using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements using the tax rates enacted or substantively enacted in each jurisdiction that are expected to apply when temporary differences are reversed.

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

ES SAÚDE falls under the special tax regime for groups of companies (RETGS), which covers all the companies in which ES SAÚDE directly or indirectly holds at least 90% of the share capital (75% as from 2014) and which are required to report their taxable income for corporate income tax purposes in Portugal. The remaining companies in which the Group holds shares are not included in the special tax regime that applies to the Group and are taxed individually according to their

respective taxable income and the applicable tax tables.

Current taxes are determined based on the accounting profit/loss adjusted for tax purposes in accordance with the tax law in force. Currently, companies resident in Portugal are subject to a corporate tax rate of 25%, plus a municipal surtax of up to 1.5% on taxable profits, and a State surtax of 3% on taxable profits between EUR 1.5 million and EUR 7.5 million (EUR 10 million in 2012) and 5% on taxable profits above EUR 7.5 million (EUR 10 million in 2012). A new rate of 7% has been introduced for taxable profits above EUR 35 million, which takes effect in 2014.

Payment of taxes on profits is based on self-assessment tax returns, which are subject to inspection and possible adjustments by the tax authorities during a period of four years following the financial year to which they apply. Tax losses carried forward from a given financial year, which are also subject to inspection and adjustment for a period of ten years, may be deducted from taxable profits during the five years following the loss (six years until 2009 and four years between 2010 and 2011, inclusive) until 2013. The time period has been changed to twelve years beginning in 2014.

In accordance with IAS 12, the Group offsets deferred tax assets and liabilities whenever: (i) the company in question has a legally enforceable right to offset current tax assets against current tax liabilities and (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 realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Provisions for risks and charges, contingent assets and liabilities

Provisions are recognised when (i) the Group 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.

If one of these requirements is not met, the Group still discloses the obligation 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 updating being recorded as a financial cost under “Financial costs and losses” (see Note 8).

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date (see Note 17).

When losses in associated companies exceed the investment

made in these entities, the investment’s carrying value is reduced to zero, and future losses are no longer recognised, except to the extent that the Group has incurred a legal or constructive obligation to assume these losses on behalf of the associated company, in which case a provision is recorded for investments in associated companies.

A provision is accrued for litigation underway when a reliable estimate can be made of the costs that will be incurred due to lawsuits filed by third parties. The estimate is based on an assessment of the likelihood of having to pay based on the opinion of the Group’s lawyers.

Contingent assets are not recognised in the consolidated financial statement, but they are disclosed when it is likely that they will generate future economic benefit.

(l) Segment reporting

According 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 reviewed regularly by the Group's chief operating

decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and (iii) for which separate financial information is available.

(m) Earnings per share

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

To calculate diluted earnings per share, the weighted average of ordinary shares outstanding is adjusted to reflect all potentially

dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of dilution translates into lower earnings per share, assuming that all convertible instruments are converted and all share options are exercised.

(n) Distribution of dividends

Dividends are recognised as a liability from the time their distribution is approved by the company's General Meeting until they are paid.

(o) Cash flow statement

The Cash Flow Statement is prepared using the direct method in which cash receipts and payments relative to operating, investment and financing activities are reported.

(p) Subsequent events

Events that occur between the end of the reporting period and the date that the financial statements are approved by the Board of Directors and that may provide additional information about conditions that existed at the reporting date are reflected

in the financial statements. Any events that occur after the reporting date that are indicative of conditions that arose after the reporting date are disclosed in the annex to the financial statements if they are considered to be materially relevant.

3.3

Key estimates and assumptions used in preparing the financial statements

The IFRS establish a number of accounting treatments and require the Board of Directors to make the necessary assumptions and estimates to determine the most suitable accounting treatment to use. The key accounting estimates and judgments that the Group uses in applying accounting principles are presented in this note to enable a better understanding of how their application affects ES SAÚDE's results and how they are reported. A broad description of the key accounting policies used by the Group is presented in Note 3.2 to the financial statements.

Considering that in many situations there are alternative accounting treatments to those adopted by the Board of Directors, the

results reported by ES SAÚDE might be different had a different treatment been chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements adequately show the Group's financial position and the results of its operations in all materially relevant aspects.

The results of the alternatives examined below are presented only to enable a better understanding of the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Property, plant and equipment and intangible assets – estimated useful lives

Depreciation and amortisation are calculated on acquisition cost on a straight-line basis starting from the month when the asset first becomes available for use. The depreciation and amortisation rates applied reflect the best estimate of the use-

ful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted when deemed necessary.

Impairment on trade receivables

Impairment losses on doubtful trade receivables are based on the Group's assessment of the probability of recovering the balances owed. This assessment is based on the length of time the balances are overdue, the customer's credit history and

deterioration of the credit standing of major customers. If the customers' financial situations deteriorate, impairment losses might be higher than expected.

Provisions

The Group exercises considerable judgement in measuring and recognising provisions. Judgment is required to determine the probability of any pending litigation in which the Group is involved having a successful outcome. Provisions are recognised when the Group expects an unfavourable outcome in pending litigation that will likely result in an outflow of funds and when this loss can be reasonably estimated. Due to the uncer-

tainties inherent in the assessment process, actual losses may be different from those estimated in the provision. These estimates are subject to change as new information about the litigation becomes available. Revision of these estimated losses may affect future results.

Income taxes

Certain interpretations and estimates must be made in order to determine the amount of tax on income.

There are a number of transactions and calculations for which determination of the final amount of tax to be paid is not certain during the normal business cycle.

Other interpretations and estimates could result in a different level of taxes on income, both current and deferred, recognised in the period.

The tax authorities have the right to review the Group's calculation of taxable earnings for a period of four or six years if there are tax losses carried forward (five years for social security). Corrections may therefore have to be made to taxable earnings, mainly due to different interpretations of the tax laws. However, the Board of Directors believes that there will be no significant corrections to the income taxes reported in the financial statements.

Goodwill

The Group does annual impairment testing on goodwill recognised as assets according to the IFRS. For this purpose, the Group estimates the recoverable value of cash generating units to which goodwill is allocated. The recoverable value is calculated by determining value in use, based on the present value of future estimated cash flows, using a discount rate that reflects the risk associated with the assessed asset.

If future cash flows are found to be less than those estimated by the ES SAÚDE Board of Directors, significant impairment losses may need to be recognised.

4

Acquisition of Subsidiaries and Non-Controlling Interests

No changes occurred in the composition of the ES SAÚDE Group during period ended on 31 December 2013. In December 2013, ES SAÚDE acquired the minority interest in Surgicare, and as a result the Group now owns 100% of the company.

With the early adoption of the amendments to IFRS 10 and 11 (see Note 2.2), as of 1 January 2013, the Group is no longer

using the proportional consolidation method for its investment in HME – Gestão Hospitalar, SA. The equity method of consolidation is now being used. The effects of the change on the Group's consolidated assets, liabilities, shareholders' equity and net income reported as at 31 December 2012 are shown below:

31 December 2012

	Restated	Historical	Effect
Property, plant and equipment	270 958 499.40	271 194 631.23	(236 131.83)
Intangible assets	94 553 488.22	94 553 488.22	-
Investments in associates and joint ventures	1 834 850.36	1 834 850.36	-
Deferred tax assets	1 017 686.92	-	1 017 686.92
Total non-current assets	368 364 524.90	367 582 969.81	781 555.09
Inventories	7 850 620.93	7 916 680.78	(66 059.85)
Trade Receivables	70 967 235.24	71 274 462.68	(307 227.44)
Other receivables	20 380 024.52	20 657 202.35	(277 177.83)
Current tax receivable	1 096 876.62	1 096 876.62	-
Cash and cash equivalents	24 259 391.12	24 260 963.86	(1 572.74)
Total current assets	124 554 148.43	125 206 186.29	(652 037.86)
Total assets	492 918 673.33	492 789 156.10	129 517.23
Share capital	88 500 000.00	88 500 000.00	-
Share premiums	47 729 917.86	47 729 917.86	-
Non-distributable reserves	122 600.00	122 600.00	-
Distributable reserves	2 180 078.59	2 180 078.59	-
Retained earnings/(losses)	(7 790 777.08)	(8 950 699.65)	1 159 922.57
Net income/(loss) attributable to equity holders of the parent	(2 177 714.89)	(2 122 126.49)	(55 588.40)
Shareholders' equity attributable to non-controlling interests	1 481 299.29	1 481 299.29	-
Total shareholders' equity	130 045 403.77	128 941 069.60	1 104 334.17
Provisions for risks and charges	7 874 711.02	5 606 206.65	2 268 504.37
Non-current bank liabilities	143 003 959.15	144 690 598.67	(1 686 639.52)
Financial lease liabilities	35 929 272.49	35 945 596.90	(16 324.41)
Deferred tax liabilities	-	225 750.72	(225 750.72)
Total non-current liabilities	186 807 942.66	186 468 152.94	339 789.72
Trade payables	28 543 329.37	29 060 752.12	(517 422.75)
Other payables	51 910 061.67	52 471 513.99	(561 452.32)
Current bank liabilities	83 666 128.74	83 865 661.17	(199 532.43)
Tax payable	723 635.56	725 681.34	(2 045.78)
Financial lease liabilities	11 222 171.56	11 256 324.94	(34 153.38)
Total current liabilities	176 065 326.90	177 379 933.56	(1 314 606.66)
Total liabilities	362 873 269.56	363 848 086.50	(974 816.94)
Total shareholders' equity and liabilities	492 918 673.33	492 789 156.10	129 517.23

The effects of the change on the Group's consolidated assets, liabilities, shareholders' equity and net income reported as at 31 December 2011 are shown below:

31 December 2011

	Restated	Historical	Effect
Property, plant and equipment	272 316 703.81	272 538 216.73	(221 512.92)
Intangible assets	94 556 373.14	94 556 373.14	-
Investments in associates and joint ventures	866 915.90	866 915.90	-
Deferred tax assets	-	-	-
Total non-current assets	367 739 992.85	367 961 505.77	(221 512.92)
Inventories	5 382 056.88	5 440 804.11	(58 747.23)
Trade Receivables	63 941 893.88	64 081 744.55	(139 850.67)
Other receivables	68 648 576.05	68 793 051.52	(144 475.47)
Current tax receivable	1 029 025.54	1 029 025.54	-
Cash and cash equivalents	33 320 778.84	33 330 405.79	(9 626.95)
Total current assets	172 322 331.19	172 675 031.51	(352 700.32)
Total assets	540 062 324.04	540 636 537.28	(574 213.24)
Share capital	88 500 000.00	88 500 000.00	-
Share premiums	47 729 917.86	47 729 917.86	-
Non-distributable reserves	-	-	-
Distributable reserves	-	-	-
Retained earnings/(losses)	(9 445 466.07)	(10 552 679.35)	1 107 213.28
Net income/(loss) attributable to equity holders of the parent	5 019 845.96	4 967 136.67	52 709.29
Shareholders' equity attributable to non-controlling interests	1 402 213.20	1 402 213.20	-
Total shareholders' equity	133 206 510.95	132 046 588.38	1 159 922.57
Provisions for risks and charges	6 420 767.57	3 983 393.36	2 437 374.21
Non-current bank liabilities	288 025 629.51	289 851 864.04	(1 826 234.53)
Financial lease liabilities	22 955 516.66	22 989 914.29	(34 397.63)
Deferred tax liabilities	1 686 517.03	2 857 867.84	(1 171 350.81)
Total non-current liabilities	319 088 430.77	319 683 039.53	(594 608.76)
Trade payables	19 731 888.21	20 136 610.20	(404 721.99)
Other payables	41 941 127.68	42 411 482.46	(470 354.78)
Current bank liabilities	15 236 563.36	15 465 811.28	(229 247.92)
Tax payable	968 713.59	971 123.53	(2 409.94)
Financial lease liabilities	9 889 089.48	9 921 881.90	(32 792.42)
Total current liabilities	87 767 382.32	88 906 909.37	(1 139 527.05)
Total liabilities	406 855 813.09	408 589 948.90	(1 734 135.81)
Total shareholders' equity and liabilities	540 062 324.04	540 636 537.28	(574 213.24)

The effects on the comprehensive income statement would be immaterial, as shown below:

31 December 2012

	Restated	Historical	Effect
Revenue from sales and services	336 280 625.32	338 962 693.92	(2 682 068.60)
Other operating income and earnings	2 479 788.80	2 472 597.35	7 191.45
Capitalised internal construction costs	14 086.92	14 086.92	-
Other financial income and earnings	3 459 541.88	3 329 052.01	130 489.87
Total income and earnings	342 234 042.92	344 778 430.20	(2 544 387.28)
Inventory consumed	(44 586 541.19)	(44 873 842.07)	287 300.88
Costs of services and materials	(158 786 033.97)	(160 405 327.26)	1 619 293.29
Personnel expenses	(87 539 872.22)	(88 186 840.13)	646 967.91
Depreciation and amortisation	(28 377 802.97)	(28 460 910.54)	83 107.57
Other operating expenses and losses	(6 784 351.97)	(6 794 945.27)	10 593.30
Accrual to/(release of) provisions	(2 230 648.55)	(2 399 518.39)	168 869.84
Write down and impairment losses	(101 142.36)	51 455.21	(152 597.57)
Interest and other financial expenses and losses	(15 978 882.55)	(15 730 013.60)	(248 868.95)
Total expenses and losses	344 385 275.78	346 799 942.05	2 414 666.27
Losses before taxes	(2 151 232.86)	(2 021 511.85)	(129 721.01)
Tax benefit	62 625.68	(11 506.93)	74 131.61
Net loss for the period	(2 088 607.18)	(2 033 018.78)	(55 588.40)
Total comprehensive income/(loss)	(2 088 607.18)	(2 033 018.78)	(55 588.40)

The effects on the cash flow statement would also be immaterial, as shown below:

31 December 2012

	Restated	Historical	Effect
Cash flow from Operating activities	38 598 231.16	38 551 699.40	46 531.76
Cash flow used in investing activities	(4 684 379.79)	(4 711 843.16)	27 463.37
Cash flow from financing activities	(44 811 448.07)	(44 743 856.95)	(67 591.12)
Increase/(decrease) in cash and equivalents	(10 897 596.70)	(10 904 000.71)	6 404.01

5

Segment Reporting

The Group operates in the following business segments:

- Private healthcare
- Public healthcare
- Other activities
- Holding company and shared services

The “Private healthcare” segment comprises:

- Six hospitals dedicated to specialised acute care, including surgery, inpatient treatment and specialised diagnostic procedures, which is complemented by a strong capacity for delivering non-acute outpatient primary care. The hospitals also undertake activities designed to promote health and prevent disease, such as check-ups and other preventive health care.
- Six outpatient clinics dedicated to providing non-acute primary care, including outpatient visits in a wide range of medical and surgical specialties, diagnostic testing and therapeutic procedures (particularly in the area of imaging and laboratory tests) and 24-hour urgent care. One of these clinics is also able to provide all types of ambulatory surgical procedures.
- One residential care facility that specialises in providing health care that involves rehabilitation, medical or post-operative convalescence, neurostimulation and general assistance to patients with dementia (particularly in cases of Alzheimer’s disease), long-term care palliative care and geriatric care in a day centre or inpatient setting.
- One radiotherapy unit.

The “Public healthcare” segment includes Hospital Beatriz Ângelo in Loures, which is managed by the subsidiary SGHL under a partnership agreement with the Portuguese government and is part of the National Health Service. Hospital Beatriz Ângelo opened its doors on 19 January 2012 with a phased-in launch that culminated with the opening of its Emergency Department on 27 February of that year. The hospital serves the population of the municipalities of Loures, Odivelas, Mafra, and Sobral de Monte Agraço.

The “Other activities” segment comprises the remaining business areas in which Espírito Santo Saúde operates. This segment includes two senior residences for individuals 65 years of age or older who are seeking a comprehensive solution that includes housing, leisure and healthcare services, which are integrated into and complementary to the Group’s network of residential and acute care hospitals.

The “Holding and shared services” segment includes, in addition to the holding company, another entity in the form of a complementary group of companies that provides management, consulting, operational, legal, maintenance, negotiation and procurement and marketing services, among others, to the units in the “Private healthcare” and “Other businesses” segments.

Information regarding results in the various business segments for the periods ended 31 December 2013 and 31 December 2012 is shown below:

31 December 2013

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Operating Revenues						
Third party	288 033 912.38	82 056 855.84	3 465 558.48	30 073.64	-	373 586 400.34
Intersegments	783 057.56	-	-	8 851 345.09	(9 634 402.65)	-
Total operating revenues	<u>288 816 969.94</u>	<u>82 056 855.84</u>	<u>3 465 558.48</u>	<u>8 881 418.73</u>	<u>(9 634 402.65)</u>	<u>373 586 400.34</u>
Inventory consumed	(34 942 245.96)	(16 489 303.50)	(4 595.19)	-	-	(51 436 144.65)
Costs of services and materials	(163 013 337.40)	(28 588 657.54)	(2 726 248.16)	(3 830 181.48)	30 645 284.40	(167 513 140.18)
Personnel expenses	(51 918 799.94)	(35 259 742.19)	(1 191 358.72)	(6 226 082.18)	-	(94 595 983.03)
Depreciation and amortisation	(21 592 744.57)	(5 289 344.12)	(1 005 970.07)	(212 393.57)	-	(28 100 452.33)
(Accrual to)/release of provisions	562 926.50	(441 774.90)	(8 076.51)	323 730.88	-	436 805.97
Other costs and operational revenues	18 993 042.27	(176 384.56)	646 683.89	38 680.06	(21 010 881.75)	(1 508 860.09)
Earnings before interest and taxes	<u>36 905 810.84</u>	<u>(4 188 350.97)</u>	<u>(824 006.28)</u>	<u>(1 024 827.56)</u>	<u>-</u>	<u>30 868 626.03</u>
Interest and other financial expenses and losses						(11 049 029.81)
Other financial income and earnings						698 983.93
Financial Results						<u>(10 350 045.88)</u>
Pre-tax earnings/(losses)						20 518 580.15
Income tax						(6 466 977.89)
Income attributable to non controlling interests	31 544.64	(3 273.18)	-	-	-	28 271.46
Income attributable to company shareholders						<u>14 023 330.80</u>

31 December 2012

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Operating Revenues						
Third party	286 235 856.09	52 185 043.38	2 853 641.45	160 750.35	-	341 435 291.27
Intersegments	34 567.33	-	-	12 000 288.85	(12 034 856.18)	-
Total Operating Revenues	<u>286 270 423.42</u>	<u>52 185 043.38</u>	<u>2 853 641.45</u>	<u>12 161 039.20</u>	<u>12 034 856.18</u>	<u>341 435 291.27</u>
Inventory consumed	(36 229 020.33)	(8 641 041.94)	(3 779.80)	-	-	(44 873 842.07)
Costs of services and materials	(158 786 771.99)	(22 650 318.12)	(2 451 285.81)	(9 546 445.64)	33 029 494.30	(160 405 327.26)
Personnel expenses	(50 339 777.83)	(32 332 447.84)	(1 088 506.54)	(4 426 107.92)	-	(88 186 840.13)
Depreciation and amortisation	(23 200 814.45)	(3 904 181.10)	(1 050 456.17)	(305 458.82)	-	(28 460 910.54)
(Accrual to)/release of provisions	(2 026 349.94)	(204 674.00)	(34 460.68)	(82 578.56)	-	(2 348 063.18)
Other costs and operational revenues	12 941 488.27	(31 253.71)	383 551.65	919 993.56	(20 994 638.12)	(6 780 858.35)
Earnings before interest and taxes	<u>28 629 177.15</u>	<u>(15 578 873.33)</u>	<u>(1 391 295.90)</u>	<u>(1 279 558.18)</u>	<u>-</u>	<u>10 379 449.74</u>
Interest and other financial expenses and losses						(15 730 013.60)
Other financial income and earnings						3 329 052.01
Financial Results						<u>(12 400 961.59)</u>
Pre-tax earnings/(losses)						(2 021 511.85)
Income tax						(11 506.93)
Income attributable to non controlling interests	100 136.75	(11 029.04)	-	-	-	89 107.71
Income attributable to company shareholders						<u>(2 122 126.49)</u>

Only two of the Group's biggest clients represent more than 10% of the operating revenue of the segments in which they are reported. In the private healthcare segment, ADSE represents approximately 32% of the segment's operating revenue.

This includes the co-payments paid directly by the end customers. In the public healthcare segment, the contracting public entity represents 99% of the segment's operating revenue.

Inter-segment transactions are carried out at arm's length under similar terms and conditions as transactions with third parties.

Other information:

31 December 2013

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Depreciation and amortisation	21 592 744.57	5 289 344.12	1 005 970.07	212 393.57	-	28 100 452.33
Impairments on property, plant and equipment and intangible assets	-	-	-	-	-	-
CAPEX	8 255 362.31	2 545 922.84	53 714.76	1 640 781.58	-	12 495 781.49

31 December 2012

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Depreciation and amortisation	23 200 814.45	3 904 181.10	1 050 456.17	305 458.82	-	28 460 910.54
Impairments on property, plant and equipment and intangible assets	4 973 097.73	-	-	-	-	4 973 097.73
CAPEX	6 901 480.60	25 398 119.23	88 495.71	115 255.56	-	32 503 351.10

Assets and liabilities broken down by business segment and reconciliation with the consolidated financial statements as at 31 December 2013 and 31 December 2012 is shown below:

31 December 2013

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Assets						
Property, plant and equipment	194 935 077.69	19 274 889.34	38 716 610.80	947 170.51	-	253 873 748.34
Intangible assets	92 769 302.22	156 872.09	-	2 821 491.78	(0.01)	95 747 666.08
Inventories, trade receivables and other receivables	75 352 188.55	18 057 484.38	284 060.53	20 161 786.20	(22 124 236.27)	91 731 283.39
Other segment related assets	30 810 516.33	5 720 148.86	613 282.45	307 737 374.34	(310 032 300.18)	34 849 021.80
Investments in associates and joint ventures	-	-	-	1 545 560.98	-	1 545 560.98
Total consolidated assets						<u>477 747 280.59</u>
Liabilities						
Trade payables and other payables	54 893 513.00	22 128 783.85	5 463 399.43	6 189 173.24	(10 474 763.06)	78 200 106.46
Segment related liabilities	175 070 578.03	32 820 565.84	10 797 737.12	154 598 850.19	(117 650 920.18)	255 636 811.00
Total consolidated liabilities						<u>333 836 917.46</u>

31 December 2012

	Private healthcare	Public healthcare	Other activities	Holding and ACE	Consolidation adjustments	Consolidated
Assets						
Property, plant and equipment	208 843 800.32	22 175 182.71	39 668 866.11	506 782.09	-	271 194 631.23
Intangible assets	92 650 327.56	-	-	1 903 160.67	(0.01)	94 553 488.22
Inventories, trade receivables and other receivables	96 148 286.17	5 454 284.42	372 469.23	15 319 412.03	(17 446 106.04)	99 848 345.81
Other segment related assets	15 470 252.78	9 509 868.41	956 768.15	262 380 617.59	(262 959 666.45)	25 357 840.48
Investments in associates and joint ventures	-	-	-	1 834 850.36	-	1 834 850.36
Total consolidated assets						<u>492 789 156.10</u>
Liabilities						
Trade payables and other payables	58 120 710.99	19 361 714.27	5 682 348.77	5 664 902.28	(7 297 410.20)	81 532 266.11
Segment related liabilities	199 190 257.63	26 237 752.12	10 767 966.39	117 298 050.69	(71 178 206.44)	282 315 820.39
Total consolidated liabilities						<u>363 848 086.50</u>

6 Revenue

	31 December 2013	31 December 2012
Health care services		
Hospitals and outpatient clinics	278 441 381.36	277 021 385.43
National Health Service (NHS) hospitals	81 823 950.18	51 937 184.21
Residential hospitals	6 454 022.91	6 272 823.93
Senior residences with services	3 495 599.14	2 916 502.07
Other services	836 539.44	814 798.28
	<u>371 051 493.03</u>	<u>338 962 693.92</u>

The increase in revenue from NHS hospitals was due to the fact that Hospital Beatriz Ângelo first opened in 2012 and this

was not a complete year of activity, with a ramp up period up until the third quarter.

7 Other Income

	31 December 2013	31 December 2012
Capitalised internal construction costs	-	14 086.92
Other operating income and earnings	2 534 907.31	2 472 597.35
Other financial income and earnings	698 983.93	3 329 052.01
	<u>3 233 891.24</u>	<u>5 815 736.28</u>

“Capitalised internal construction costs” refers to financial costs borne by ES USATI with the acquisition of Plot 28 for the Hospital da Luz expansion.

“Other operating income and earnings” includes income from rents of commercial spaces in the Group’s units as well as income from discounts received from suppliers (e.g. for advance payments for good and services), sale of equipment, insurance

reimbursements, recovery of costs related to tax claims, correction of tax estimates and other miscellaneous sources. Additionally, it includes an amount of EUR 8,771.97 related to equity method application.

The change in “Other financial income and earnings” was due to collection of an interest-bearing receivable from A.A. Iberian Resources (Eurogestion) at the end of 2012.

8 Financial Costs and Losses

	31 December 2013	31 December 2012
Interest paid	8 427 536.31	13 674 011.80
Other financial expenses and losses	2 621 493.50	2 056 001.80
	<u>11 049 029.81</u>	<u>15 730 013.60</u>

The change in the amount of interest paid is the result of a decrease in interest-bearing liabilities due to partial repayment of debt using the proceeds received from the sale of ESH&SPA in December 2012. This is also reflected in other financial income and earnings (see Note 7).

The increase in "Other financial costs and losses" is mainly due to the creation of a provision to cover potential losses arising from loans made by Espírito Santo Saúde – SGPS, SA to HME – Gestão de Hospitalar, SA during the 2013 financial year.

9 Inventories Consumed

	Raw materials and Consumables	
	31 December 2013	31 December 2012
Opening balance	7 916 680.78	5 440 804.11
Change in consolidation method	(66 059.85)	-
Purchases	51 145 856.25	47 604 300.06
Consumption adjustments (services and materials)	(163 406.76)	(125 880.50)
Write-off on Inventory	(38 766.19)	(128 700.82)
Closing balance	(7 358 159.58)	(7 916 680.78)
Costs for the year	51 436 144.65	44 873 842.07

Taking into account the procedures used for tracking inventory levels and expiration dates, we did not see a need to record any impairment losses on inventories.

10 Costs of Materials and Services

	31 December 2013	31 December 2012
Subcontracts	80 302 733.68	59 612 849.88
Professional fees	50 852 129.55	64 137 451.53
Specialised work	8 461 437.45	7 799 662.80
Maintenance and repairs	6 991 785.20	7 181 755.00
Rents and leases	6 531 504.43	6 701 810.70
Electricity	4 730 259.13	4 717 804.09
Security services	1 926 709.65	1 917 773.82
Communications	1 659 828.33	1 705 874.34
Fuels	1 543 289.08	1 786 673.77
Insurance	909 708.70	824 205.95
Water supply	789 561.87	857 793.33
Advertising	618 486.46	843 483.60
Office supplies	674 373.70	696 551.91
Travel and accommodation	555 913.74	610 536.16
Other services and consumables	965 419.21	1 011 100.38
	167 513 140.18	160 405 327.26

Professional fees and subcontracts refer primarily to the amounts paid to health professionals at the Group's various facilities. The increase in subcontracts costs and decrease in professional fees is related to the increasing use of service provider companies instead of hiring individual providers directly.

Specialised work refers mainly to costs associated with IT systems, while repair and maintenance costs refer to the main maintenance contracts.

11

Personnel Expenses

	31 December 2013	31 December 2012
Remuneration paid to the governing bodies	2 576 733.15	1 969 630.83
Wages and salaries	73 864 756.38	70 026 813.07
Payroll-related expenses	15 479 851.43	14 490 779.57
Other personnel expenses	2 674 642.07	1 699 616.66
	<u>94 595 983.03</u>	<u>88 186 840.13</u>

The average number of people employed by the ES SAÚDE Group in 2013 was 4,257 (2012: 3,926).

Remuneration paid to the Group's governing bodies was as follows:

	31 December 2013	31 December 2012
Board of Directors	2 576 733.15	1 969 630.83
Supervisory bodies	238 000.00	281 000.00
	<u>2 814 733.15</u>	<u>2 250 630.83</u>

The variable remuneration for members of the Board of Directors of the ES SAÚDE Group included in the above amounts

reported as costs was EUR 786,099.97 in 2013 (2012: EUR 470,074.97).

12

Other Operating Expenses and Losses

	31 December 2013	31 December 2012
Taxes	516 482,61	608 248,85
Discounts for on-the-spot payment	4 168,38	14 180,60
Write-down on trade receivables	337 027,92	549 776,21
Inventory losses	45 297,00	113 509,49
Gains and losses in subsidiaries, associated companies and joint ventures	-	115 248,91
Gains and losses in non-financial investments	56 727,30	38 110,81
Impairments on property, plant and equipment	-	4 973 097,73
Other operating expenses	549 156,88	382 772,67
	<u>1 508 860,09</u>	<u>6 794 945,27</u>

As mentioned in Note 14, impairment losses on property, plant and equipment amounting to approximately EUR 5.0 million were recorded in the 2012 financial year. These losses were

related to the plot of land for expansion of Hospital da Luz and the land for construction of a future unit in Oporto.

13

Income Taxes

Deferred tax assets and liabilities recognised on the balance sheet as at 31 December 2013 and as at 31 December 2012 are shown below:

	Assets		Liabilities		Net	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Temporary differences in the value of property, plant and equipment	2 932 789.27	2 924 824.86	(8 379 479.72)	(8 983 147.74)	(5 446 690.45)	(6 058 322.88)
Temporary differences in the value of intangible assets	197 300.49	426 704.65	-	-	197 300.49	426 704.65
Provisions and adjustments	4 154 332.06	2 789 788.07	-	-	4 154 332.06	2 789 788.07
Tax losses carried forward	99 736.46	2 125 056.20	-	-	99 736.46	2 125 056.20
Temporary differences in the recognition of costs relating to customer contracts with lifetime rights of use	415 557.00	491 023.24	-	-	415 557.00	491 023.24
Deferred tax assets/ (liabilities)	<u>7 799 715.28</u>	<u>8 757 397.02</u>	<u>(8 379 479.72)</u>	<u>(8 983 147.74)</u>	<u>(579 764.44)</u>	<u>(225 750.72)</u>

Transactions reported under deferred taxes on the balance sheet were offset as follows:

	31 December 2013	31 December 2012
Opening balance	(225 750.72)	(2 857 867.84)
Recognised in the income statement	419 943.27	1 775 024.50
Included in reserves	-	-
Use of carried forward losses	(2 017 394.63)	857 092.62
Changes in the scope of consolidation	1 243 437.64	-
	<u>(579 764.44)</u>	<u>(225 750.72)</u>

The deferred taxes recognised in the income statement and reserves in 2013 and 2012 originated from the following:

	31 December 2013		31 December 2012	
	Recognised in the income statement	Included in reserves	Recognised in the income statement	Included in reserves
Temporary differences in the value of property, plant and equipment	611 632.43	-	1 599 380.67	-
Temporary differences in the value of intangible assets	(229 404.16)	-	(213 305.05)	-
Provisions and adjustments	1 364 543.99	-	876 608.64	-
Tax losses carried forward	(2 025 319.74)	-	450 685.62	-
Temporary differences in the recognition of costs relating to customer contracts with lifetime rights of use	(75 466.24)	-	(81 252.76)	-
	<u>(354 013.72)</u>	<u>-</u>	<u>2 632 117.12</u>	<u>-</u>

Income tax breakdown:

	31 December 2013	31 December 2012
Current tax	6 886 921.16	1 786 531.43
Deferred tax		
Origin and reversal of temporary differences	(2 445 263.01)	(1 324 338.88)
Tax losses carried forward	2 025 319.74	(450 685.62)
	<u>(419 943.27)</u>	<u>(1 775 024.50)</u>
Total income tax reported in the income statement	<u>6 466 977.89</u>	<u>11 506.93</u>

Reconciliation of the tax rate is shown below:

	31 December 2013		31 December 2012	
Pre-tax income/(loss) excluding non-controlling interests		20 518 580.15		(2 021 511.85)
Income tax rate for the Group	26.5%	5 437 423.74	26.5%	(535 700.64)
Rate differences of subsidiaries		815 462.83		392 916.06
Tax losses carried forward that did not lead to recognition of the corresponding deferred tax asset		648 049.29		(226 842.56)
Use of tax losses carried forward		66 763.28		(50 968.02)
Non-deductible expenses		455 593.04		1 542 763.16
Tax incentives		(1 254 632.40)		(1 307 183.94)
Autonomous taxes		298 318.11		196 522.87
		<u>6 466 977.89</u>		<u>11 506.93</u>

Deferred taxes on tax losses are only recognised in cases where their recovery before the expected expiry date can be assured.

The Group elected to be taxed under the special taxation system for corporate groups (RETGS) beginning with the 2006 fiscal year. The companies included in the Group in 2006 were: ES SAÚDE, CLIRIA, ES USATI, HAG, HOSPITAL DA LUZ and SURGICARE. In 2007, CPPOETAS, ESS-RcSS and ESH&SP were added. In 2008, IRIO and HOSPOR were also

added, and ESH&SP left the Group due to sale of the company. In 2009, CASAS, HL-CCA and SGHL were included. CRB was added during the 2012 financial year. Deferred taxes on tax losses were partially recognised because entering the special taxation system for corporate groups made it likely they will be recovered before they expire.

The Group's tax losses carried forward as at 31 December 2013 and 31 December 2012, for which deferred tax assets were partially recognised are shown below:

Year of origin / limit		31 December 2013	31 December 2012
2007 / 2013	Individual losses	-	450 484.24
	RETGS losses RML	-	1 441 637.29
2008 / 2014	Individual losses	-	498 692.26
	RETGS losses ES SAÚDE	-	7 342 579.33
	RETGS losses RML	1 011 117.29	1 011 117.29
2009 / 2015	Individual losses	-	464 680.46
	RETGS losses ES SAÚDE	-	254 333.64
	RETGS losses RML	227 811.11	227 811.11
2010 / 2014	Individual losses	-	422 443.82
2011 / 2015	Individual losses	-	228 934.64
2012 / 2017	Individual losses	-	311 540.32
		<u>1 238 928.40</u>	<u>12 654 254.40</u>
		<u>(805 291.62)</u>	<u>(4 154 029.60)</u>
	Estimated usable losses	433 636.78	8 500 224.80
	Deferred tax reported	99 736.46	2 125 056.20

14

Property, Plant and Equipment

	Land and buildings	Basic and transport equipment	Office equipment	Other	Assets under construction	Total
Acquisition cost						
Balance as at 1 January 2012	279 557 916.05	130 739 318.71	8 403 444.51	4 333 194.56	2 534 002.49	425 567 876.32
Additions	656 840.35	21 847 150.25	2 778 528.40	113 933.11	7 106 898.99	32 503 351.10
Disposals and write-offs	-	(987 184.62)	(11 279.00)	(2 534.32)	(327 124.31)	(1 328 122.25)
Transfers and adjustments	(4 878 391.32)	4 956 780.52	547 907.23	2 912.64	(5 602 306.81)	(4 973 097.74)
Balance as at 31 December 2012	<u>275 336 365.08</u>	<u>156 556 064.86</u>	<u>11 718 601.14</u>	<u>4 447 505.99</u>	<u>3 711 470.36</u>	<u>451 770 007.43</u>
Balance as at 1 January 2013	275 336 365.08	156 556 064.86	11 718 601.14	4 447 505.99	3 711 470.36	451 770 007.43
Change in consolidation method	(254 964.79)	(1 264 384.47)	(168 178.19)	(20 987.50)	(3 063.27)	(1 711 578.22)
Additions	81 476.66	5 604 488.66	249 797.95	118 729.98	6 441 288.24	12 495 781.49
Disposals and write-offs	(109 306.07)	(2 391 916.12)	(122 040.47)	(2 964.21)	(158 815.24)	(2 785 042.11)
Transfers and adjustments	3 976 148.75	(4 778 752.47)	(1 346 431.33)	9 246.96	(6 120 306.84)	(8 260 094.93)
Balance as at 31 December 2013	<u>279 029 719.63</u>	<u>153 725 500.46</u>	<u>10 331 479.10</u>	<u>4 551 531.22</u>	<u>3 870 573.25</u>	<u>451 509 073.66</u>
Accumulated depreciation						
Balance as at 1 January 2012	51 883 163.31	92 075 229.98	6 494 412.83	2 576 853.47	-	153 029 659.59
Depreciation	10 609 606.98	15 772 913.95	1 640 316.62	435 188.07	-	28 458 025.62
Disposals and write-offs	-	(898 973.98)	(11 051.00)	(2 284.03)	-	(912 309.01)
Transfers and adjustments	-	-	-	-	-	-
Balance as at 31 December 2012	<u>62 492 770.29</u>	<u>106 949 169.95</u>	<u>8 123 678.45</u>	<u>3 009 757.51</u>	<u>-</u>	<u>180 575 376.20</u>
Balance as at 1 January 2013	62 492 770.29	106 949 169.95	8 123 678.45	3 009 757.51	-	180 575 376.20
Change in consolidation method	(210 552.52)	(1 104 883.75)	(156 543.68)	(3 466.37)	-	(1 475 446.32)
Depreciation	10 662 317.07	15 447 834.96	1 249 448.94	375 932.29	-	27 735 533.26
Disposals and write-offs	(65 819.28)	(2 310 179.71)	(120 204.16)	(2 936.71)	-	(2 499 139.86)
Transfers and adjustments	-	(5 778 340.45)	(922 657.51)	-	-	(6 700 997.96)
Balance as at 31 December 2013	<u>72 878 715.56</u>	<u>113 203 601.00</u>	<u>8 173 722.04</u>	<u>3 379 286.72</u>	<u>-</u>	<u>197 635 325.32</u>
Book value						
31 December 2012	<u>212 843 594.79</u>	<u>49 606 894.91</u>	<u>3 594 922.69</u>	<u>1 437 748.48</u>	<u>3 711 470.36</u>	<u>271 194 631.23</u>
31 December 2013	<u>206 151 004.07</u>	<u>40 521 899.46</u>	<u>2 158 027.06</u>	<u>1 172 244.50</u>	<u>3 870 573.25</u>	<u>253 873 748.34</u>

The Group's gross investment in 2013 amounted to approximately EUR 12.5 million, approximately EUR 2.2 million of which went to completion of the Hospital Beatriz Ângelo facility. Approximately EUR 1.9 million went to expanding the parking facilities at Hospital da Luz and another EUR 1.3 million went to completion of the Hospital do Mar expansion project. Some investment was also made to acquire/replace equipment in several of the Group's units.

As at 31 December 2013, there were no contractual commitments for acquisition of property, plant and equipment.

The transfers and adjustments reported under land and buildings in 2012, in the amount of EUR 5.0 million, are the result of impairment in the value of the land expected to be used for expansion of Hospital da Luz (EUR 2.1 million) and of the CRB land in Oporto (EUR 2.9 million) (see Note 18).

It should be noted that in October 2013, the land and buildings of the Hospital da Luz and Casas da Cidade, Hospital do Mar and Clínica Parque dos Poetas were revalued according to the depreciated replacement cost method, which is used to determine the fair value of special use properties, such as hospital

facilities, clinics, assisted living residences and their respective areas and supporting infrastructure. At the same time, the unused lands for CRB in Oporto, Hospor in Valença and ES USATI in Lisbon (Plot 28) were also revalued. In these cases, an alternative use analysis was done based on the respective municipal land use plans and the land was revalued by applying the residual value method.

The Group uses property, plant and equipment assets through finance lease arrangements. For more information about these finance lease arrangements, see Note 19.

15 Intangible Assets

	Goodwill	Computer programmes	Property rights	Assets under construction	Total
Acquisition cost					
Balance as at 1 January 2012	94 481 383.61	-	86 549.00	-	94 567 932.61
Additions	-	-	-	-	-
Write-offs	-	-	-	-	-
Adjustments and transfers	-	-	-	-	-
Balance as at 31 December 2012	94 481 383.61	-	86 549.00	-	94 567 932.61
Balance as at 1 January 2013	94 481 383.61	-	86 549.00	-	94 567 932.61
Additions	-	74 792.49	-	800 541.54	875 334.03
Write-offs	-	-	-	(76 487.60)	(76 487.60)
Adjustments and transfers	-	7 258 254.07	-	202 994.39	7 461 248.46
Balance as at 31 December 2013	94 481 383.61	7 333 046.56	86 549.00	927 048.33	102 828 027.50
Accumulated amortisation					
Balance as at 1 January 2012	-	-	11 559.47	-	11 559.47
Amortisation	-	-	2 884.92	-	2 884.92
Write-offs	-	-	-	-	-
Adjustments and transfers	-	-	-	-	-
Balance as at 31 December 2012	-	-	14 444.39	-	14 444.39
Balance as at 1 January 2013	-	-	14 444.39	-	14 444.39
Amortisation	-	362 034.15	2 884.92	-	364 919.07
Write-offs	-	-	-	-	-
Adjustments and transfers	-	6 700 997.96	-	-	6 700 997.96
Balance as at 31 December 2013	-	7 063 032.11	17 329.31	-	7 080 361.42
Book value					
31 December 2012	94 481 383.61	-	72 104.61	-	94 553 488.22
31 December 2013	94 481 383.61	270 014.45	69 219.69	927 048.33	95 747 666.08

The goodwill reported is the result of acquisitions of subsidiary companies whose value was determined according to the accounting policy described in Note 3.1.

The consolidated statement of financial position and the transactions that occurred during the financial year are presented below:

	Year of acquisition	Ownership	Goodwill
Company			
HAG	2000	100.00%	446 140.69
CLIRIA	2000/10	90.59%	3 611 317.83
HME	2001	50.00%	14 103.47
HOSPOR	2006	100.00%	89 944 136.34
IRIO	2006/8	100.00%	479 788.75
Impairment			(14 103.47)
Total goodwill recognised			94 481 383.61

No changes in goodwill of the companies listed above occurred during the financial year ended 31 December 2012.

Goodwill impairment testing

The recoverable amount of goodwill is tested annually or whenever there is an indication of a permanent loss of value. The recoverable value is determined based on the value in use of the assets, which in turn is determined using the discounted cash flow (DCF) method of analysis taking into account market conditions, time value and business risks.

For the purpose of these tests, as of 31 December 2013, the Group established a set of assumptions that were used to determine the recoverable value of the investments made. These assumptions are given below:

Company	Method for determining the recoverable amount	Cash flow projection period	Discount rate before tax	Perpetuity growth rate
HAG	DCF	5 years	8.0%	2.0%
CLIRIA	DCF	5 years	8.0%	2.0%
HOSPOR	DCF	5 years	8.0%	2.0%
IRIO	DCF	5 years	8.0%	2.0%

The following should be noted:

- The projected cash flows are based on the yearly budget prepared by each company and approved by their respective boards of directors, which represent the first year of cash flows;
- The 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 outside sources of information;
- The change in the discount rate is largely due to a significant reduction in the market risk premium as a result of rising

yields on 10-year treasury bonds in recent months;

and,

- The growth rate used is the average long-term growth rate for the market in which the unit operates.

As a result of this impairment testing, the Group concluded that as at 31 December 2013 there were no impairment losses.

With reference to that date, a sensitivity analysis was done on the results of the impairment tests relative to the following key variables: (i) perpetuity growth rate (-1.00%) and (ii) discount rate (+0.50%). The results of the sensitivity analysis did not reveal any indications of impairment.

16 Inventories

	31 December 2013	31 December 2012
Raw materials and consumables	7 358 159.58	7 916 680.78

Inventories consist mainly of pharmaceuticals and medical supplies used by the Group's hospitals and clinics in their

business of providing clinical services.

17 Provisions

The amounts reported under provisions as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Opening balance	5 606 206.65	3 983 393.36
Additions (net of reversals)	67 345.50	2 423 648.01
Utilisations	(2 000.00)	(800 834.72)
Change in the consolidation method used for HME	2 268 504.37	-
	<u>7 940 056.52</u>	<u>5 606 206.65</u>

The impact of the change in the consolidation method used for HME is the result of assuming the liabilities that remained after deconsolidation of the proportional share of equity that was previously included in the consolidation.

The balance of provisions as at 31 December 2013 and 31 December 2012 comprised:

	31 December 2013	31 December 2012
Litigation	64 656.33	135 223.63
Tax disputes	4 048 442.45	2 113 426.85
Risk of losses from non-consolidated subsidiaries	3 183 333.30	1 018 340.13
Impairments of fixed assets	400 000.00	400 000.00
Other	243 624.44	2 339 216.04
	<u>7 940 056.52</u>	<u>5 606 206.65</u>

The transactions recorded in the periods ended 31 December 2013 and 31 December 2012 can be summarised as follows:

	31 December 2013	31 December 2012
Charges	1 333 929.16	2 794 091,81
Reversals	(1 273 114.47)	(394 573,42)
	<u>60 814.69</u>	<u>2 399 518,39</u>

The provisions reported by the Group are for the purpose of covering risks of an operational nature identified at the end of

the periods that met the requirements for being recognised as a liability.

18

Write-Down and Impairment Losses

Write-down and impairment losses as at 31 December 2013 and 31 December 2012 were as follows:

	Balance as at 31 December 2012	Additions	Reversals and Utilisations	Balance as at 31 December 2013
Write-down on receivables	10 123 497.13	1 459 116.41	(2 198 945.29)	9 383 668.25
Impairment of property, plant and equipment:				
Hospor – Valença	916 934.01	-	-	916 934.01
CRB – Oporto	2 904 258.72	-	-	2 904 258.72
ES USATI – Plot 28	<u>2 068 839.01</u>	-	-	<u>2 068 839.01</u>
	<u>5 890 031.74</u>	-	-	<u>5 890 031.74</u>

Transactions recorded in the periods ended 31 December 2013 and 31 December 2012 can be summarised as follows:

	31 December 2013	31 December 2012
Additions in write-downs	918 496.23	616 616.22
Reversals in write-downs	(1 416 116.89)	(668 071.43)
Effect on net income	<u>(497 620.66)</u>	<u>(51 455.21)</u>
Utilisations	(780 809.18)	-
Change in the consolidation method used for HME	540 620.18	-
Other effects	(2 019.22)	-
	<u>(739 828.88)</u>	<u>(51 455.21)</u>

19

Finance Lease Liabilities

Goods used under financial lease arrangements are listed below:

31 December 2013	Acquisition value	Accumulated depreciation	Book value
Real estate	384 074.38	-	384 074.38
Basic equipment	74 445 702.81	43 237 856.28	31 207 846.53
Office equipment	2 272 081.64	1 270 350.03	1 001 731.61
Transport equipment	18 489.60	18 489.60	-
Other equipment	25 455.87	12 910.01	12 545.86
	<u>77 145 804.30</u>	<u>44 539 605.92</u>	<u>32 606 198.38</u>

31 December 2012	Acquisition value	Accumulated depreciation	Book value
Real estate	384 074.38	-	384 074.38
Basic equipment	69 455 344.42	32 606 086.02	33 849 258.40
Office equipment	2 640 084.28	966 414.87	1 673 669.41
Transport equipment	18 489.60	15 408.00	3 081.60
Other equipment	243 800.61	109 205.47	134 595.14
	<u>72 741 793.29</u>	<u>33 697 114.36</u>	<u>39 044 678.93</u>

These goods are recorded under property, plant and equipment.

The finance lease liabilities have the following maturities:

31 December 2013	Principal	Interest	Total
Less than one year	11 091 102.34	1 206 591.07	12 297 693.41
Short term	<u>11 091 102.34</u>	<u>1 206 591.07</u>	<u>12 297 693.41</u>
Between one and five years	18 481 468.58	2 467 573.02	20 949 041.60
More than five years	8 891 266.21	623 088.58	9 514 354.79
Medium and long term	<u>27 372 734.79</u>	<u>3 090 661.60</u>	<u>30 463 396.39</u>

31 December 2012	Principal	Interest	Total
Less than one year	11 256 324.94	1 034 471.94	12 290 796.88
Short term	<u>11 256 324.94</u>	<u>1 034 471.94</u>	<u>12 290 796.88</u>
Between one and five years	23 811 518.40	2 215 788.30	26 027 306.70
More than five years	12 134 078.50	660 424.36	12 794 502.86
Medium and long term	<u>35 945 596.90</u>	<u>2 876 212.66</u>	<u>38 821 809.56</u>

20

Operating Leases

As at 31 December 2013 and 31 December 2012, the Group had liabilities for assets under operating leases related to vehicles and equipment.

These leases contained penalty clauses in case of cancellation. The total amounts of future payments are as follows:

	31 December 2013	31 December 2012
Less than one year	1 033 671.16	797 138.67
Between one and five years	1 837 987.56	1 003 138.98
More than five years	-	-
	2 871 658.72	1 800 277.65

For the periods ended 31 December 2013 and 31 December 2012, the amounts paid relating to operating leases totalled

EUR 1,265,245.49 and EUR 786,494.12, respectively.

21

Investments in Associated Companies and Jointly Controlled Entities

	Shareholdings in associated companies	Capital investment advances	Loans to associated companies	Other financial investments	Total
Acquisition cost					
Balance as at 1 January 2012	71 087.30	795 828.60	-	-	866 915.90
Increases	20 236.44	923 568.40	415 000.00	-	1 358 804.84
Decreases	-	-	-	-	-
Transfers and adjustments	24 129.62	-	(415 000.00)	-	(390 870.38)
Balance as at 31 December 2012	115 453.36	1 719 397.00	-	-	1 834 850.36
Balance as at 1 January 2013	115 453.36	1 719 397.00	-	-	1 834 850.36
Increases	8 771.97	-	1 170 000.00	1 938.65	1 180 710.62
Decreases	-	(300 000.00)	-	-	(300 000.00)
Transfers and adjustments	-	-	(1 170 000.00)	-	(1 170 000.00)
Balance as at 31 December 2013	124 225.33	1 419 397.00	-	1 938.65	1 545 560.98

GENOMED

On 7 October 2004, ES SAÚDE subscribed 48,000 shares, with a nominal share value of 5 euros each, representing 24% of the share capital of GENOMED – Diagnósticos de Medicina Molecular, SA (GENOMED), whose object is to provide diag-

nostic, prevention and therapeutic support services in human diseases, and to promote diagnostic and research and development activities in the area of nuclear medicine.

HCI

On 21 May 2008, ES SAÚDE acquired a 50% share (5,000 shares, with a nominal share value of 1 US dollar each) in the capital of HCI – HEALTH CARE INTERNATIONAL, INC. (HCI), whose registered office is in Tortola (British Virgin Islands), and whose object was to develop a partnership in the health care

delivery sector in Angola, namely in the building of a hospital facility in Luanda. In 2012, the company was dissolved by unanimous decision of the shareholders due to unfeasibility of the project.

HL-SGE

In December 2009, ES SAÚDE subscribed 14,400 shares, with a nominal share value of 1 euro each, representing 10% of the share capital of HL – Sociedade Gestora do Edifício, SA, a company headquartered in Oeiras whose object was the con-

struction and maintenance of the future Hospital Beatriz Ângelo building in Loures under the Public-Private Partnership Programme, in accordance with a contract signed at the end of 2009.

The investments are as follows:

Associated companies:	Headquarters	Acquisition Cost	% of share capital held	Equity value of the share	Value of the share in net profit/(loss)	Year
GENOMED	Lisbon	240 000.00	24.00	109 825.33	8 771.97	2013
HL-SGE	Oeiras	14 400.00	10.00	601 809.30	190 655.00	2013
		<u>254 400.00</u>		<u>711 634.63</u>	<u>199 426.97</u>	

The amounts of loans to entities and transactions that occurred are indicated below:

Associated companies:	Opening balance	Increases	Decreases	Closing balance
HME	-	1 170 000.00	(1 170 000.00)	-
	<u>-</u>	<u>1 170 000.00</u>	<u>(1 170 000.00)</u>	<u>-</u>

The loan granted to HME corresponds to advances made and bears interest at market rates. Due to the company's situation, impairment losses have been reported for all the advances

made. In addition, the amount of capital advances made to HL-SGE was reduced by EUR 300,000 due to a repayment from HL-SGE to its shareholders.

22 Trade and Other Receivables

	31 December 2013	31 December 2012
Current:		
Trade receivables	50 855 614.86	71 274 462.68
Doubtful trade receivables	8 106 033.02	9 647 224.44
Adjustments for doubtful trade receivables (see note 18)	<u>(8 106 033.02)</u>	<u>(9 647 224.44)</u>
	<u>50 855 614.86</u>	<u>71 274 462.68</u>
Advances to suppliers	549 156.73	270 569.23
Government and other public entities	2 337 571.64	1 307 354.07
Other receivables	1 770 835.93	902 488.98
Adjustments for doubtful other receivables	<u>(1 277 635.23)</u>	<u>(476 272.69)</u>
Accrued income	25 533 811.41	13 056 640.78
Deferred expenses	4 603 768.47	5 596 421.98
	<u>33 517 508.95</u>	<u>20 657 202.35</u>
Current tax receivable	<u>30 460.81</u>	<u>1 096 876.62</u>
	<u>84 403 584.62</u>	<u>93 028 541.65</u>

“Accrued income” refers primarily to amounts from clinical procedures not yet invoiced (see Note 3.2 (g) (i) and Note 31). The change is related primarily to the clinical services provided by Hospital Beatriz Ângelo, whose final invoicing for services provided during the year is only done in the following year. Since 2012 was the hospital’s first of operation, the amounts invoiced to the contracting public entity were based on the initial estimated level of production, which were slightly higher than the

actual level of production. In 2013, however, with the hospital operating at higher levels of activity, the actual production levels were higher than those provided for in the contract.

Amounts to be received from the “government and other public entities” consist primarily of VAT receivable and payment of corporate income tax on account.

23

Cash and Cash Equivalents

	31 December 2013	31 December 2012
Cash	367 836.30	300 442.82
Bank deposits that mature within 3 months	32 894 197.08	23 332 509.26
Cash equivalents	526 900.15	613 011.78
Other deposits	1 029 627.46	15 000.00
Cash and equivalents in the cash flow statement	34 818 560.99	24 260 963.86

24

Share Capital, Reserves and Retained Earnings/(Losses)

Share capital

The company’s share capital consists of 88,500,000 ordinary registered shares with a nominal value of one euro per share.

During the financial year, there were transactions between shareholders, which resulted in the following positions as at 31 December:

	31 December 2013	31 December 2012
Rio Forte Investments, SA	57.10%	44.50%
Espírito Santo Financial Group, SA	24.90%	24.90%
Banco Espírito Santo, SA	10.00%	10.00%
BES Vida, Companhia de Seguros, SA	5.00%	5.00%
Companhia de Seguros Tranquilidade, SA	3.00%	3.00%
AA – Iberian Venture Capital	-	12.60%

In January 2014, further transactions occurred with the entry of Espírito Santo Health Care Investments, SA (ESHCI), and the shareholder positions changed again:

	23 January 2014
Espírito Santo Health Care Investments, SA	55.06%
Companhia de Seguros Tranquilidade, SA	3.00%
Espírito Santo Financial Group, SA	15.12%
Rio Forte Investments, SA	26.82%

These positions changed again in February as a result of the public offering of up to 49% of the Company’s share capital

due to admission of its shares to trading on the Euronext Lisbon market (see Note 33 regarding subsequent events).

Allocation of net profit

According to a proposal presented to the approved by the General Meeting, the net profit relative to the 2012 financial year was allocated as follows:

	Amount
Legal reserve	880 700.00
Free reserves	15 847 421.54
Dividends	885 000.00
Total amount allocated	<u>17 613 121.54</u>

Share premiums

Share premiums are the result of increases in the company's share capital that were made in 2004, 2005 and 2006 in the amounts of EUR 12,500,000, EUR 7,500,000 and EUR 61,600,000, respectively. During the 2011 financial year, by decision of the general shareholders meeting, a portion of the share premiums (EUR 33,870,082.14) was used to cover

losses carries forward, leaving a remaining balance of EUR 47,729,917.86.

Non-distributable reserves

Non-distributable reserves in the amount of EUR 1,003,300 (2012: EUR 122,600 euros) correspond to the legal reserve established by allocating net income attributable to equity holders of the parent company in financial years up to and including 2012.

Distributable reserves

Distributable reserves in the amount of EUR 18,643,645.26 (2012: EUR 2,180,078.59) correspond to the free reserves established by allocating net income attributable to equity holders of the parent company in financial years up to and including 2012.

Retained earnings/(losses)

Retained losses totalling EUR 28,197,942.09 (2012: EUR 8,950,699.65) are the result of losses incurred by the Group in previous years, less the amount of the share premiums used to cover the losses.

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Earnings Per Share and Basic Earnings Per Share

Basic	31 December 2013	31 December 2012
Net income attributable to equity holders of the parent	14 023 330.80	(2 122 126.49)
Average number of shares	<u>88 500 000</u>	<u>88 500 000</u>
Basic earnings per share	<u>0.158</u>	<u>(0.024)</u>

As at 31 December 2013 and 31 December 2012, the company had no financial instruments with a dilutive effect; therefore, ba-

sic earnings per share are equal to diluted earnings per share.

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Trade and Other Payables

	31 December 2013	31 December 2012
Trade payables	22 336 462.52	26 854 817.41
Property, plant and equipment suppliers	1 282 426.54	2 205 934.71
	<u>23 618 889.06</u>	<u>29 060 752.12</u>
Customer advances	6 525 769.33	3 554 260.50
Government and other public entities	3 428 969.81	3 260 903.94
Other payables	1 644 408.72	1 847 933.77
Fees payable for services	12 936 103.61	12 878 845.16
Deferred income ROUs	4 777 857.92	5 073 918.24
Accrued expenses with ROUs	1 533 823.83	1 657 831.37
Employee salaries and benefits	16 609 773.90	15 289 353.29
Interest payable	102 515.85	140 092.18
Other deferred income	39 526.36	1 843 150.15
Other accrued expenses	6 982 468.07	6 925 225.39
	<u>54 581 217.40</u>	<u>52 471 513.99</u>
Income tax payable	2 729 846.35	725 681.34
Total current	<u>80 929 952.81</u>	<u>82 257 947.45</u>
Non-current trade payables	698 357.10	-
	<u>81 628 309.91</u>	<u>82 257 947.45</u>

The change in property, plant and equipment suppliers is related to the different phases of assets under construction at the end of 2012 and at the date of this report, in particular with respect to the Hospital do Mar expansion project, the remodelling on Cliria in Oiã and remodelling work on some of the Group's other units.

The increase in customer advances was mainly due to the advance payments made by the government for the agreed production levels at Hospital Beatriz Ângelo and also due to an overall increase in activity at the remaining units.

The balance of other deferred income as at 31 December 2012 included approximately EUR 1.8 million invoiced in accordance

with the production levels contracted but not actually produced by Hospital Beatriz Ângelo in 2012, a situation that was reversed in 2013.

Lifetime rights of use (ROUs) are related to the "Senior Residences with Services" business area. The sales value of these rights to customers is initially accounted for under deferred income and is regularly recognised as income during the expected lifetime of each customer.

Accrued expenses related to ROUs result from recognition of losses associated with lifetime right of use contracts.

27 Bank Liabilities

As at 31 December 2013 and 31 December 2012, the balance of this item corresponded to bank loans and other financing

obtained at market interest rates. Details are shown below:

	Term	Interest Rate	31 December 2013	31 December 2012
Short term				
BCP – ES SAÚDE (*)	Commercial paper	Eur6M + spread	5 000 000.00	4 000 000.00
BES – ES SAÚDE	Commercial paper	Fixed	38 787 765.39	8 477 552.84
BES – ES SAÚDE	Overdraft	Eur1M + spread	109 058.79	-
BES – ES USATI	Commercial paper	Eur + spread	-	5 481 570.48
BES – HL-CCA	Overdraft	Eur1M + spread	1 147 064.54	629 098.90
CGD – HL-CCA (*)	2014	Eur6M + spread	1 162 500.00	1 162 500.00
BES – CPP	Overdraft	Eur1M + spread	496 385.57	514 989.16
BES – CLIRIA	Overdraft	Eur1M + spread	1 114 050.21	1 815 757.92
BES – CLIRIA	Renewable		1 944.24	-
BBK – CLIRIA	2014	Eur3M + spread	1 098 964.36	1 087 472.28
BST – CLIRIA	2014	Eur6M + spread	185 468.94	-
BST – CLIRIA	Renewable	Eur3M + spread	200 000.00	200 000.00
CGD – HAG (*)	2014	Eur6M + spread	13 000 000.00	2 000 000.00
BST – HAG	-	Eur + spread	-	5 139 347.78
BBK – HAG	-	Eur + spread	-	3 010 226.00
B Popular – HME	-	Eur + spread	-	30 590.67
CEMG – HME	-	Eur + spread	-	28 197.82
CGD – HME	-	Eur + spread	-	83 333.34
B Popular – HME	-	Eur + spread	-	7 571.31
BES – HME	-	Eur + spread	-	42 267.40
CEMG – HME	-	Eur + spread	-	7 571.89
BPI – RML (*)	2014	Eur6M + spread	1 419 062.50	1 114 687.50
BPI – PMEInvest – RML	2014	Eur3M + spread	150 000.00	150 000.00
BPI – Treasury – RML (*)	Renewable	Eur6M + spread	500 000.00	500 000.00
BPI – PMEInvest – VLUSITANO	2014	Eur3M + spread	157 894.72	157 894.72
BCP – HOSPOR	2014	Eur6M + spread	185 466.84	185 466.84
BST – Treasury – HOSPOR	Renewable		-	386 957.64
BST – HOSPOR	2014		750 000.00	750 000.00
BES – HOSPOR	Commercial paper	Eur + spread	-	44 888 339.41
BST – HOSPOR	Commercial paper	Eur + spread	-	1 004 110.83
CGD – ESS RcSS (*)	2014	Eur6M + spread	450 000.00	500 000.00
CGD – ESS RcSS	-	Eur + spread	-	128 571.43
CGD – ESS RcSS (*)	2014	Eur6M + spread	138 950.96	231 584.00
CGD – ESS RcSS	-	Eur6M + spread	-	150 001.01
			<u>66 054 577.06</u>	<u>83 865 661.17</u>

	Term	Interest Rate	31 December 2013	31 December 2012
Non-current				
BST – ES SAÚDE	Commercial paper	Eur + spread	9 003 681.81	-
BCP – ES SAÚDE (*)	Commercial paper	Eur + spread	84 799 757.51	89 818 459.88
CGD – ES SAÚDE (*)	Commercial paper	Eur + spread	4 998 154.85	4 984 906.81
CGD – ES USATI (*)	Commercial paper	Eur + spread	10 496 507.36	10 469 805.87
CGD – HL-CCA (*)		Eur6M + spread	-	1 162 500.00
BST – CLIRIA	-	Eur6M + spread	710 797.90	-
BBK – CLIRIA	2015 - 2018	Eur3M + spread	2 341 583.09	3 529 490.45
BST – HAG	2015 - 2016	Eur + spread	2 501 025.56	-
CGD – HAG	Commercial paper	Eur6M + spread	-	13 000 000.00
BES – HME	-	Eur3M + spread	-	1 550 000.00
B Popular – HME	-	Eur1M + spread	-	56 092.35
CEMG – HME	-	Eur6M + spread	-	38 880.52
CGD – HME	-	Eur + spread	-	41 666.65
BPI – RML (*)	-	Eur6M + spread	3 001 250.00	3 670 312.50
BPI – PMEInvest – RML	2015 - 2016	Eur3M + spread	375 000.00	525 000.00
BPI – PMEInvest – VLUSITANO	2015 - 2017	Eur3M + spread	236 842.08	394 736.80
BCP – HOSPOR	2015 - 2016	Eur6M + spread	401 844.37	587 311.21
BST – HOSPOR	2015 - 2016		9 004 615.00	2 750 000.00
CGD – HOSPOR (*)	Commercial paper	Eur + spread	9 497 669.97	9 472 479.99
BBK – SGHL	2015	Eur3M + spread	2 500 000.00	2 500 000.00
CGD – ESS RcSS	2022	Eur6M + spread	-	138 955.64
	-		<u>139 868 729.50</u>	<u>144 690 598.67</u>

* These loans include change of ownership clauses on the part of Espírito Santo International.

Most of the loans mentioned above contain restrictions/covenants that are common in financing agreements. Typical non-financial restrictions included are negative pledge provisions, guarantees provided by members of the Group and by the Company, in particular restrictions applying to the use of capital resources, acquisition and disposal of assets, pari passu obligations, situations of default that include cross default clauses relative to the companies that are controlled by or are in a group relationship with the respective borrower. In terms of financial restrictions, some contracts include obligations to ensure certain debt to equity and working capital ratios.

Some financing agreements involving subsidiaries of the Company contain change-of-control provisions that require ESI to maintain a direct or indirect controlling interest in the Company. Some of these change-of-control provisions may be activated if (i) ESI's direct or indirect investment falls below 51% of the Company's share capital, (ii) ESI's direct or indirect investment falls below 51% of the Company's share capital and voting rights (iii) ESI ceases to hold, directly or indirectly, a majority of the Company's share capital and voting rights without obtaining authorisation for the disposal from the creditors in question.

28 Contingent Assets and Liabilities

As at 31 December 2013 and 31 December 2012, no materially relevant contingent assets or liabilities had been identified.

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Guarantees

As at 31 December 2013, the breakdown of guarantees made to third parties was as follows:

Company	Bank	Beneficiary	Amount
CLIRIA	BES	Hospital Infante D. Pedro	665.99
CLIRIA	BES	Lusitânia Gás Comercialização	2 437.83
ES SAÚDE	CGD	SGHL	3 250 000.00
ES SAÚDE	CGD	HL-SGE	105 000.00
ES SAÚDE	Bankia	SGHL	3 250 000.00
HOSPOR	BST	ARS Norte	53 778.74
HOSPOR	BCP	DGCI	48 909.34
HOSPOR	BES	CTT – Contract guarantee	2 500.00
HOSPOR	BES	AT	1 496 362.23
HOSPOR	BES	AT	63 347.51
SGHL	BBK	ARS LVT	2 206 953.44
SURGICARE	BES	DGCI	2 291 014.32
VILA LUSITANO	BPI	EDP – electrical power	1 976.40
			<u>12 772 945.80</u>

In addition, real guarantees (mortgages and mortgage notes) have been given to financial institutions to secure bank financing. These are detailed below:

Company	Guarantee	Beneficiary	Amount
CLIRIA	Real estate property	Barclays Bank Plc	8 674 705.00
ES USATI	Real estate property	BCP	96 000 000.00
ESS – RcSS	Real estate property	Caixa Geral de Depósitos	3 744 229.91
HL – CCA	Real estate property	Caixa Geral de Depósitos	6 259 027.00
HAG	Real estate property	Caixa Geral de Depósitos	20 000 000.00
VILA LUSITANO	Real estate property	Banco BPI	8 700 000.00
VILA LUSITANO	Real estate property	Banco BPI	500 000.00
			<u>143 877 961.91</u>

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Related Parties

Espírito Santo Control, headquartered in Luxembourg, is the ultimate beneficial owner of the ES SAÚDE Group.

Balances as at 31 December 2013 and 31 December 2012 and transactions with related parties that occurred during the financial year ended 31 December were as follows:

	31 December 2013	31 December 2012
Receivables:		
Shareholders		
BES – Deposits	29 375 240.91	21 734 355.98
BES – Trade receivables	3 535.78	3 080.00
BES – Other receivables	3 366.01	119 308.75
Tranquilidade – Trade receivables	1 842 544.24	1 863 603.92
	<u>31 224 686.94</u>	<u>23 720 348.65</u>
Other related parties		
BES Angola – Trade receivables	3 831.74	22 962.60
ES Seguros – Trade receivables	727 835.04	443 018.77
Esumédica – Trade receivables	37 554.80	58 291.58
Europe Assistance – Trade receivables	-	70.00
Locarent – Trade payables	2 133.05	36.90
Seguros Logo – Trade receivables	71 151.83	17 982.40
Tranquilidade Angola – Trade receivables	1 044.67	-
T-Vida – Other receivables	-	8 800.00
	<u>843 551.13</u>	<u>551 162.25</u>
	<u>32 068 238.07</u>	<u>24 271 510.90</u>
Payables:		
Shareholders		
BES – Bank overdrafts	2 866 559.11	3 002 113.37
BES – Loans	1 944.24	1 550 000.00
BES – Finance leasing	31 673 534.22	35 415 312.41
BES – Trade payables	-	4 359.03
Tranquilidade – Trade receivables	-	3 641.47
Tranquilidade – Trade payables	166 402.99	223 146.10
Tranquilidade – Other payables	-	477.02
	<u>34 708 440.56</u>	<u>40 199 049.40</u>
Associated companies		
Hotéis Tivoli	316.00	-
Top Atlântico – Trade payables	620.00	2.59
Top Partner – Trade payables	-	832.00
	<u>936.00</u>	<u>834.59</u>
Other related parties		
BES Investimento – Trade payables	13 453.62	63 842.50
Edenred Portugal – Trade payables	2 855.58	-
ES Resources – Trade payables	3 695.80	5 109.75
ES Seguros – Trade receivables	-	265.24
Esegur – Empresa de segurança – Trade payables	97 735.96	166 263.76
Esegur – Soluções de backoffice – Trade payables	3 138.75	693.91
Esumédica – Trade payables	18 481.95	32 552.92
Esumédica – Other payables	3 874.92	5 008.50
Europe Assistance – Trade receivables	7 335.17	6 927.87
Europe Assistance – Trade payables	1 299.38	2 012.17
Locarent – Trade payables	541.34	1 480.18
Multipessoal – SGL – Trade payables	84 383.58	99 811.91
Outsystems – Trade payables	-	169 125.00
	<u>236 796.05</u>	<u>553 093.71</u>
	<u>34 946 172.61</u>	<u>40 752 977.70</u>
Income:		
Shareholders		
BES – Interest	220 549.47	475 212.22
BES – Revenue from sales and services	148 649.24	17 645.58
BES – Other operating income and earnings	36 000.00	36 000.00
Tranquilidade – Revenue from sales and services	10 803 002.59	10 961 504.35
	<u>11 208 201.30</u>	<u>11 490 362.15</u>
Other related parties		
BES Angola – Revenue from sales and services	5 744.38	21 922.20
ES Seguros – Revenue from sales and services	5 220 533.93	5 686 146.41
Esumédica – Revenue from sales and services	91 198.75	98 845.52
Europe Assistance – Revenue from sales and services	970.00	110.00
Seguros Logo – Revenue from sales and services	137 396.07	47 034.68
Tranquilidade Angola – Revenue from sales and services	1 044.67	3 736.76
	<u>5 456 887.80</u>	<u>5 857 795.57</u>
	<u>16 665 089.10</u>	<u>17 348 157.72</u>

	31 December 2013	31 December 2012
Expenses:		
Shareholders		
BES – Interest	1 289 501.06	874 392.74
BES – Banking services	577 810.34	685 892.33
BES – Materials and services used	-	68 567.20
ESFG – Materials and services used	24 000.00	24 000.00
Tranquilidade – Personnel costs	1 421 966.06	1 031 621.42
Tranquilidade – Materials and services used	680 112.31	594 332.33
	<u>3 993 389.77</u>	<u>3 278 806.02</u>
Other related parties		
BES Investimento – Materials and services used	43 358.73	436 818.31
Edenred Portugal - Materials and services used	13 917.85	-
ES Resources – Materials and services used	40 630.00	51 396.00
Esegur – Empresa de segurança – Materials and services used	1 149 164.04	1 214 688.89
Esegur – Soluções de backoffice – Materials and services used	15 419.53	7 889.53
Esumédica – Personnel costs	193 644.76	156 640.33
Locarent – Materials and services used	717 240.71	719 092.94
Multipessoal – SGL – Materials and services used	952 598.13	929 814.63
Outsystems – Materials and services used	197 677.17	(40 105.68)
T-Vida – Materials and services used	7 759.88	7 757.72
	<u>3 331 410.80</u>	<u>3 483 992.67</u>
	<u>7 324 800.57</u>	<u>6 762 798.69</u>

The amounts reported as income are primarily related to health care services delivered by ES SAÚDE units to insurance companies at normal market prices.

The amounts reported as expenses are related to the normal business activity of the respective entities and correspond to

bank financing, finance leases, insurance and other services used by ES SAÚDE and its subsidiaries, which are acquired at arm's length prices and market conditions.

Remuneration paid to governing bodies is detailed in Note 11.

31 Financial Risk Management

Introduction

The Group 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 about the Group's exposure to each of the aforementioned risks, as well as the Group's objectives, policies and practices for measuring and managing these risks and managing of the Group's funds in general. Further disclosures of a quantitative nature are presented throughout these financial statements.

The Board of Directors is ultimately responsible for defining and monitoring the Group's risk management policies. These policies have been established in order to identify and analyse the risks the Group faces, to set risk limits and establish appropriate control mechanisms and to monitor the evolution of these risks and the Group's adherence to the limits it has imposed on itself. Risk management policies and systems are reviewed regularly to ensure they reflect real market conditions and are consistent with the Group's activities.

Credit risk

Credit risk refers to potential financial losses stemming from a customer's default on contractual obligations established with the Group in the course of its business. Customer portfolios and their open balances are managed on an ongoing basis.

This approach is complemented by the Group's efforts to continually improve the methods and tools it uses for assessing and monitoring risk when vetting customers and setting credit limits, as well as for the debt collection process.

The Group's credit risk is monitored regularly by the Operations and Financial Departments with respect to changes in credit exposure and default losses. Compliance with approved credit levels is also reviewed regularly.

The Group's exposure to credit risk essentially consists of balances due arising from its operating activities and is affected by the specific characteristics of each customer. Customer demographic and geographic characteristics have no significant impact on each customer's credit risk.

The Group has established a credit policy in which each new customer is vetted individually from a credit risk standpoint prior to being accepted as a customer. This process includes a review of outside information and, whenever possible, third party references about the entity.

Adjustments to outstanding receivables are estimated based on expected losses on the customer portfolio following a review of each outstanding balance.

Under the payment system in place at Hospital Beatriz Ângelo, at the beginning of each month the State pays 90% of one-twelfth of the annual contracted value of production (regardless of the real value of production), with a final adjustment of the amount (which may include the remaining 10% plus any additional production above the contracted value, as there are areas in which surpassing the set production limit is allowed, such as emergency room visits and hospitalisation episodes) being liquidated during the following financial year. To date, the government has complied with the terms of this contractual provision, namely with respect to settling the aforementioned monthly payments.

Nearly all of the amount reported under trade receivables at the consolidated level applies to the private healthcare segment (since, in the public healthcare segment, only balances owed relative to patient co-payments and non-NHS entities are reported in this category). On 31 December 2013, this balance represented approximately 64 days of revenue from sales and services in the private healthcare segment (to customers outside the Espírito Santo Saúde Group). This amount reflects a history of timely compliance on the part of the ADSE subsystem and the major insurance companies and private health plans with which the Group works.

As at 31 December 2013, the breakdown of the consolidated trade receivables balance was as follows:

	Amount
Private healthcare segment	50 449 147.96
Other segments and consolidation adjustments	406 466.90
Trade receivables balance	50 855 614.86

As at 31 December 2013, the ageing of trade receivables in the private healthcare segment based on the date of the

respective invoice is detailed below:

	Amount
Ageing of trade receivables in the private healthcare segment as at 31 December 2013	
0-3 months	39 371 081.95
3-6 months	4 684 293.32
6-12 months	3 179 132.72
12-18 months	1 167 153.44
18-24 months	687 915.68
> 24 months	8 447 229.08
	57 536 806.19
Accumulated impairment	(7 087 658.23)
Net trade receivables balance	50 449 147.96

More than 50% of the trade receivables balance is for outstanding balances aged less than 3 months. The amount of

provisions for trade receivables aged more than 24 months had already been made by 31 December 2013.

Liquidity risk

Liquidity risk arises from the potential inability to finance the Group's assets or to satisfy contractual obligations on their due dates. Management of liquidity risk is centralised in the Financial Department. Management of liquidity risk aims at maintaining a satisfactory level of available resources to meet the Group's short-term, medium-term and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that make it possible to identify occasional liquidity shortages and activate mechanisms to cover them.

As at 31 December 2013, the amount of committed lines of credit available for use (including commercial paper programmes) was approximately EUR 46 million. Commercial pa-

per issues that do not include a guaranteed subscription clause are classified as current liabilities, even though it is expected that the banks involved in the organisation and underwriting of the securities will be able to obtain the necessary funds through their distribution channels.

To finance its business activity, the Group maintains the lines of credit mentioned in Notes 19 and 27.

The financial liabilities will absorb the following non-discounted cash flows, excluding interest, based on the remaining period of the contract on the balance sheet date:

Unit: euros

	Finance Leases	Bank Loans	Commercial Paper	Other Liabilities ¹	Total
< 1 year	11 091 102	22 266 812	43 787 765	78 200 106	155 345 786
1-2 years	8 180 960	2 601 063	33 501 654	399 061	44 682 739
2-3 years	4 709 372	3 259 728	12 700 000	299 296	20 968 396
3-4 years	3 079 146	1 021 431	16 700 000	-	20 800 577
4-5 years	2 511 990	185 095	19 500 000	-	22 197 085
> 5 years	8 891 266	2 500 000	47 899 758	-	59 291 024
	38 463 837	31 834 129	174 089 177	78 898 464	323 285 607

¹ Includes trade and other payables

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or stock market conditions, may affect the Group's results and financial position. As the Group is not exposed to currency or stock market risks, market risk management focuses mainly on monitoring

changes in interest rates that affect interest-bearing liabilities with floating interest rates indexed to interbank rates.

No financial instruments are used to cover this market risk.

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Fair Values of Financial Assets and Liabilities

The principal methods and assumptions used to estimate the fair value of the aforementioned financial assets and liabilities

are described below:

Cash and cash equivalents

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

Trade credit

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

Trade debt

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

33

Subsequent Events

Espírito Santo Saúde began the process of launching an initial public offering (IPO) in September 2013, which culminated in the company's joining the Lisbon Stock Exchange on 12 February 2014.

The combined offering of an increase in capital and the sale of shares allowed the Company to increase its capital by approximately EUR 23 million, thereby enabling Espírito Santo Saúde to reduce its debt level in order to improve the company's financial position and increase the level of flexibility for future investments. After the capital increase (including the additional block of shares), Espírito Santo Saúde placed 49% of its capital on the capital markets, with 20% of this amount being allocated to a retail offering.

The transaction was completed at a price of EUR 3.20, with the sellers being Rio Forte Investments, Espírito Santo Financial Group and Companhia de Seguros Tranquilidade. Espírito Santo

Bank loans

The fair value of these financial instruments is estimated by updating the expected principal and interest cash flows, assuming that the payments occur on the dates stipulated in the contract. The discount rate used is that which reflects the current rates obtained by the Group for instruments of a similar nature. Given that the applicable interest rates are variable and given their maturity dates, there are no materially significant differences between the carrying value and the fair value of these financial liabilities.

Healthcare Investments remains the majority shareholder in the company (51%). The free-float of 49% includes six qualified shareholders: Och-Ziff Management Europe Limited (5.4%); T. Rowe Price ("Price Associates") (5.0%); Espírito Santo Financial Group (3.4%); Invesco Limited (3.0%); Fidelity International Limited (2.9%); and Fidelity Management and Research (2.6%). Sixty institutional investors participated in the IPO, and the capital acquired is distributed among several geographical areas (53% in the United Kingdom, 16% in Portugal, 13% in the United States, 12% in Spain and remainder in the rest of Europe).

The cost of the IPO operation was EUR 1.8 million. In addition, adjustments to the governing model and structure of the corporate centre to respond to requirements resulting from the fact that Espírito Santo Saúde is now a listed company will result in additional recurring costs of up to EUR 1.2 million.

Statement provided for in article 245, no. 1, paragraph c) of the securities code

Pursuant to and for the purposes of Article 245, No. 1, paragraph c) of the Securities Code, each member of the Board of Directors of Espírito Santo Saúde - SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein:

"I solemnly declare, pursuant to and for the purposes specified in Article 245, No. 1, paragraph c) of the Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made avail-

able to me within the Board of Directors and / or Executive Committee, as applicable, the individual and consolidated financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the evolution of the business, the performance and position of Espírito Santo Saúde - SGPS, SA and of the companies included in its scope of consolidation, also containing a description of the principal risks and uncertainties for the following year."

Lisbon, 21 April 2014

Lisbon, 21 April 2014

Chartered Accountant

Luís Filipe Diegues dos Santos

Board of Directors

Diogo José Fernandes Homem de Lucena

Isabel Maria Pereira Aníbal Vaz

Pedro Guilherme Beauvillain de Brito e Cunha

Luís Espírito Santo Silva Ricciardi

Alexandre Carlos de Melo Vieira Costa Relvas

António Davide de Lima Cardoso

Artur Aires Rodrigues de Moraes Vaz

Ivo Joaquim Antão

João Carlos Pellon Parreira Rodrigues Pena

João Paulo da Cunha Leite de Abreu Novais

José Manuel Caeiro Pulido

José Manuel Malheiro Holtreman Roquette

Maria do Rosário Nunes Vicente Rebordão Sobral

Nuno de Carvalho Fernandes Thomaz

Pedro Gonçalo Costa Pinheiro Líbano Monteiro

Tomás Leitão Branquinho da Fonseca

(Free Translation of a report originally issued in Portuguese)

Statutory and Auditor Report on the Consolidated Accounts

Introduction

1. In accordance with applicable legislation, we present the Statutory and Auditor's Report on the consolidated financial information contained in the Consolidated Annual Report and the consolidated financial statements as at 31 December 2013 of Espírito Santo Saúde - SGPS, S.A., comprising the Consolidated Statement of Financial Position (which shows a total of 477.747.281 Euros and shareholders' equity of 143.212.006 Euros, including a net income for the year attributable to the equity holders of the company of 14.023.331 Euros), the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flows Statement, for the year then ended, and the Notes.

Responsibilities

2. The Company's Board of Directors is responsible for:
 - a) the preparation of the consolidated financial statements that present a true and fair view of the financial position of the consolidated companies, the consolidated results and comprehensive income of its operations, the consolidated changes in equity and consolidated cash flows;
 - b) the historical financial information prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union, that is complete, accurate, current, transparent, objective and complies with regulations, as determined by the Securities Exchange Code ("Código dos Valores Mobiliários");
 - c) the adoption of appropriate accounting policies and accounting methods;
 - d) the maintenance of an adequate system of internal control; and
 - e) the disclosure of all significant facts which have had an impact on the activity of the consolidated companies, their financial position, results and comprehensive income.

3. Our responsibility is to audit the financial information contained in these documents, to ascertain if it is complete, accurate, current, transparent, objective and compliant with applicable regulations established by the Securities Exchange Code (“Código dos Valores Mobiliários”), with the objective of expressing a professional and independent opinion, on such information, based on our audit.

Scope

4. Our audit was conducted in accordance with the auditing and technical standards issued by the Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require an audit to be planned and performed with the objective of obtaining an acceptable level of assurance as to whether the Consolidated Financial Statements are free of material misstatement. As such, our audit included:
 - the verification that the financial statements of the companies included in the Consolidated Financial Statements were appropriately examined and the assessment of the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements;
 - the verification of the consolidation process;
 - the assessment as to whether the accounting policies adopted, their uniform use and their disclosure are appropriate under the circumstances;
 - the verification of the appropriateness of the going concern principle;
 - the assessment as to whether the overall presentation of the consolidated financial statements is reasonable; and
 - the assessment as to whether the consolidated financial information is complete, accurate, current, transparent, objective and compliant.
5. Our examination also covered the verification of the consistency of the consolidated financial information in the Consolidated Annual Report, with the other documents comprising the financial statements, as well as the verifications set out in paragraphs 4 and 5 of Article 451 of the Companies Code (“Código das Sociedades Comerciais”).
6. We believe that this examination provides an acceptable basis for the expression of our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred to above, present a true and fair view, in all material respects, of the consolidated financial position of Espírito Santo Saúde - SGPS, S.A. at 31 December 2013, the consolidated results and comprehensive income of its operations, consolidated changes in equity and consolidated cash flows for the year then ended in conformity with International Financial Reporting Standards as endorsed by the European Union, and the information therein is complete, accurate, current, transparent, objective and compliant.

Report on other legal requirements

8. It is also our opinion that the financial information presented in the Consolidated Annual Report is in agreement with the consolidated financial statements for the period and that the Corporate Governance Report satisfies the requirements of the Article 245 - A of the Securities Exchange Code.

Lisbon, 29 April 2014

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Represented by:

(Signed)

Ricardo Filipe de Frias Pinheiro (ROC nº 739)

REPORT AND OPINION OF THE AUDIT BOARD

(Free translation from the original version in Portuguese)

Dear Shareholders,

According to the contract constitution of Espírito Santo Saúde - SGPS, S.A., the company supervision is under the responsibility of a Audit Board, consisting of three full members and one substitute, elected by the General Meeting, as well as a Statutory Auditor or Firm of Chartered Accountants that do not integrate the Audit Board.

Thereafter, as set forth in paragraph 1, sub-paragraph g) of Article 420 of the Companies Code, the Audit Board submits here its report on the supervisory activity, and its opinion on the Individual and Consolidated Annual Reports and Accounts of Espírito Santo Saúde - SGPS, S.A. ("Company") for the financial year ended on 31st of December 2013, issued under the responsibility of its Board of Directors.

From the moment the Audit Board took office, on the 20th of January 2014, it has consistently been performing the tasks entrusted to it, and it has been carrying out regular monitoring and supervision adapted to the new circumstances and to the new phase of the company that was triggered by the launch of the Euronext Lisbon capital Initial Public Offering (IPO). The Audit Board received clarifications and information from the Board of Directors and all departments.

The Audit Board has also met with the Statutory Auditor in order to monitor their audits, oversight their independence and competence as well as to obtain relevant information and ensure that the auditors' work is consistently monitored.

The Audit Board has also received from the Statutory Auditor a letter confirming its independence in relation to the Company.

As such, the Audit Board issues the following:

OPINION:

The Audit Board's opinion is supported from the technical point of view by the "Legal Certifications and Audit Reports of the Individual and Consolidated Accounts" that was issued by the Statutory Auditors on April 29, 2014.

The Audit Board was informed about the conclusions of the work of the examination of the Company's accounts and external auditing on the Individual and Consolidated Financial Statements for the financial year of 2013, which included the individual and consolidated balance sheet, individual and consolidated

profit and loss accounts, individual and consolidated statements of changes in equity, individual and consolidated cash flow statements and their respective Annexes. The Audit Board analyzed in depth the Audit Report from the Statutory Auditor and External Auditors on these documents which expressed no reservations.

Within our powers, we confirmed that, to the best of our knowledge, the Management Report, and the Individual and Consolidated Financial Statements for the financial year ended on 31 December 2013, faithfully state the businesses' evolution, and the performance and position of the Group. They also complied with the applicable legal requirements and accounting standards as well as with the articles of association. We have verified that the Company's Corporate Governance Report, which will be announced at the same time as the Management Report, included the elements referred to in Article 245-A of the Portuguese Securities Code.

As such, taking into account the opinion and the information received from the Board of Directors, the Company's departments, the Statutory Auditor and the External Auditor, we are of the opinion that:

1. The Management Report for 2013 can be approved;
2. The Individual and Consolidated Financial Statements for 2013 can be approved;
3. The Proposal for the Application and Distribution of Profits presented by the Board of Directors, taking into account the article in the Companies Code, can be approved.

We acknowledge the Board of Directors' and all departments' cooperation during the performance of our duties.

Lisbon, 29th of April 2014

The Audit Board

João Carlos Tovar Jalles – Chairman

Clara José Cruz de Sequeira Viegas Penha Ventura – Member

António Luís Castanheira Silva Lopes - Member



A photograph of a modern hospital hallway. In the foreground, a woman in light blue scrubs is seated at a light-colored wooden desk, working on a computer. In the background, another person in blue scrubs is walking away. The hallway has a clean, minimalist design with light-colored walls and a polished floor. A sign above a doorway in the background reads "Assistência ao utente".

05

CORPORATE
GOVERNANCE
REPORT

05

Corporate Governance Report

DEFINITIONS

“Shares”	means nominative, book-entry shares with a face value of 1 euro each, representing ESS's total share capital at any one time
“Directors”	means the members of the Company's Board of Directors
“Share capital increase”	means the increase in the Company's share capital from the amount of EUR 88,500,000.00 as at 31 December 2013 to EUR 95,542,254.00, by subscription by investors, including an offer for subscription of new shares, by consideration in cash, recorded on 11 February 2014
“Central Depository for Securities” or “CVM”	means the centralised book-entry securities system managed by Interbolsa consisting of interconnected sets of accounts, in which the constitution and transfer of securities in them is processed and the quantity of securities in circulation and rights over them are controlled
“CMVM”	means Comissão do Mercado de Valores Mobiliários (the Portuguese Securities Exchange Commission)
“VM Code”	means the Securities Code approved by Decree-Law 486/99 of 13 November, as amended
“Board of Directors”	means the Company's management body
“CSC”	means the Company Law approved by Decree-Law 262/86 of 2 September, as amended
“Payer entities”	means private health insurance companies (including external management companies used by insurance companies to manage healthcare service networks and to control costs by centralising back-office work, claim processing and negotiation of commissions, prices and payment plans with health units), public or private health subsystems and the Portuguese Ministry of Health
“ESFG”	means “Espírito Santo Financial Group, S.A.”;
“ESHCI”	means “Espírito Santo Health Care Investments, SA”;
“ESI”	means “Espírito Santo International, SA”;
“ESS” or “Company”	means “Espírito Santo Saúde - SGPS, SA”;
“articles of association”	means the Company's articles of association at any given time
“Euronext”	means Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, SA
“Euronext Lisbon”	means the regulated Euronext Lisbon market, which is managed by Euronext
“Group”	means the Company and its subsidiaries or group companies pursuant to Article 21 of the VM Code
“Interbolsa”	means Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, SA, whose address is Avenida da Boavista, 3433, 4100-138 Oporto, Portugal
“Offer” or “Combined offer”	means an offer to distribute the Company's shares by means of: (i) a public offer for subscription of up to 7,042,254 new nominative book-entry shares with a face value of 1 euro issued by the Company, (ii) initial public offering of up to 2,320,886 nominative book-entry shares, with a face value of 1 euro each and (iii) an offer for Portuguese and foreign institutional investors of ESS shares owned by a number of selling shareholders
“Institutional Sale”	means an institutional sale operation of up to 34,227,281 nominative book-entry shares with a face value of 1 euro, including shares pertaining to a supplementary batch option exercised by the placing bank of the institutional sale
“RF”	means Rio Forte Investments, SA

PART I – MANDATORY INFORMATION ON THE COMPANY'S SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure (share capital, number of shares, distribution of capital among shareholders, etc.), including shares not admitted to trading, different categories of shares, their inherent rights and obligations and the percentage of capital that each category represents (Art. 245-A (1) (a)).

As at 31 December 2013, ESS's share capital, to the amount of EUR 88,500,000.00, was fully paid up and realised and is represented by 88,500,000 nominative book-entry shares with a face value of 1 euro each that are not convertible into bearer shares. On that date, the shares were not, nor had they ever been admitted to trading on a regulated or unregulated market and there were no different categories of shares.

The Company's share capital was distributed as follows as at 31 December 2013:

	Number of Shares	% of Share Capital
Banco Espírito Santo, SA	8 850 000	10.0%
BES-VIDA – Companhia de Seguros, SA	4 425 000	5.0%
Companhia de Seguros Tranquilidade, SA	2 655 000	3.0%
ESFG	22 036 000	24.9%
RF	50 534 000	57.1%
Total	88 500 000	100%

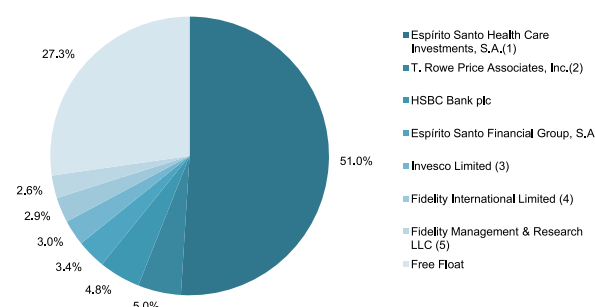
Pursuant to three purchase and sales agreements concluded on 23 January 2014, ESHCI acquired 48,726,550 shares from the following shareholders: RF (26,799,603 shares), (ii) Banco Espírito Santo, SA (8,850,000 shares), (iii) ESFG (8,651,947 shares) and (iv) BES-VIDA – Companhia de Seguros, SA (4,425,000 shares).

On 8 January 2014, the Company's General Meeting decided on a share increase by consideration in cash by public subscription and consequent inclusion of the shares in the centralised system organised by CVM and admission of the shares issued by the Company to trading on the Euronext Lisbon market. During the share capital increase, which was undertaken via an offer for subscription between 27 January and 6 February 2014, the 7,045,254 shares offered were subscribed. The share capital increase was recorded on 11 February 2014. The current share capital is EUR 95,542,254.

On 12 February 2014, 95,542,254 shares representing 100% of the Company's share capital after the share capital increase were admitted to trading on the Euronext Lisbon market.

On these terms, on the date of this report, ESS's share capital, to the amount of EUR 95,542,254, has been fully paid up and realised and is represented by 95,542,254 nominative book-entry shares with a face value of 1 euro each. The shares are

admitted to trading on a regulated market (Euronext Lisbon, managed by Euronext); there are no different share categories. The Company's shareholder structure as at 31 March 2014 is summarised by the following graph:



2. Restrictions on transferability of shares, such as consent clauses for sale or limitations on ownership of shares (Art. 245-A (1) (b)).

As at 31 December 2013, pursuant to Article 10 of the Company's articles of association, the sale of Company shares to third parties and the constitution of a burden or encumbrance on them required the Company's prior consent to be granted by the Board of Directors. The non-selling shareholders have a pre-emptive right over all the shares to be sold.

There are currently no restrictions on the transferability of shares and so they are freely transferable. In preparation for admission of the shares to trading on Euronext Lisbon, the Company passed a resolution at the General Meeting held on 20 January 2014 to amend its articles of association, and the aforementioned limitations on transferability of shares were abolished.

The aforesaid shall not prejudice the following lock up agreements concluded with regard to institutional sale, between:

a. ESHCI, each of the selling shareholders (RF, ESGF and Companhia de Seguros Tranquilidade, SA) on the one hand and the general coordinators of the institutional sale on the other hand, valid for 270 days as of the conclusion of the institutional placement agreement (7 February 2014) and subject to exceptions and a number of terms and conditions applicable, to the shareholders RF and ESHCI;

b. The Company and the general coordinators of the institutional sale, valid for 180 as of the conclusion of the institutional placement agreement (7 February 2014) and subject to exceptions and a number of terms and conditions.

There are no provisions in the articles of association that can postpone, defer or prevent a change in control of the Company, and the articles of association do not, for example, include any limitations on voting rights granted by shares, without prejudice to the articles of association providing that each 100 shares correspond to one vote.

Given that the share capital comprises all the shares, all of which grant the same political and economic rights, there are no shares that grant special rights or other privileges or allow the exercise of a multiple vote.

3. Number of own shares, corresponding percentage of share capital and percentage of voting rights represented by own shares (Art. 245-A, (1) (a)).

As at 31 December 2013, the Company did not have, nor does it now have, any own shares.

4. Significant agreements to which the company is a party and that come into effect, are amended or cease in the event of a change in control of the company following a takeover bid and their effects, unless, due to their nature, disclosure thereof is seriously prejudicial to the company, except if the company is specifically obliged to disclose this information by force of other legal imperatives (Art. 245-A (1) (j)).

Certain agreements concluded by Company subsidiaries with certain payment entities include change of control provisions, which may be implemented in the event of a change of control of the Company (they cover, albeit tacitly, changes in control resulting from takeovers) and if there is no prior authorisation of the sale of the shares the said subsidiaries.

Certain financing agreements concluded by the Company and some of its subsidiaries contain change of control provisions, which will be implemented if ESI ceases to have direct or indirect control over the Company (they cover, albeit tacitly, changes in control resulting from takeovers).

Nonetheless, Espírito Santo Control, SA currently owns a position of indirect control in the Company, through its holding of [56.5%] in the share capital of ESI, which [owns 100% of the share capital of Rio Forte Investments, SA], which in turn owns [55% of the share capital of ESHCI]. As far as the Company is aware, Espírito Santo Control, SA is expected to maintain a controlling interest in the Company and to date there are no agreements that may lead to a change in the said control.

The Company is not aware of the existence of any defensive measures that would lead to automatic erosion of its assets in the event of a change of control or a change in the composition of the Board of Directors or that would appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.

5. Rules on renewal or revocation of defensive measures, particularly those providing for limitation of the number of votes liable to held or exercised by a single shareholder individually or in conjunction with other shareholders.

The articles of association do not provide for any limitations on voting rights.

6. Shareholder agreements of which the company is aware that may lead to restrictions on the transfer of securities or voting rights (Art. 245 -A (1) (g)).

The Company is not aware of the existence of shareholders' agreements regarding the Company that may lead to restrictions on the transfer of securities or exercise of voting rights.

II. SHAREHOLDINGS AND BONDS OWNED

7. Names of natural or legal persons who directly or indirectly own qualifying shareholdings (Art. 245-A (1) (c) and (d) and Art. 16), with a detailed indication of the percentage of share capital and votes involved and the source and reasons for them.

In view of the fact that the Company's shares had not been admitted to trading on a regulated market in 2013, see Point A.I.1 above.

Following admission of the shares to trading on the Euronext Lisbon market, the Company's capital structure was profoundly changed. According to the communications sent to the Company, pursuant to Article 447 of the CSC, no Article 16 of the VM Code and Article 14 of CMVM Regulation 5/2008, the 49% of the Company's share capital and voting rights subject to free float as at 31 March 2014 includes the qualifying shareholdings indicated in the graph in point A.I.1 above.

8. Indication of the number of shares and bonds owned by members of the management and supervisory bodies [Note: the information must be provided in a way that complies with Art. 447 (5) of the CSC]

In the financial year ended on 31 December 2013, none of the Company's shares or bonds were owned by members of its management or supervisory bodies.

9. Special powers of the management body, e.g. with regard to decisions on share capital increases (Art. 245-A (1) (i), indicating the date on which they were granted, the time limit for exercising the power, the maximum quantitative limit on the share capital increase, the amount already issued under the powers and the way in which the powers are exercised.

As at 31 December 2013, the Company's Board of Directors had no special powers, including for decisions on share capital increases, as the authorisation set out in Article 7 of its articles of association expired due to loss of its object.

We would, however, like to draw attention to the fact that, due to the prospect of our shares being admitted to trading on a regulated market, the Company's articles of association were amended by decision of the Company's General Meeting on 20 January 2014. In the new version of Article 6 of the articles of association, the Board of Directors is authorised, after receiving a favourable opinion from the Audit Board, to increase the Company's share capital by consideration in cash once or more times up to the limit of one hundred and fifteen million euros. This authorisation is valid until January 2019.

10. Information on significant business relations between owners of qualifying shareholdings and the company

In light of the fact that in 2013 the Company's shares had not yet been admitted for trading on a regulated market, the company's shareholders were those identified in Point A.I.1 above. Significant business relations these shareholders have with the Company are shown below: Please note that the transactions listed below are a normal part of the Company's business activity and they are conducted at arm's length.

	31.12.2013	31.12.2012
Receivables:		
Shareholders		
BES – Deposits	29 375 240.91	21 734 355.98
BES – Trade receivables	3 535.78	3 080.00
BES – Other receivables	3 366.01	119 308.75
Tranquilidade – Trade receivables	1 842 544.24	1 863 603.92
	<u>31 224 686.94</u>	<u>23 720 348.65</u>
Payables:		
Shareholders		
BES – Bank overdrafts	2 866 559.11	3 002 113.37
BES – Loans	1 944.24	1 550 000.00
BES – Financial leasings	31 673 534.22	35 415 312.41
BES – Trade payables	-	4 359.03
Tranquilidade – Trade receivables	-	3 641.47
Tranquilidade – Trade payables	166 402.99	223 146.10
Tranquilidade – Other payables	-	477.02
	<u>34 708 440.56</u>	<u>40 199 049.40</u>
Income:		
Shareholders		
BES – Interest	220 549.47	475 212.22
BES – Revenue from sales and services	148 649.24	17 645.58
BES – Other operating income and earnings	36 000.00	36 000.00
Tranquilidade – Revenue from sales and services	10 803 002.59	10 961 504.35
	<u>11 208 201.30</u>	<u>11 490 362.15</u>
Expenses:		
Shareholders		
BES – Interest	1 289 501.06	874 392.74
BES – Banking services	577 810.34	685 892.33
BES – Cost of services and materials	-	68 567.20
ESFG – Cost of services and materials	24 000.00	24 000.00
Tranquilidade – Personnel costs	1 421 966.06	1 031 621.42
Tranquilidade – Personnel costs	680 112.31	594 332.33
Tranquilidade – Cost of services and materials	3 993 389.77	3 278 806.02
	<u>3 993 389.77</u>	<u>3 278 806.02</u>

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

a) Officers of the general meeting during the year in question

As at 31 December 2013, the officers of the Company's General Meeting were as follows:

11. Name and position of the officers of the general meeting and their term of office (beginning and end).

Name	Position	Date of first appointment	Term of office
Rui Manuel Duarte Sousa da Silveira	Chair of the General Meeting	06 July 2000	2012-2015
Maria Madalena França e Silva de Quintanilha Mantas Moura	Secretary of the General Meeting	06 July 2000	2012-2015

According to the changes occurred in the corporate bodies of the company as preparation for the shares being admitted to trading on Euronext Lisbon, at the Company's General Meeting on 20 January 2014 nine new officers of the Company's General Meeting were elected for the 2014 – 2017 term.

b) Exercise of voting rights

12. Any restrictions on voting rights, such as limitations on votes depending on ownership of a number or percentage of shares, deadlines for the exercise of voting rights or systems for equity rights (Art. 245-A (1) (f)).

Regarding representation, pursuant to the wording of the Company's articles of association in effect on 31 December 2013, the General Meeting comprised all shareholders with voting rights; shareholders without voting rights were not allowed to attend General Meetings. Shareholders who did not own the minimum number of shares could form groups to make up the number needed to have voting rights and appoint one of their number to represent them at General Meetings.

Every 1,000 shares corresponded to one vote and postal votes were allowed whenever mandated by law.

In preparation for the shares being admitted to trading on a regulated market, the Company's articles of association were amended by resolution of the Company's General Meeting on 20 January 2014. As a result, among other changes, every 100 shares now correspond to one vote and the General Meeting consists of all shareholders with voting rights. As ownership of 100 shares currently corresponds to a shareholding of approximately 0.0001% of the Company's share capital, the articles of association do not set an excessively high number of shares needed to have one vote, and postal votes are allowed. An extraordinary General Meeting must be called whenever the law so requires or if the Board of Directors, Audit Board or shareholders owning shares representing at least 2% of the Company's share capital see fit. This last possibility has applied to the Company since its shares were admitted to trading on a regulated market. Pursuant to Article 12 (2) of the articles of association, if a General Meeting is called at the request of shareholders, the meeting will not take place if the requesting shareholders are not present.

In order to participate, speak and vote at a General Meeting, shareholders must have the number of shares that entitles them to at least one vote registered in their individual book-entry securities registration account at 0:00 hours (midnight) (GMT) of the fifth business day prior to the day of the General Meeting (registration date). As mentioned above, Article 13 of the articles of association establishes that every 100 shares

correspond to one vote at a General Meeting. Shareholders who do not own the minimum number of shares needed to have voting rights can form groups to make up the necessary number of shares. These groupings of shareholders must elect one of the members of the group to represent them at the General Meeting.

The articles of association do not provide for systems for equity rights and there are no mechanisms designed to create a time lapse between rights to receive dividends or subscription of new securities and the voting right of each share.

13. Indication of the maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders in any of the relationships set out in Art. 20 (1)^o.

The Company's articles of association did not contain on 31 December 2013 nor do they currently contain provisions establishing a maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders in any of the relationships set out in Art. 20 (1), nor do any such agreements exist, as far as the Company is aware.

14. Shareholder resolutions that, pursuant to the articles of association, may only be passed by a qualified majority, in addition to those provided for by law, and indication of these majorities.

As at 31 December 2013 the articles of association did not provide for any increase in the deliberative quorum established by law (CSC) and the current deliberative quorum is as established in this law.

Nonetheless, the articles of association in effect in the financial year ended 31 December 2013, and which are still in effect on this date, set out that, in a first call for a General Meeting, the meeting cannot be held unless shareholders representing at least fifty-one percent of the share capital are present or represented, regardless of the matters on the agenda. In a second call, the General Meeting is allowed to pass resolutions regardless of how many shareholders are present or represented and the share capital that they represent.

This provision can be explained by the structure of the Company's share capital, 51% of which (and the respective voting rights) is held by a single shareholder (ESCHI), which declares control.

II. MANAGEMENT AND SUPERVISION

(Board of Directors, Executive Board and General and Audit Board)

a) Composition during the year in question

15. Description of the corporate governance model adopted.

As at 31 December 2013, the Company had adopted a corporate governance model inspired by the “monista latino” model (Latin model of corporate governance), which is composed of a board of directors as the sole management body and a single auditor as the supervisory body (Article 11 of the articles of association), pursuant to Article 278 (1) (a) and (2) of the CSC. In this model, the company’s supervisory body (the single auditor) is organisationally independent from the management body (board of administration). Within the company’s board of administration there is an executive committee, which is described in more detail in points B.II.18 and B.II.21 below.

With the reformulation of the articles of association approved by the General Meeting on 8 January 2014, the Company maintained a model of corporate governance inspired by the “monista latino” model (Article 9 of the articles of association). However, in view of the provisions of Article 278 (1) (a) (2) (3) and Article 413 (2) (a) of the CSC, while the Company kept the Board of Directors as its only management body, it handed over the supervision of the Company to a Audit Board and a Statutory Audit Firm. In this model, the company’s supervisory body (supervisory board) is organisationally independent from the management body (board of directors).

Within the Company’s Board of Directors an Executive Committee is formed, to which the day-to-day management of the Company is delegated. Thus the model approaches that of the Anglo-Saxon inspired model of corporate governance.

The model of corporate governance adopted is described in greater detail in the following points.

16. Articles of association rules on the procedural and material requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Audit Board, where applicable. (Art. 245-A (1) (h)).

Pursuant to Article 16 and subsequent articles of the Company’s articles of association in force on 31 December 2013, the Board of Directors was made up of a minimum of three and a maximum of fifteen members, elected by the General Meeting, who chose a Chair from among themselves. The number of

directors was to be decided by the General Meeting. If no resolution was passed, the number was deemed to be the number of directors elected. In the event a legal person was elected, said legal person was responsible for naming a natural person to exercise the office in its name, as well as for replacing that person in the event of a definitive impediment, resignation or removal by the legal person that named the person to the office. In the absence of specific provisions in the articles of association, pursuant to Article 391 (3) of the CSC, members of the Board of Directors were elected for four-year terms, and re-election was permitted.

For replacement of members of the Board of Directors, the rules set out in the CSC applied. However, pursuant to Article 17 (4) (a) of the articles of association, in matters involving replacement of absent directors, the Board of Directors had the power to co-opt directors to fill vacancies, with the term of the new director terminating at the end of the term for which the replaced director had been elected.

Currently, and after the articles of association were amended in preparation for the shares being admitted to trading on a regulated market, pursuant to Articles 10 and 16 of the articles of association, the Board of Directors is composed of a minimum of five and a maximum of nineteen directors, who are elected for four-year terms, with re-election being allowed one or more times, except where mandatory provisions of the law provide otherwise. The General Meeting designates, from among the directors elected to the Board of Directors, one director to serve as chair of the Board of Directors. One or more directors can also be elected to serve as vice-chairs. The Board of Directors may replace the chair of the Board of Directors at any time in accordance with the law in force.

The General Meeting that elects the directors shall decide on the actual number of members of the Board of Directors to be elected for the term in question; if no number is expressly mentioned, the number of directors elected by the General Meeting is deemed to be number to serve for that term.

Pursuant to Article 392 (6) (7) of the CSC, minority shareholders representing at least 10% of the share capital and voting against the winning proposal in the election of the Board of Directors may appoint a director.

As to replacement of members of the Board of Directors, in the absence of specific rules on this matter in the articles of association, the rules set forth in the CSC shall apply, including those regarding replacement of absent directors by co-optation.

The articles of association also state that any director who is absent from more than half of the meetings held during a given financial year without a justification that is acceptable to the management body shall be deemed to be definitively absent.

17. Composition of the Board of Directors, the Executive Board and the General and Audit Board, as applicable, with details

regarding the minimum and maximum number of members and the term of office provided for in the articles of association, the actual number of members and the date of first appointment and end of the term of office of each member.

During the financial year ended 31 December 2013, the Board of Directors was composed of thirteen members:

Name	Position	Date of first appointment	Date of election	End of the current term
Board of Directors:				
Isabel Maria Pereira Aníbal Vaz	Director (Chair)	06 July 2000	31 July 2012	2015
Ivo Joaquim Antão	Director (Member)	16 March 2005	31 July 2012	2015
João Paulo da Cunha Leite de Abreu Novais	Director (Member)	16 March 2005	31 July 2012	2015
Pedro Gonalo Costa Pinheiro Lbano Monteiro	Director (Member)	16 March 2005	31 July 2012	2015
Maria do Rosrio Nunes Vicente Rebordo Sobral	Director (Member)	16 March 2005	31 July 2012	2015
Antnio Davide de Lima Cardoso	Director (Member)	11 June 2008	31 July 2012	2015
Joo Carlos Pellon Parreira Rodrigues Pena	Director (Member)	03 December 2012	03 December 2012	2015
Artur Aires Rodrigues de Morais Vaz	Director (Member)	16 March 2005 (resigned on 09 June 2008 and re-elected on 17 July 2013)	17 July 2013	2015
Jos Manuel Malheiro Holtreman Roquette	Director (Member)	17 July 2013	17 July 2013	2015
Toms Leito Branquinho da Fonseca	Director (Member)	16 March 2005	31 July 2012	2015
Lus Esprito Santo Silva Ricciardi	Director (Member)	06 July 2000	31 July 2012	2015
Pedro Guilherme Beauvillain de Brito e Cunha	Director (Member)	06 July 2000	31 July 2012	2015
Gonalo Nuno Guerreiro Cadete	Director (Member)	03 December 2012	03 December 2012	2015

Currently Article 16 (1) of the articles of association states that the Board of Directors must have a minimum of five and maximum of nineteen directors (currently there are 16 members). Each of the directors is elected by the General Meeting for an initial term of four years. They may always be re-elected one or more times, except where mandatory provisions of the law provide otherwise, pursuant to Article 10 of the articles of association. The directors do not need to all be elected on the same date: their respective terms of office may be staggered instead of concurrent.

According to the changes occurred in the corporate bodies of the company as preparation for the shares being admitted to trading on Euronext Lisbon, pursuant to a resolution passed by General Meeting on 20 January 2014 and the Board of Directors at a meeting held on 23 January 2014, the composition of the Board of Directors was changed for the four-year term (2014-2017).

18. Distinction between executive and non-executive directors on the Board of Directors and, as regards non-executive members, identification of the members that may be considered independent, or, if applicable, identification of independent members of the General and Audit Board.

During the financial year ended 31 December 2013, the executive members of the Company's Board of Directors were:

Name	Title	Date elected to current term	End of term
Executive Committee:			
Isabel Maria Pereira Aníbal Vaz	Chair (Chief Executive Officer)	31 July 2012	2015
António Davide de Lima Cardoso	Director (Member)	31 July 2012	2015
Ivo Joaquim Antão	Director (Member)	31 July 2012	2015
João Paulo da Cunha Leite de Abreu Novais	Director (Member)	31 July 2012	2015
Maria do Rosário Nunes Vicente Rebordão Sobral	Director (Member)	31 July 2012	2015
Pedro Gonçalo Costa Pinheiro Líbano Monteiro	Director (Member)	31 July 2012	2015
Tomás Leitão Branquinho da Fonseca	Director (Member)	31 July 2012	2015
Artur Aires Rodrigues de Morais Vaz	Director (Member)	29 July 2013	2015
José Manuel Malheiro Holtreman Roquette	Director (Member)	29 July 2013	2015

According to the changes occurred in the corporate bodies of the company as preparation for the shares being admitted to trading on Euronext Lisbon. The members of the Company's Executive Committee were elected by resolution of the Board of Directors on 23 January 2014 (the previously elected members were re-elected).

As to the independence of the non-executive members of the Board of Directors, prior to the Company's shares being admitted to trading on the regulated market, the Company was not required to adopt the practices set out in the CMVM Corporate Governance Code. For that reason, a self-assessment of the independence of its non-executive members had not been done.

With the restructuring of the Board of Directors mentioned in point B.II.17 above, and in preparation for admission of the Company's shares to trading on a regulated market, the aforementioned self-assessment was done. Based on the criteria for determining independence established by CMVM Regulation 4/2013 and the CMVM Corporate Governance Code of 2013, according to the Company's self-assessment, four directors are considered independent out of a total of seven non-executive directors and sixteen executive and non-executive directors.

The Company believes that the proportion of independent non-executive directors (25%) is adequate considering the total number of directors.

19. Professional qualification and other relevant professional experience of each member of the Board of Directors, the General and Audit Board and the Executive Board of Directors, as applicable.

In the financial year ended 31 December 2013:

(a) Isabel Maria Pereira Aníbal Vaz

Isabel Maria Pereira Aníbal Vaz has been Chief Executive Officer and a member of the Board of Directors of the Company since its founding in 2000. She was also appointed as Chair of the Company's Board of Directors in 2012.

Mrs. Pereira Aníbal Vaz holds a licentiate's degree in chemical engineering from the Instituto Superior Técnico and has an MBA from the Universidade Nova de Lisboa.

Mrs. Pereira Aníbal Vaz was a researcher at the Instituto de Biologia Experimental e Tecnológica (1990 – 1991) and worked as project engineer for the Atral Cipan pharmaceutical group in 1992. From 1992 to 1999, she was a senior consultant for McKinsey & Company and, since 1999, she has been a member of the Board of Directors of Esumédica - Prestação de Cuidados Médicos, SA.

Currently she is also a member of the School Council of Nova School of Business and Economics, and a member of the Strategic Board of Catholic University of Portugal Faculty of Law.

During the last five years, Mrs. Pereira Aníbal Vaz has also served as director or chair of several of the Group's companies, including Hospital da Luz, SA and Hospital da Arrábida - Gaia, SA, and, since 2009, SGHL – Sociedade Gestora do Hospital de Loures, SA.

(b) Ivo Joaquim Antão

Ivo Joaquim Antão has been Chief Information and Technology Officer of the Company since 2000 and was first appointed to the Company's Board of Directors in 2005.

Mr. Antão holds a licentiate's degree in chemical engineering from the Instituto Superior Técnico and has an MBA with a specialisation in data management from the Catholic University of Portugal.

Mr. Antão worked as an information systems consultant for GSI/Cepro (1991-1994) and was a managing partner of Axónio (1994-1997). He was also a senior specialist consultant at SINFIC (1997-1999), consultant with the Associação Industrial Portuguesa (1999) and director of Esumédica – Prestação de Cuidados Médicos, SA (2000).

He has taught information technology courses at the Instituto Superior Técnico (Technical University of Lisbon) (CIIST), the Faculdade de Ciências e Tecnologia (Faculty of Science and Technology), the Military Academy, Instituto Politécnico Autónomo and Instituto Superior de Novas Profissões.

During the last five years, Mr. Antão has also served as a director in several of the Group's companies, including Hospital da Luz, SA and Hospital da Arrábida - Gaia, SA, and, since 2009, SGHL – Sociedade Gestora do Hospital de Loures, SA.

(c) João Paulo da Cunha Leite de Abreu Novais

João Paulo da Cunha Leite de Abreu Novais has been the Company's Chief Financial Officer since 2000 and was first appointed to the Company's Board of Directors in 2005. He is also a member of the Board of Directors of Genomed – Diagnósticos de Medicina Molecular, SA, and has carried out managerial duties in the Associação Portuguesa de Hospitalização Privada (Portuguese Association of Private Hospitalisation) since 2004.

Mr. Abreu Novais holds a licentiate's degree in business management from the Catholic University of Portugal.

He has worked as a researcher at Sociedade Independente Financeira de Corretagem, SA, (1989-1990) and at BFE Dealer – Sociedade Financeira de Corretagem, SA (1991-1993). He was a portfolio manager at BFE – Gestão de Património, SA (1993-1997) and a manager at BPI – Serviços Financeiros, SA (1997-1999) and worked in the corporate finance department of Banco Português de Investimento, SA (1999-2000). He also served as a director of Esumédica – Prestação de Cuidados Médicos, SA (2000).

During the last five years, Mr. Abreu Novais has served as a director in several of the Group's companies, including Hospital da Luz, SA and Hospital da Arrábida - Gaia, SA, and, since 2009 and SGHL – Sociedade Gestora do Hospital de Loures, SA, and as chair of the Board of Directors of the Instituto de Radiologia Dr. Idálio de Oliveira – Centro de Radiologia Médica, SA.

(d) Pedro Gonçalo Costa Pinheiro Líbano Monteiro

Pedro Gonçalo Costa Pinheiro Líbano Monteiro was first appointed to the Company's Board of Directors in 2005. He is currently a director at Hospital da Luz, SA, a position to which he was appointed in 2008.

Mr. Líbano Monteiro holds a licentiate's degree in Economics from the Catholic University of Portugal.

He has worked as a corporate finance officer at CISF, SA (1988-1990) and as assistant director of Sociedade Independente de Serviços Financeiros, Lda. (1991-1993), BFE – Serviços Financeiros, SA (1993-1997) and BPI – Serviços Financeiros, SA (1997-1998). He was also a manager at Banco Português de Investimento, SA (1999-2001). He taught the course on Operational Statistics and Research at the Catholic University of Portugal (1987-1988).

During the last five years, Mr. Líbano Monteiro has also served as a director of Hospital da Luz, SA and, since 2012, of Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA.

(e) Maria do Rosário Nunes Vicente Rebordão Sobral

Maria do Rosário Nunes Vicente Rebordão Sobral was first appointed to the Company's Board of Directors in 2005. She has also served as Chair of the Board of Directors of ADVITA – Associação para o Desenvolvimento de Novas Iniciativas para a Vida since 2003.

Ms. Vicente Rebordão Sobral holds a licentiate's degree in finance from the Instituto Superior de Ciências Económicas e Financeiras, and completed an integrated management course

at CIFAG - Centro de Informação, Formação e Aperfeiçoamento em Gestão, a postgraduate course in management at Universidade Nova de Lisboa and a postgraduate course in health economics at the Universidade de Coimbra Faculty of Economics. She taught courses on negotiation and competition at the Instituto Superior de Economia e Gestão (1990-1995).

Ms. Vicente Rebordão Sobral worked as a senior specialist in the Ministry of Industry in the area of international relations (1971-1974) and was a service director in the Ministry of Commerce in the areas of prices, commerce and competition (1974-1987). She has served as chair of the Comissão do Mercado de Cereais (Grain Market Commission) (1987-1989), deputy director of Modis, SA and director of institutional relations at Sonae Investimentos, SGPS, SA (1989-1992). She has also served as a member of the board of the Confederação do Comércio Português and chair of the Associação Nacional de Supermercados (1991-1993), director of EPAC - Empresa para Agroalimentação e Cereais, SA (1992-1997) and member of the board of directors of Infarmed, I.P. (2000). She was a member of the advisory board of the Directorate-General for Trade and Competition (1997-2000 and 2001-2006) and a member of the board of Associação Novo Futuro (1997-2012).

During the last five years, Ms. Vicente Rebordão Sobral also served as a director of Espírito Santo Saúde – Serviços, ACE since it was formed in 2011.

(f) António Davide de Lima Cardoso

António Davide de Lima Cardoso was elected to the Company's Board of Directors for the first time in 2008. He has been a director at Hospital da Arrábida – Gaia, SA since 2002 and at Hospor – Hospitais Portugueses, SA since 2006.

Mr. Lima Cardoso holds a licentiate's degree in economics from the Universidade do Porto and completed the hospital administration course at the Escola Nacional de Saúde Pública (National School of Public Health).

He served as a director at the Centro Hospitalar de Coimbra (1980-1983) and as a member of the board of directors and managing director of Hospital Distrital de Vila Real (1983-1996), Hospital Senhora da Oliveira (Guimarães) (1996-1998) and Hospital de São Sebastião (Santa Maria da Feira) (1998-2002).

During the last five years Mr. Lima Cardoso has been a director at Hospital da Arrábida – Gaia, SA and Hospor – Hospitais Portugueses, SA and, since 2009, at CRB – Clube Residencial da Boavista, SA.

(g) João Carlos Pellon Parreira Rodrigues Pena

Mr. Pena was elected to the Company's Board of Directors for the first time in 2012. Since 2010 he has also been chair of the Executive Committee and a member of the investment committee of the company Rio Forte, SA. Mr. Pena is also director or Chairman of the subsidiaries of Rio Forte, SA as described in point B.II.26 below.

Mr. Pena holds a degree in civil engineering from the Instituto Superior Técnico (Technical University of Lisbon), has an MBA from Universidade Nova de Lisboa in collaboration with the Wharton School (USA) and has completed a postgraduate course in Private Equity & Venture Capital at the Harvard Business School.

Between 1985 and 1990, he was a researcher at the National Civil Engineering Laboratory, he worked in project management at the Compagnie Générale des Eaux (currently Veolia) and started his own company.

Between 1990 and 1992, he worked for Mars Incorporated as its marketing director for Portugal. Then he embarked on an eighteen-year career as a strategic consultant at Roland Berger and A.T. Kearney. He was a senior partner at Roland Berger (2001), a managing partner at A. T. Kearney (Portugal) (2006) and chair of the board of directors and senior partner at A. T. Kearney (Spain) and A. T. Kearney (Portugal) (2009). He left A.T. Kearney to take up the position of chair of the executive committee of Rio Forte, at the beginning of 2010.

During the last five years, he has been a member of the board of directors at OPWAY – Engenharia SA, Comporta Dunes Hotéis e Golfe – Promoção e Desenvolvimento de Atividades Hoteleiras e Turísticas SA, Comporta Links Golfe – Promoção e Exploração de Atividades Turísticas SA, Comporta Links Hotéis – Promoção e Exploração de Atividades Hoteleiras, SA and Paraguay Agricultural Corporation SA, positions he no longer holds.

(h) Artur Aires Rodrigues de Morais Vaz

Artur Aires Rodrigues de Morais Vaz was elected to the Company's Board of Directors for the first time in 2005.

He holds a licentiate's degree in law from the Universidade de Coimbra and has completed a postgraduate course in hospital management at the Escola Nacional de Saúde Pública (National School of Public Health). He also completed a course in industrial engineering applied to hospitals at the Boston University and the University of Wisconsin.

He served as director of Hospital Psiquiátrico de Sobral Cid (1983-1984), was director of various departments of the Hospital da Universidade de Coimbra (1984-1986), a member of the installation and delegate committee of Hospital Distrital de Anadia (1985-1991), director and member of the board of directors of Hospital Geral do Centro Hospitalar de Coimbra (1989-1994). He also served as advisor to the chair of the board of directors and director of the office of research and projects of the Administração Regional de Saúde do Centro, I.P. (Central Regional Healthcare Administration) (1994-1995), director of the outpatient clinic, the continuing education centre and the research section of the Centro Oncológico de Coimbra (1995), director of Hospital Amadora/Sintra Sociedade Gestora, SA (1996-1998) and member of the board of directors of Hospital Amadora Sintra (1998-2003).

Between 2003 and 2006 he was a director of the Group, and was elected to the board of directors of the Company for the first time in 2005 (on which he served until 2008). In 2008 he was named chair of the board of directors of Hospital Amadora/Sintra, EP by the Minister of Health. In 2013, he was once again elected to the Company's board of directors.

Mr. Vaz has also taught subjects related to hospital management and healthcare services at various Portuguese universities, including the Universidade de Coimbra and the Universidade do Porto.

During the last five years (since 2011) he has also served as a director at SGHL - Sociedade Gestora do Hospital de Loures, SA.

(i) José Manuel Malheiro Holtreman Roquette

José Manuel Malheiro Holtreman Roquette was elected to the Company's Board of Directors for the first time in 2013. Since 2006 he has been the chair of the clinical advisory council of Espírito Santo Saúde – SGPS, SA, clinical director, coordinator of the Cardiovascular Centre and chair of the education and training and research committees at Hospital da Luz, SA.

He holds a licentiate's degree and a PhD in medicine from the Universidade de Lisboa Faculty of Medicine and a specialist degree in cardiothoracic surgery.

He completed his polyclinical medical internship in 1974 at the Hospitais Cívicos de Lisboa (currently known as Hospital de Santo António dos Capuchos, which is an integral part of the Centro Hospitalar de Lisboa Central E.P.E.) and the residency programme in cardiothoracic surgery at Hospital de Santa Marta in 1979. At that same hospital he worked as a cardiothoracic surgeon (1980-2006), director of the cardiothoracic surgery department (1996-2006) and chair of the education committee (2001-2005).

Mr. Holtreman Roquette served as chair of the Hospitais Cívicos de Lisboa Medical Society (2002-2004), secretary-general (1986-1992), vice-chair (1992-1996) and chair (2000-2004) of the Sociedade Portuguesa de Cirurgia Cardiorácica (Portuguese Society of Cardiothoracic Surgery) and chair of the Cardiothoracic Surgery Specialty College of the Ordem dos Médicos (Portuguese Medical Association) (1998-2001 and 2003-2006).

Mr. Holtreman Roquette is also chair of the Municipal Council of Fronteira (since 1993), director of the Sociedade Agrícola da Herdade das Antas (since 1978) and managing partner of the Sociedade Agrícola das Marrãs (since 1981), the Sociedade Terras de Alter – Companhia de Vinhos (since 1996) and the company Cardiocir, Cardíaca Unipessoal, Lda. (since 1982), positions he continues to hold.

(j) Tomás Leitão Branquinho da Fonseca

Tomás Leitão Branquinho da Fonseca has been the Company's Chief Operating Officer since 2000 and was elected to the Company's Board of Directors for the first time in 2005.

Mr. Branquinho da Fonseca holds a licentiate's degree in management from the Catholic University of Portugal and has an MBA in financial and business studies from the Andersen School of the University of California, Los Angeles.

Mr. Branquinho da Fonseca was deputy director of Banco Finantia, SA (1991-1995). He also worked in the area of business development at Perimeter Industries (USA) (from June to September 1996) and was a consultant for McKinsey & Company (1997-1999) and director of Esumédica – Prestação de Cuidados Médicos, SA (1999-2000).

During the last five years, he has served as a director in several of the Group's companies, including Hospital da Luz, SA and Hospital da Arrábida - Gaia, SA, and, since 2009, SGHL – Sociedade Gestora do Hospital de Loures, SA.

(k) Luís Espírito Santo Silva Ricciardi

Luís Espírito Santo Silva Ricciardi was elected to the Company's Board of Directors for the first time in 2000. Currently he is also a deputy clinical director of Hospital da Luz and coordinator of the Department of Orthopaedics and Traumatology at this hospital.

Mr. Espírito Santo Silva Ricciardi holds a licentiate's degree in medicine from the Universidade de Lisboa Faculty of Medicine and is a specialist in orthopaedics.

He completed his medical internship in 1974 at the Hospitais Civis de Lisboa (currently known as Hospital de Santo António dos Capuchos, which is an integral part of the Centro Hospitalar de Lisboa Central E.P.E.) and his residency in orthopaedics in 1979 at Hospital de São José. Dr. Ricciardi worked as an orthopaedic surgeon at Hospital de São José between 1979 and 2006 and since then at Hospital da Luz, SA.

Mr. Espírito Santo Silva Ricciardi is also a member of the board of directors of Esumédica - Prestação de Cuidados Médicos, SA and Advance Care, clinical director of Companhia de Seguros Tranquilidade, SA and managing partner of the company Luís Ricciardi – Serviços Médicos, Lda., positions he continues to hold.

(l) Pedro Guilherme Beauvillain de Brito e Cunha

Pedro Guilherme Beauvillain de Brito e Cunha was elected to the Company's Board of Directors for the first time in 2000.

Mr. Brito e Cunha has a higher national diploma in business studies from the College for Distributive Trades (London).

His professional experience includes a period where he worked at Lloyds (1979), as a broker at Sedgwick International (United Kingdom) and at Thilly & Rittweger (Brussels, Belgium), in the non-maritime group (1980) as the person in charge of SMEs. He was also a director of the Sedgwick James Europ Group (United Kingdom) and of Sedgwick Española de Resseguros and a founding member of the Sedgwick James Group in Portugal and of Angaras, Lda. (1981-1989).

He is currently also chair of the executive committee of Companhia de Seguros Tranquilidade, a post to which he was elected for the first time in 2001. He also serves as chair or as a member of the boards of directors of several companies, namely Espírito Santo Companhia de Seguros, SA, Advance – Gestão de Serviços de Saúde, SA, Espírito Santo Financial Group, SA, BES Seguros, BES Vida, Seguros Logo, SA, T-Vida – Companhia de Seguros, SA, Europ Assistance - Companhia Portuguesa de Seguros de Assistência, SA, Europ Assistance Brasil, Pastor Vida and Espírito Santo Investment Bank, among others.

During the last five years, Mr. Brito e Cunha has served as a director or chair of the several companies outside the Group, as well as at Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA.

(m) Gonçalo Nuno Guerreiro Cadete

Gonçalo Nuno Guerreiro Cadete was elected to the Company's Board of Directors for the first time in 2012. Since 2010, he has

also been the Chief Financial Officer, an executive director and a member of the investment committee at Rio Forte, SA.

Mr. Guerreiro Cadete holds a licentiate's degree in management from the Catholic University of Portugal and has an MBA from Stanford Graduate School of Business. He has also completed a postgraduate course at the School of Bank Marketing and Management (American Bankers Association) and a postgraduate course in corporate finance at the London Business School.

He worked as an asset manager at Banco Santander de Negócios (Portugal) (1995-1998), vice-chair of Banco ABN Amro, Business Development Private Clients & New Growth Markets (Netherlands) (2000-2003), project manager at Roland Berger Strategy Consultants (Portugal) (2003) and director of planning, control and business development at Espírito Santo Resources (2004-2010).

During the last five years, Mr. Guerreiro Cadete has served as a member of the board of directors of Ascendi Concessões e Transportes, SGPS, SA, ES Concessões, SGPS, SA, OPWAY – Engenharia, SA e Aleluia – Cerâmicas, SA, positions that he no longer holds.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Audit Board and the Executive Board, as applicable, with shareholders with qualifying holdings that are greater than 2% of the voting rights.

To the best of the Company's knowledge, based on the shareholder structure of the Company in 2013 and the changes in its shareholders that occurred in 2014, as mentioned in point A.1.1 of this report, the following relationships exist:

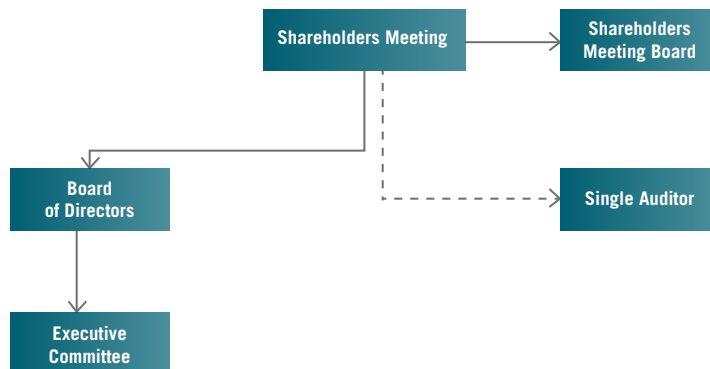
(i) João Carlos Pellon Parreira Rodrigues Pena (member of the Company's Board of Directors). He is a member of the Board of Directors of ESCHI and RF.

(ii) Gonçalo Nuno Guerreiro Cadete (member of the Company's Board of Directors until January 2014). He is a member of the Board of Directors of ESCHI and RF with executive duties.

(iii) Luís Espírito Santo Silva Ricciardi (member of the Company's Board of Directors). He is clinical director of Companhia de Seguros Tranquilidade, SA. He is the son of António Luís Roquette Ricciardi, a director at ESFG and one of the ultimate beneficial owners of ESS, as he is an indirect shareholder of Espírito Santo Control, SA, which in turn is an indirect shareholder of the Company.

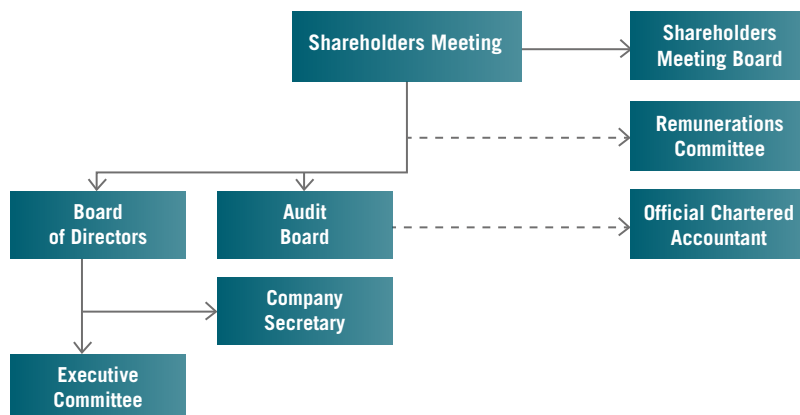
21. Organisational charts or functional charts showing the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegation of powers, particularly as regards the delegation of the company's day-to-day management.

The following organisational chart shows the division of powers among the various corporate bodies during the financial year ended 31 December 2013:



In 2014, in preparation for admission of its shares to trading on a regulated market, the Company made some changes to the

model of corporate governance, as mentioned in point B.II.15, which led to the following organisational chart:



Given that the Company is a holding company, its sole contractual object is to manage the shareholdings of its subsidiaries as an indirect way to conduct economic activities. In order to provide shared services to its subsidiaries (i.e. human resources, financial and marketing services, negotiations with payer entities and suppliers, maintenance, planning and control, development of new businesses, organisation and processes, IT systems, certification and accreditation, legal support and compliance support), Espírito Santo Saúde - Serviços, ACE. ("ESS - Serviços") was formed. ESS - Serviços is the result of grouping the companies in the group that operate healthcare units (with the exception of SGHL - Sociedade Gestora do Hospital de Loures, SA and HME - Gestão Hospitalar, SA). ESS - Serviços includes the following departments: Administration and Finance Department, Commercial and Operational Control Department Infrastructures and Maintenance Department, Information and Communication Technologies Infrastructures Department, Legal Department, Logistics Department, Marketing and Communication Department, Directorate of New Businesses Department, Organisation and e Processes Department, Planning and Management Control Department, Human Resources Department and International Patient Services.

ESS - Serviços is an integral part of the Group's Corporate Centre, which also encompasses the activities of the holding company (the Company).

General Meeting

The General Meeting is the corporate body made up of the Company's shareholders, which performed the duties incumbent on them pursuant to the CSC as at 31 December 2013, which remain unaltered today.

Board of Directors

According to the Company's articles of association, as at 31 December 2013 the Board of Directors was responsible for pursuing the general interests of the Company and ensuring the management of its business by coordinating, articulating and controlling the activity of companies directly or indirectly held by the Company and regulating their internal functioning. In performing its duties relative to pursuit of the general interests of the company, the Board of Directors had the power to:

- a) Approve the annual and multi-year strategic plans and budgets and any changes to them, and periodically monitor their execution;
- b) Prepare the financial statements and the proposal for allocation of profits to be presented to the General Meeting;
- c) Take the initiative regarding any changes to the articles of association and capital increases, as well as the issuance of

bonds that do not fall within the scope of its powers and present the corresponding proposals to the General Meeting;

d) Pass resolutions regarding the issuing of bonds when it falls within the scope of its powers;

e) Pass resolutions for Company to provide technical or financial assistance to its subsidiaries, namely in the form of providing staff, granting permissions, sureties, loans or capital advances.

The Board of Directors has been granted broad powers to ensure management of company business. These powers (which could be delegated to the Executive Committee within limits that may be set in the resolution delegating said powers) included:

a) Representing the Company in or out of court, actively and passively, initiating and contesting any court or arbitral proceedings, confessing, desisting or settling any legal proceedings and entering into arbitration agreements;

b) Acquiring, disposing of or encumbering any assets or rights, as well as obtaining loans and providing the necessary guarantees;

c) Appointing who will represent the Company in the general meetings of companies of which it is a shareholder, and determining how the vote will be cast at these meetings;

d) Appointing the individuals who will exercise any offices to which the Company may be elected, as well as designating the individuals that the Company should nominate for any positions in corporate bodies;

e) Giving binding instructions to the companies which are fully controlled by the Company;

f) Authorising proxies to perform certain acts or categories of acts and defining the extent of the respective proxies.

To regulate its internal functioning, the Board of Directors can also:

a) Co-opt directors to fill any vacancies that may occur, with the term of the new director terminating at the end of the term for which the replaced director had been elected;

b) Delegating the day-to-day management of the Company to an Executive Committee, namely, the powers listed in the points of the previous paragraph, along with any limits that may be established in the resolutions that formalises this delegation

c) Appoint a company secretary.

After the Company's shares were admitted to trading on the Euronext Lisbon market and the articles of association were amended in preparation for that admission, the Board of Directors came to have the powers described in the CSC.

Executive Committee

As at 31 December 2013, pursuant to the articles of association in force, the Board of Directors delegated the day-to-day management of the Company to an Executive Committee, namely, the powers listed in the previous section.

Delegation of powers to the Executive Committee does not exclude, however, the power of the Board of Directors to pass resolutions regarding matters that have been delegated. In addition, legally non-delegable matters could not be delegated to the Executive Committee, including co-optation of directors, requests to convene general meetings, approval of the annual report and financial statements to be submitted to the General Meeting, provision by the Company of bonds and personal or real guarantees, change of the registered office, capital increases authorised under the terms of the Company's articles of association and approval of mergers, spin-offs and transformations.

Currently, pursuant to Article 18 of the articles of association and Article 407 of the CSC, the Board of Directors retains the power to delegate the day-to-day management of the Company to an executive committee. Under these terms, by resolution of the Board of Directors on 23 January 2014, it was decided to delegate the day-to-day management of the Company to an executive committee as a way to ensure greater efficiency in conducting the current business. Thus, it was decided to delegate all the legally delegable powers of day-to-day management of the Company to the aforementioned Executive Committee to the greatest extent permitted by law, except for the powers to practice the acts referred to in Article 406 (a) through (d), (f), (l) and (m) of the CSC.

Audit Body (Single Auditor / Audit Board)

In the financial year ended 31 December 2013, a single auditor was responsible for supervision of the company, which, according to Article 22 of the Company's articles of association must be a statutory auditor or statutory audit firm. The single auditor must have an alternate which must also be a statutory auditor or statutory audit firm.

The single auditor was responsible for supervising the Company's business activity, ensuring compliance with the law and with the articles of association, drawing up a report of its ac-

tivities and issuing an opinion regarding the financial statements and the proposed allocation of profits presented by the Board of Directors to the General Meeting. To these duties were added the powers and duties attributed to the single auditor pursuant to the CSC.

In preparation for its shares being admitted to trading on the Euronext Lisbon market and pursuant to Article 413 (2) (a) of the CSC, the Company passed a resolution at the General Meeting held on 20 January 2014 to amend its articles of association, assigning supervision of the Company to a Audit Board composed of three members and an alternate member and a statutory auditor or statutory audit firm that is not a member of the Audit Board. The scope of the Audit Board's duties and powers is that set out in the CSC and, since the Company's shares have been admitted to trading on Euronext Lisbon market, the duties and powers also assigned to it pursuant to the VM Code as regards confirmation of the content of the report on the corporate governance structure and practices pursuant to Article 245-A of the VM Code.

Remuneration Committee

This committee is responsible for establishing the remuneration for members of the Company's corporate bodies. Although the Company's articles of association in force during the financial year ended 31 December 2013 already provided for this committee, it was only created in the 2014 financial year by resolution of the General Meeting held on 20 January 2014.

Acting within its powers, the Remuneration Committee will also play an active role in assessing the performance of the executive directors as it will be determining the variable remuneration of these directors.

b) Functioning

22. Operating rules of the Board of Directors, the General and Audit Board and the Executive Board, as applicable, and where they are available to the public.

As at 31 December 2013 the Company's Board of Directors did not have a set of formal operating rules.

However, as the Company's shares are currently admitted to trading on a regulated market, the Company plans to take the necessary steps during the 2104 financial year to approve a set of operating rules for the Board of Directors, which will also include operating rules for the Executive Committee.

23. Number of meetings held by the Board of Directors, the General and Audit Board and the Executive Board, as applicable, and the attendance of each member.

Eleven meetings of the Board of Directors and the Executive Committee were held in 2013. Of these eleven meetings, seven were meetings of the Executive Committee and four were meetings of the Board of Directors. At that time these meetings were not yet being recorded in separate books of minutes.

The table below shows the number of times each of the directors was present out of the total number of meetings:

Name	Attendance (meetings attended/ meetings held)
Board of Directors:	
Isabel Maria Pereira Aníbal Vaz	11 / 11
Ivo Joaquim Antão	11 / 11
João Paulo da Cunha Leite de Abreu Novais	11 / 11
Pedro Gonçalo Costa Pinheiro Libano Monteiro	11 / 11
Maria do Rosário Nunes Vicente Rebordão Sobral	11 / 11
António Davide de Lima Cardoso	7 / 11
João Carlos Pellon Parreira Rodrigues Pena	4 / 11*
Artur Aires Rodrigues de Morais Vaz	5 / 5
José Manuel Malheiro Holtreman Roquette	3 / 5
Tomás Leitão Branquinho da Fonseca	11 / 11
Luís Espírito Santo Silva Ricciardi	4 / 11*
Pedro Guilherme Beauvillain de Brito e Cunha	4 / 11*
Gonçalo Nuno Guerreiro Cadete	4 / 11*

We would like to point out that::

i. Directors Artur Aires Rodrigues de Morais Vaz and José Manuel Malheiro Holtreman Roquette were only elected on 17 July 2013. After that election, the Board of Directors met 5 times.

ii. (*)Directors João Carlos Pellon Parreira Rodrigues Pena, Luís Espírito Santo Silva Ricciardi, Pedro Guilherme Beauvillain de Brito e Cunha and Gonçalo Nuno Guerreiro Cadete were only present at 4 of the 11 meetings since only members of the Executive Committee were called to the other seven meetings. The Executive Committee meetings were not yet being recorded in the separate book of minutes, but rather were recorded in the Board of Directors book of minutes.

In the 2014 financial year a specific book of minutes for recording meetings of the Executive Committee was opened and, to date, all the directors have been present or duly represented at the Board of Directors meetings.

24. Details of the corporate bodies responsible for evaluating the performance of executive directors.

In 2013, the performance of executive directors was evaluated mainly by the non-executive members of the Board of Directors but also by the General Shareholders Meeting, as part of their duty and power to assess the Company's administration, which is to be done annually pursuant to the CSC.

In the 2014 financial year, the Remuneration Committee, within the scope of its duties and powers, will evaluate the performance of these members by determining the variable remuneration of the executive directors and by other means. The non-executive directors (four independent non-executive members out of a total of seven non-executive members) also have the ability to oversee, supervise and evaluate the activity of the executive members.

25. Predefined criteria for evaluating the performance of executive directors.

In the financial year ended 2013, there were no predefined criteria for evaluating the performance of executive directors. However, although there were no predefined criteria, evaluations were done at least once a year by the General Shareholders Meeting as part of their responsibility to evaluate the Company's directors, which is to be done annually pursuant to the CSC, taking into account the performance of the Company and its subsidiaries.

Currently the Remuneration Committee is preparing a "Remuneration Policy" for the Company's corporate bodies, which will be submitted to the Company's annual General Meeting for approval.

26. The availability of each member of the Board of Directors, the General and Audit Board and the Executive Board, as applicable, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these boards during the financial year.

In addition to the information given above in point B.II.17 (other relevant activities undertaken by members of the Board of

Directors), during the financial year ended 31 December 2013 the members of the Board of Directors held the following positions:

Isabel Maria Pereira Aníbal Vaz

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Esumédica – Prestação de Cuidados Médicos, SA (Director)

Genomed – Diagnósticos de Medicina Molecular, SA (Director)

A.2. Positions held in other entities in the Group

Hospital da Luz – Centro Clínico da Amadora, SA (Chair)

Hospital da Luz, SA (Chair)

Hospital da Arrábida – Gaia, SA (Chair)

Espírito Santo Saúde – Residência com Serviços Sénior, SA (Chair)

Surgicare – Unidades de Saúde, SA (Chair)

Clínica Parque dos Poetas, SA (Chair)

RML – Residência Medicalizada de Loures, SGPS, SA (Chair)

Vila Lusitano – Unidades de Saúde, SA (Chair)

Hospital Residencial do Mar, SA (Chair)

Hospor – Hospitais Portugueses, SA (Chair)

Casas da Cidade – Residências Sénior, SA (Chair)

SGHL – Sociedade Gestora do Hospital de Loures, SA (Chair)

CRB – Clube Residencial da Boavista, SA (Chair)

Espírito Santo Saúde – Serviços, ACE (Chair)

Cliria – Hospital Privado de Aveiro, SA (Chair)

Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Director)

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Not applicable

Luís Espírito Santo Silva Ricciardi

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Esumédica – Prestação de Serviços Médicos, SA (Director)

AdvanceCare – Gestão de Serviços de Saúde SA (Director)

Luís Ricciardi – Serviços Médicos, Lda. (Managing Partner)

A.2. Positions held in other entities in the Group

Has not held positions in any other entities in the Group for the last 5 years.

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Assistant clinical director of Hospital da Luz and coordinator of the Department of Orthopaedics and Traumatology at this hospital.

Clinical director of Companhia de Seguros Tranquilidade, SA

Ivo Joaquim Antão

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

HL – Sociedade Gestora do Edifício, SA (Director)

A.2. Positions held in other entities in the Group

Hospital da Luz – Centro Clínico da Amadora, SA (Director)

Hospital da Luz, SA (Director)

Hospital da Arrábida – Gaia, SA (Director)

Clínica Parque dos Poetas, SA (Director)

Hospor – Hospitais Portugueses, SA (Director)

Casas da Cidade – Residências Sénior, SA (Director)

SGHL – Sociedade Gestora do Hospital de Loures, SA (Director)

CRB – Clube Residencial da Boavista, SA (Director)

Espírito Santo Saúde – Serviços, ACE (Member)

Cliria – Hospital Privado de Aveiro, SA (Director)

Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Director)

B. Positions held during the last 5 years which are no longer held

Not applicable

C. Other relevant activities

Not applicable

João Paulo da Cunha Leite de Abreu Novais

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Genomed – Diagnósticos de Medicina Molecular, SA (Director)

A.2. Positions held in other entities in the Group

Hospital da Luz – Centro Clínico da Amadora, SA (Director)

Hospital da Luz, SA (Director)

Instituto de Radiologia Dr. Idálio de Oliveira – Centro de Radiologia Médica, SA (Chair)

Hospital da Arrábida – Gaia, SA (Director)

HME – Gestão Hospitalar, SA (Director)

Surgicare – Unidades de Saúde, SA (Director)

Clínica Parque dos Poetas, SA (Director)

Vila Lusitano – Unidades de Saúde, SA (Director)

Hospital Residencial do Mar, SA (Director)

Hospor – Hospitais Portugueses, SA (Director)

Casas da Cidade – Residências Sénior, SA (Director)

SGHL – Sociedade Gestora do Hospital de Loures, SA (Director)

CRB – Clube Residencial da Boavista, SA (Director)

Espírito Santo Saúde – Serviços, ACE (Member)

Cliria – Hospital Privado de Aveiro, SA (Director)

Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Director)

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Not applicable

Pedro Gonçalo Costa Pinheiro Líbano Monteiro

A. Positions held in other entities, within or outside the Group

A.1. . Positions held in other entities outside the Group

Does not hold positions in other entities outside the Group.

A.2. Positions held in other entities in the Group

Hospital da Luz, SA (Director)

Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Director)

B. Positions held during the last 5 years which are no longer held

Hospor – Hospitais Portugueses, SA (Director)

C. Other relevant activities

Not applicable

Maria do Rosário Nunes Vicente Rebordão Sobral

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Does not hold positions in other entities outside the Group.

A.2. Positions held in other entities in the Group

Espírito Santo Saúde – Serviços, ACE (Member)

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Chair of the Board of Directors of ADVITA – Associação para o Desenvolvimento de Novas Iniciativas para a Vida

António Davide de Lima Cardoso

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Does not hold positions in other entities outside the Group

A.2. Positions held in other entities in the Group

Hospital da Arrábida – Gaia, SA (Director)

Hospor – Hospitais Portugueses, SA (Director)

CRB – Clube Residencial da Boavista, SA (Director)

B. . Positions held during the last 5 years which are no longer held

Não aplicável.

C. Outras atividades relevantes

Not applicable

João Carlos Pellon Parreira Rodrigues Pena

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

In the Grand Duchy of Luxembourg:

Rio Forte Investments, SA (Director)

Euroamerican Finance, SA (Director)

Espírito Santo Health Care Investments, SA (director)

Portugal:

Rioforte (Portugal), SA (Director)
 Rioforte Investment Holding Mozambique, SGPS, SA (Director)
 Herdade de Comporta – Actividades Agro Silvícolas e Turísticas, SA (Director)
 Espírito Santo Viagens – Sociedade Gestora de Participações Sociais, SA (Chair)
 Espart – Espírito Santo Participações Financeiras (SGPS) SA (Chair)
 Gesfimo – Espírito Santo, Irmãos, Sociedade Gestora de Fundos de Investimentos Imobiliários SA (Chair)
 Espírito Santo Hotéis, SGPS, SA (Chair)
 Hotéis Tivoli, SA (Chair)
 OPWAY – SGPS, SA (Chair)

Brasil:

Rioforte Investment Holding Brasil SA (Director)
 Georadar Levantamentos Geofísicos SA (Director)

Ilhas Virgens Britânicas:

Ushuaia - Gestao e Trading International Limited (Director)

A.2. Positions held in other entities in the Group

Does not hold positions in other entities in the Group.

B. Positions held during the last 5 years which are no longer held

OPWAY – Engenharia SA (Director)
 Comporta Dunes Hotéis e Golfe – Promoção e Desenvolvimento de Actividades Hoteleiras e Turísticas SA (Director)
 Comporta Links Golfe – Promoção e Exploração de actividades Turísticas SA (Director)
 Comporta Links Hotéis – Promoção e Exploração de Actividades Hoteleiras, SA (Director)
 Paraguay Agricultural Corporation SA (Director)

C. Other relevant activities

Not applicable

Artur Aires Rodrigues de Morais Vaz*A. Positions held in other entities, within or outside the Group**A.1. Positions held in other entities outside the Group*

Does not hold positions in other entities outside the Group.

A.2. Positions held in other entities in the Group

SGHL – Sociedade Gestora do Hospital de Loures, SA (Director)

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Not applicable

José Manuel Malheiro Holtreman Roquette*A. Positions held in other entities, within or outside the Group**A.1. Positions held in other entities outside the Group*

Sociedade Agrícola da Herdade das Antas, SA (Director)
 Sociedade Agrícola das Marrãs, Lda. (Managing Partner)
 Terras de Alter, Companhia de Vinhos, Lda. (Managing Partner)
 Cardiocir – Cirurgia Cardíaca, Unipessoal, Lda. (Managing Partner)

A.2. Positions held in other entities in the Group

Does not hold positions in other entities in the Group.

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Chair of the Clinical Board of Governors of Espírito Santo Saúde - SGPS, SA,
 Clinical Director, Coordinator of the Cardiovascular Centre and chair of the education and training and research committees at Hospital da Luz, SA

Tomás Leitão Branquinho da Fonseca*A. Positions held in other entities, within or outside the Group**A.1. Positions held in other entities outside the Group*

DTC Imobiliária-Gestão de Imóveis Lda. (Manager)
 TTT – Participações e Investimentos Lda. (Manager)

A.2. Positions held in other entities in the Group

Hospital da Luz – Centro Clínico da Amadora, SA (Director)
 Hospital da Luz, SA (Director)
 Hospital da Arrábida – Gaia, SA (Director)
 Espírito Santo Saúde – Residência com Serviços Sénior, SA (Director)
 HME – Gestão Hospitalar, SA (Director)
 Surgicare – Unidades de Saúde, SA (Director)

Clínica Parque dos Poetas, SA (Director)
 RML – Residência Medicalizada de Loures, SGPS, SA (Director)
 Hospital Residencial do Mar, SA (Director)
 Hospor – Hospitais Portugueses, SA (Director)
 Casas da Cidade – Residências Sénior, SA (Director)
 SGHL – Sociedade Gestora do Hospital de Loures, SA (Director)
 CRB – Clube Residencial da Boavista, SA (Director)
 Espírito Santo Saúde – Serviços, ACE (Member)
 Cliria – Hospital Privado de Aveiro, SA (Director)
 Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Director)

B. Positions held during the last 5 years which are no longer held

Not applicable.

C. Other relevant activities

Not applicable

Pedro Guilherme Beauvillain de Brito e Cunha

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

Espírito Santo Financial Group, SA (Director)
 T-Vida – Companhia de Seguros, SA (Chair)
 Espírito Santo Contact Center, SA (Chair)
 Seguros LOGO, SA (Chair)
 Advancecare – Gestão de Serviços de Saúde, SA (Chair)
 BES Companhia de Seguros, SA (Director)
 Europ Assistance - Companhia Portuguesa de Seguros de Assistência, SA (Chair)
 Esumédica – Prestação de Cuidados Médicos, SA (Chair)
 BES-Vida (Director)
 Europ Assistance Brasil (Chair)
 Espírito Santo Investment Bank – Execution Noble Limited (Director)
 Companhia Seguros Tranquilidade, SA (Chair of the Executive Committee)
 Sopete Golf, SA (Director)

A.2. Positions held in other entities in the Group

Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (Chair)

B. Positions held during the last 5 years which are no longer held

Pastor Vida (Chair up until November 2012)

C. Other relevant activities

Not applicable

Gonçalo Cadete

A. Positions held in other entities, within or outside the Group

A.1. Positions held in other entities outside the Group

In the Grand Duchy of Luxembourg:

Rio Forte Investments, SA (Executive Director)
 Espírito Santo Health Care Investments, SA (Executive Director)
 Euroamerican Finance SA (Executive Director)
 Paraguai Agricultural Corporation, SA (Chair of the Board of Directors)

in Portugal:

Rioforte (Portugal), SA (Executive Director)
 Rioforte Mozambique SGPS, SA (Executive Director)
 Aroundimpact Lda. (Manager)
 Hotéis Tivoli, SA (Director)
 Espírito Santo Hotéis, SGPS, SA (Director)
 Espírito Santo Viagens, SGPS, SA (Director)
 Espírito Santo Property Portugal (SGPS) SA (Director)
 GESFIMO – Espírito Santo, Irmãos, Soc. Gestora de Fundos de Investimento Imobiliário, SA (Director)
 Herdade da Comporta, Actividades Agro Silvícolas e Turísticas, SA (Director)
 Opway SGPS, SA (Director)

in Brazil:

Rioforte Investment Holding Brasil, SA (Director)
 Cobrape, Companhia Brasileira de Agropecuária SA (Director)
 Georadar Levantamentos Geofísicos SA (Alternate Director)

Paraguai:

Sociedad Agrícola Golondrina, SA (Director)
 Ganadera Corina Campos y Haciendas SA (Director)

In Mozambique:

Mozambique Agricultural Corporation SA (Chair of the Board of Directors)

In the British Virgin Islands

Ushuaia – Gestão e Trading Corporation SA (Director)

A.2. . Positions held in other entities in the Group

Does not hold positions in other entities in the Group.

B. Positions held during the last 5 years which are no longer held

Ascendi Concessões e Transportes, SGPS, SA (Director)

ESConcessões, SGPS, SA (Director)
 OPWAY- Engenharia, SA (Director)
 Aleluia – Cerâmicas, SA (Director)

C. Other relevant activities

Not applicable

As can be seen in the table above, generally speaking (apart from rare exceptions) the executive directors of ESS only held positions on the boards of companies that are subsidiaries of ESS during the financial year ended 31 December 2013. This fact demonstrates their total availability and commitment to performing their duties and pursuing the interests of the Company and the Group. This fact is also demonstrated by the regular attendance of these members at meetings of the Company's Board of Directors. This has continued to be the case in the current financial year.

As for the non-executive directors of ESS, when they were appointed, they stated that they had the availability necessary to perform the duties required of them, which they have demonstrated through the work they have done for ESS (both during the 2013 financial year and to date in 2014).

c) Committees within the management or supervisory bodies and delegated directors

27. Details of any committees created within the Board of Directors, the General and Audit Board and the Executive Board, as applicable, and the place where the rules on how these committees function can be consulted.

In 2013 no committees were created within the Company's Board of Directors except for the Executive Committee.

The Company does not foresee a need to create any other committees.

The Board of Directors believes that the processes of evaluating performance and reflecting on the corporate governance system are and will be adequately addressed in the best interest of the Company by the non-executive members of the Company.

The Company also relies on the Remunerations Committee to play an active role in evaluating the performance of directors. The Company plans to take the necessary steps in the near future to approve operating rules for the Board of Directors. These should also include operating rules for the Executive Committee.

28. Composition of the Executive Board and/or details of the delegated director(s), if applicable.

During the financial year ended 31 December 2013 and to date in the current financial year, these delegates were the executive members of the Company's Board of Directors as indicated in point B.II.18 of this report.

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising these powers.

The powers of the Company's Executive Committee during the financial year ended 31 December 2013 and to date in the current financial year are described in point B.II.21 of this report.

In exercising these powers, the Executive Committee handled the day-to-day management of the Company by conducting its business, with the exception of the acts referred to in Article 406, paragraphs a) through d), f), l) and m) of the CSC.

III. SUPERVISION

(Supervisory Board, the Audit Committee or the General and Audit Board)

a) Composition during the year in question

30. Details of the supervisory body corresponding to the model adopted.

During the 2013 financial year, a single auditor was responsible for supervision of the Company. In order to prepare for the Company's shares being admitted to trading on the regulated market (which occurred in February 2014), the Company assigned responsibility for supervisory tasks to a supervisory board and a statutory audit firm.

For further developments, see points B.II.15 and B.II.21 of this report.

31. Composition of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable, with details of the statutory minimum and maximum number of members, duration of the term of office, number of actual members, date of first appointment and the end date of the term of office of each member. Reference can be made to the section of the report where this information is already included pursuant to section 17.

In the financial year ending on 31 December 2013, a single auditor was responsible for supervision of the Company, which, according to Article 22 of the Company's articles of association must be a statutory auditor or statutory audit firm. The single

auditor has an alternate, which must also be a statutory auditor or statutory audit firm.

On 31 2013, the Company's single auditor was:

Name	Role	Date of first appointment	Last term
Ernst & Young Audit & Associados – SROC, SA registered in the Ordem dos Revisores Oficiais de Contas [Portuguese Association of Statutory Auditors] under number 178 and registered with the CMVM [Portuguese Securities Market Commission] under number 9011, represented by Ricardo Filipe de Frias Pinheiro, member no. 739 of the Portuguese Association of Statutory Auditors 739	Single Auditor	01 October 2013	2012-2015
João Carlos Miguel Alves, member no. 896 of the Portuguese Association of Statutory Auditors	Alternate Single Auditor	01 October 2013	2012-2015

In preparation for admission of the company's shares to trading on the Euronext Lisbon stock exchange, there was a restructuring of the Company's governing bodies, particularly of the supervisory body. Pursuant to Article 413 (2) (a) of the Portuguese Company Law, the Company met in a General Meeting that took place on 20 January 2014 and passed a resolution to amend its articles of association whereby supervision of the Company would become the responsibility of a Audit Board composed of three regular members and one alternate member, and a statutory auditor or statutory audit firm that is not a member of the Audit Board.

Under Article 20 of the articles of association, the members of the board and its chair are elected by the General Meeting, with the independent statutory auditor or statutory audit firm being nominated for election by the Audit Board.

Pursuant to Article 414 (4) of the CSC, the Company's Audit Board must include at least one member who has a university degree suitable for performing the duties incumbent on him/her as well as knowledge of auditing or accounting and who is independent. Article 414(6) of the CSC states that the supervisory boards of companies that issue shares admitted to trading on regulated markets (which has been the Company's case since February 2014) must be composed of a majority of independent members.

In accordance with this rule, and under the terms of the resolution passed by the General Meeting of the Company on 20 January 2014, a statutory audit firm was chosen for the 2014 – 2017 term, and regular and alternate members of the Audit Board were elected.

32. Details of the members of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable, who are considered to be independent pursuant to Article 414 (5) of the CSC. Reference may be made to the section of the report where this information already appears pursuant to section 18.

A single auditor was responsible for supervision of the Company. Therefore, there is no information to disclose in this section relative to the financial year ended 31 December 2013.

Currently, however, all members of the Audit Board are independent under the terms of Article 414 (5) of the CSC; they comply with all the rules regarding incompatibility set forth in Article 414-A (1) of the CSC; and all meet the specialisation requirements listed in section 4 of that article.

The members of the Audit Board are also required to inform the Company immediately of any event that may occur during their term that could lead to incompatibility or loss of independence under the terms of the law.

33. Details of the professional qualifications of each member of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable, and any other relevant education or professional experience. Reference may be made to the section of the report where this information already appears pursuant to section 21.

A single auditor was responsible for supervision of the Company. Therefore, there is no information to disclose in this section relative to the financial year ended 31 December 2013.

b) Functioning

34. Existence of rules for the functioning of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable, and where they may be accessed. Reference may be made to the section of the report where this information already appears pursuant to section 22.

During the financial year ended 31 December 2013, a single auditor was responsible for supervision of the Company. Due to the nature and composition of the single auditor, there were no rules for functioning.

However, in preparation for admission of the Company's shares to trading on the Euronext Lisbon stock exchange, and in light of the changes that have occurred in the Company, the Audit Board was charged with the task of supervising the Company (see point B.II.31 for a more complete description). The Company understands that Audit Board intends to implement a set of rules for functioning during the 2014 financial year. Once these rules have been approved, they will be made available on the Company's website: www.essaude.pt.

35. Number of meetings held and the level of attendance of each member of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable. Reference may be made to the section of the report where this information already appears pursuant to section 23.

In the financial year ended 31 December 2013, a single auditor was responsible for supervision of the Company. Therefore, this point is not applicable.

36. The availability of each member of the Audit Board, the Audit Committee, the General and Audit Board or the Financial Matters Committee, as applicable, indicating the positions held simultaneously in other companies both inside and outside the Group, and other relevant activities undertaken by members of these boards during the financial year. Reference may be made to the section of the report where this information already appears pursuant to section 26 .

In the financial year ended 31 December 2013, a single auditor was responsible for supervision of the Company. Therefore this point is not applicable.

In the current financial year, with the change in the Company's supervisory body and subsequent appointment of the members of the Company's Audit Board, the members have declared that they have sufficient availability to perform their duties, which has been confirmed by the work they have performed for ESS (with respect to work done to date in 2014).

c) Powers and duties

37. Description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

In the financial year ended 31 December 2013, a single auditor was responsible for supervision of the Company. Therefore, this point is not applicable.

In 2014, the supervision of the Company became the responsibility of a Audit Board (and a statutory audit firm that is not a member of that board). Mindful of the powers of the Audit Board, namely in relation to verifying the independence of the statutory audit company and in relation to the provision of additional services, the Company will encourage Audit Board to take an active role in the hiring of any additional services from the external auditor, namely by means of prior approval of any hiring.

The main objectives of this intervention should be to ensure that hiring additional services does not affect the independence of the external auditor; that the financial consulting services provided are of the highest quality and are provided with autonomy and independence in relation to the services performed in the auditing process; and that the necessary condition to ensure independence and impartiality are met.

38. Other duties of the supervisory bodies and, if applicable, the Financial Matters Committee.

Please see the information in point B.II.21 of this report.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner who represents the statutory auditor.

Please see the information in point B.II.31 of this report.

40. Indicate the number of years the statutory auditor has been consecutively carrying out duties for the Company and/or Group.

Please see the information in point B.II.31 of this report. Ernst & Young Audit & Associados – SROC, SA has been carrying out duties for the Company/Group consecutively since October 2013 (less than one year).

41. Description of any other services provided to the Company by the statutory auditor.

Up until 01 October 2013, the Company's statutory auditor was KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, registered in the Ordem dos Revisores Oficiais de Contas [Portuguese Association of Statutory Auditors] under number 189 and registered with the CMVM [Portuguese Securities Market Commission] under number 9093, represented by Fernando Gustavo Duarte Antunes, member no. 1233 of the Portuguese Association of Statutory Auditors. During that period of the 2013 financial year, KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA provided the Company with tax consulting and other services, as described more fully under points B. V. 46 and B. V. 47.

As mentioned in points B. III. 31 and B. IV. 39 above, Ernst & Young Audit & Associados – SROC, S. A. assumed the role of statutory auditor as from 01 October 2013. This firm did not provide any other services to the Company in 2013 beyond auditing services.

V. EXTERNAL AUDITOR

42. Details of the external auditor appointed in accordance with Article 8 and the partner who represents the auditor in carrying out these duties, and their respective CMVM registration numbers.

Beginning on 1 October 2013, and to date in the 2014 financial year, the duties of external auditor have been carried out by Ernst & Young Audit & Associados – SROC, SA, a firm registered in the Portuguese Association of Statutory Auditors [Ordem dos Revisores Oficiais de Contas] under number 178 and registered with the CMVM under number 9011, represented by Ricardo Filipe de Frias Pinheiro, member no. 739 of the Portuguese Association of Statutory Auditors.

43. Indicate the number of years that the statutory auditor and the respective partner who represents the auditor have been consecutively carrying out duties for the Company and/or Group.

The auditor Ernst & Young Audit & Associados – SROC, SA and the respective partner who represents the auditor have been carrying out duties for the Company and/or Group since the last quarter of 2013.

44. Rotation policy and frequency of rotation of the external auditor and the respective partner who represents the auditor in carrying out these duties.

The external auditor, Ernst & Young Audit & Associados – SROC, SA, and the partner who represents the auditor were appointed in 2013 for the 2012-2015 term and again for the 2014-2017 term. Therefore, the Company complies with the recommendations currently in force.

45. Indicate the name of the corporate body responsible for assessing the external auditor and how often the assessment is done.

On 31 December 2013, according to the Company's corporate governance model, the General Meeting was responsible for election or removal of the statutory auditor/external auditor. Assessment of the statutory auditor/external auditor therefore fell within the scope of its powers and duties.

With the changes made to the supervisory body in 2014 in preparation for the Company's shares being admitted to trading on the regulated market, election or removal of the statutory auditor/external auditor is now subject to the passing of a resolution by the General Meeting based on a proposal by the Audit Board. The Audit Board is also responsible for monitoring the activities of the external auditor and the work done during each financial year, as well as for assessing its overall performance and independence. Thus, both the Company's General Meeting and the Audit Board are responsible for assessment of the external auditor.

46. Details of services, other than auditing, carried out by the external auditor for the Company and/or companies in a control relationship with it and a description of the internal procedures for approving the hiring of such services and a statement explaining the reasons for such hiring.

Up until 01 October 2013, the external auditor was KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA. This firm provided the Company and/or its subsidiaries with services beyond those of auditing. This work is described more fully in Point B.V.47 below.

Ernst & Young Audit & Associados – SROC, SA, the Company's external auditor as from 01 October 2013, has done no other work for the Company and/or its subsidiaries beyond audit services.

As the Company's shares had not yet been admitted to trading on a regulated market in 2013 and the Company did not have a supervisory board, there were no formal procedures in place for approving the hiring of services from the external auditor. However, the Company did its best to ensure that the aforementioned services were provided by different technicians from those involved in the auditing process in order to ensure the independence of the external auditor.

The Company hired the services because it believed they dealt with matters in which the Company's specific knowledge of auditing was limited, or they were complementary to auditing services, and were justified due to the associated advantage of cost control.

In 2014, the supervision of the Company became the responsibility of a Supervisory Board (and a statutory audit firm that is not a member of that board). Mindful of the powers of the Supervisory Board, namely in relation to verifying the independence of the statutory auditor and in relation to the provision of additional services beyond auditing, the Company will encourage Supervisory Board to take an active role in the hiring of any additional services from the external auditor, namely by means of prior approval of any hiring, as described more fully in Point B.III.37 above.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship with the auditor and other natural or legal persons pertaining to the same network, and the percentage breakdown for the following services (For the purposes of this information, the "network" concept is the one used in European Commission Recommendation No. C (2002) 1873 of 16 May):

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA	
By the Company*:	
Amount for statutory auditing services	EUR 0 / 0%
Amount for audit reliability services	EUR 0 / 0%
Amount for tax consulting services	EUR 12 500.00/ 55.6%
Amount for other non-statutory auditing services	EUR 10 000.00 / 44.4%
By entities comprising the Group*	
Amount for statutory auditing services	EUR 0 / 0%
Amount for audit reliability services	EUR 0 / 0%
Amount for tax consulting services	EUR 0 / 0%
Amount for other non-statutory auditing services	EUR 0 / 0%
Total	EUR 22 500.00 / 100%

* Including individual and consolidated accounts

Ernst & Young Audit & Associados – SROC, SA	
By the Company*:	
Amount for statutory auditing services	EUR 10 200.00/ 100%
Amount for audit reliability services	EUR 0 / 0%
Amount for tax consulting services	EUR 0 / 0%
Amount for other non-statutory auditing services	EUR 0 / 0%
By entities comprising the Group*	
Amount for statutory auditing services	EUR 227 800.00/ 100%
Amount for audit reliability services	EUR 0 / 0%
Amount for tax consulting services	EUR 0 / 0%
Amount for other non-statutory auditing services	EUR 0 / 0%
Total	EUR 238 000.00 / 100%

* Including individual and consolidated accounts

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to amending the company's articles of association (Art. 245-A (1) (h)).

In the financial year ended 31 December 2013, Article 15 of the articles of association stated that, in a first call for a General Meeting, the meeting could not be held unless shareholders representing at least fifty-one percent of the share capital were present or represented, regardless of the matters on the agenda. In a second call, the General Meeting was allowed to pass resolutions regardless of the number of shareholders present or represented and regardless of the amount of share capital represented. Amendments to the Company's articles of association are subject to these rules, which are stricter than the rules laid down in Article 383 of the CSC.

The CSC states that amendments to the articles of association require the approval of a qualified majority of two-thirds of the votes cast, unless this majority is statutorily higher..

In preparation for admission of its shares to trading on the regulated market, the Company's articles of association were amended, but the rule requiring shareholders representing at least fifty-one percent of the share capital to be present or represented was kept, regardless of the matters on the agenda. Currently, under the articles of association, resolutions in the General Meeting are approved by a simple majority of the votes cast, except in cases where the law or the articles of association require a qualified majority. Pursuant to Article 383 of the CSC and Article 15 (2) dos articles of association, to pass resolutions on amendments to the articles of association, mergers, spin-offs, transformations, dissolution of the Company or other matters for which the law requires a qualified majority, the resolution in question must be approved by two-thirds of the votes cast, regardless of whether the General Meeting is held on the first or second call.

II. REPORTING IRREGULARITIES

49. Policy and means of reporting irregularities that occur in the Company.

In the financial year ended 31 December 2013, the Company was not issuing securities admitted to trading on the regulated market and did not have a written policy or means of reporting irregularities that occur in the Company that had been subject to approval by the appropriate governing body.

However, some of the Company's executive directors are members of the boards of directors of ESS subsidiaries and attend their respective meetings. This way they are involved in matters of reporting irregularities that occur in the group's companies that may have an impact on the Company.

Following admission of its shares to trading on the regulated market, the Company plans to take the necessary steps this financial year to implement a policy for reporting any irregularities occurring in the Company that will meet the standards of best practice in corporate governance.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems.

In the financial year ended 31 December 2013, the members of the Executive Committee were responsible for the internal audit of control and risk management. Among the members of this committee, those who are also members of the Board of Directors of Espírito Santo Saúde - Serviços, ACE, have played an important role. This entity provides services to the companies in the group (shared services), including internal control services.

In 2014, the Executive Committee will continue to have these responsibilities as explained above. There are no plans to create any other committees for this purpose.

51. Explanation of the hierarchical and/or functional relationships to other boards or committees of the Company (an organisational chart may be used).

Please see the information in points B.II.15, B.II.18 e B.II.21 of this report (relationship between the Board of Directors and the Executive Committee).

52. Other functional areas responsible for risk control.

There are no other functional areas responsible for risk control beyond those mentioned in point C.III.50.

53. Details and description of the main types of risk (economic, financial and legal) to which the Company is exposed in the pursuit of its business activities.

Main risks and uncertainties for Espírito Santo Saúde

The Espírito Santo Saúde Group manages its risks by prioritising detection and coverage of risks that could have a materially significant impact on the group's revenue or equity, or which could lead to significant constraints on its ability to conduct business.

The main risks identified are operational and financial in nature. The group's policy includes taking any measures it deems necessary to cover or minimise these risks.

Operational/Economic risks

With respect to operational risks, it should be noted that:

All of Espírito Santo Saúde's revenue arises from operations located in Portugal; therefore, operating profits/ (losses) are affected by financial, economic and political developments in the country.

Adverse macroeconomic conditions in Portugal have exacerbated budgetary problems in the public sector, which has led to strong pressure to contain costs in the National Health Service (NHS). Although a substantial part of the Espírito Santo Saúde Group's activity is concentrated in the private healthcare segment, it is also exposed to the National Health Service, mainly through Hospital Beatriz Ângelo, which the Group operates in partnership with the Portuguese government.

At the same time, since an important part of the Espírito Santo Saúde Group's revenue is generated through the private healthcare plans of public service workers, a reduction in the costs borne by the government in these healthcare plans (which include those of public service employees and their dependents and retirees) could have an impact on the group's business activity. However, recent changes in the employee contribution schemes for these plans and decreases in the prices charged for care over the last few years have made them less dependent on government funding.

In addition to the direct impact that the economic slowdown has had on the State, it has also led to a sharp increase in unemployment, a decrease in public and private sector incomes and greater difficulty in obtaining credit, among other effects.

However, despite current macroeconomic trends and the adverse economic climate in Portugal, the Espírito Santo Saúde Group's units have shown great resilience. Moreover, throughout this period, real growth in the private health insurance market has continued.

Competition in the healthcare services market in Portugal

Competition between hospitals and other healthcare providers for patients and customers has intensified during the last few years as a result of a certain degree of consolidation in the sector. The Group also faces competition from other healthcare providers, such as public hospitals, independent clinics and ambulatory and diagnostic centres, and it could also face competition in the future from international healthcare corporations that may begin to offer healthcare services in Portugal.

Hospitals compete on factors such as reputation, clinical excellence, technology, customer satisfaction and price. The ability to recruit experienced doctors and other healthcare professionals, such as high quality nurses and technicians, is crucial for the Group to be able to attract and retain customers.

In a context of increasing levels of competition, in order to strengthen its leadership position in the market, the Group must continue to (1) recruit high quality, experienced doctors and other healthcare professionals; and (2) continually

improve its facilities with the most recent technological advances in diagnostic and surgical equipment.

On the other hand, transposition into Portuguese law of the European Directive on Trans-border Health Care may represent an opportunity for the Espírito Santo Saúde. The directive establishes rules of access and the right to reimbursement of healthcare costs incurred in other member states up to the limit that that the State of residence would have paid if the care had been given within their own borders. The group's units are in a position to offer high quality medical care at competitive prices, especially when compared to the top European healthcare providers..

Pressure on prices from health insurance companies and health plans

In order to mitigate the effect of pricing pressure from insurance companies and private employers, the Espírito Santo Saúde Group strives to keep abreast of the most recent technological and clinical advances in order to ensure that its clinical portfolio of services and products, equipment and technology is specialised and offers high added value. This positioning, coupled with the size of the Group and the wide geographical area it covers, are part of the value proposition it offers to its customer base. This has enabled the group to minimise the effect of the price cuts that have occurred in some of its business areas over the last few years.

Espírito Santo Saúde manages Hospital Beatriz Ângelo in partnership with the Portuguese government

Espírito Santo Saúde manages Hospital Beatriz Ângelo through its subsidiary the company Sociedade Gestora do Hospital de Loures, SA (SGHL) under a public-private partnership agreement (PPP) with the Portuguese government. HL – Sociedade Gestora do Edifício (HL-SGE), a company in which the Group holds a 10% share, is also part of the PPP agreement. HL-SGE was responsible for construction of the hospital and is currently responsible for managing maintenance of the Hospital Beatriz Ângelo building and facilities.

Under The terms of the PPP agreement, SGHL is obliged to provide healthcare for the NHS through Hospital Beatriz Ângelo for a period of 10 years counting from the date Hospital Beatriz Ângelo began operations (on 19 January 2012). The PPP agreement may also be renewed by mutual agreement for successive periods. These periods may not exceed 10 years. The total duration of the PPP agreement, including the initial period and any additional periods, may not exceed thirty years counting from the date the PPP agreement came into force (on 31 December 2009).

With respect to management of the hospital, the PPP agreement regulates relations between the State and SGHL, sets prices and payment terms, establishes quality indicators, communication and information obligations, levels of compliance (clinical and non-clinical), hospital operating rules (e.g. with respect to human resources) and other obligations and responsibilities of each party, as well as penalties for non-compliance with the contractual obligations.

In addition, the PPP agreement establishes that annual volumes of patient treatments at Hospital Beatriz Ângelo (with regard to medical consultations, emergency room visits, and inpatient and ambulatory surgical and non-surgical services) shall be agreed by means of annual negotiations between the Ministry of Health and the hospital board, based on historical information regarding the demand for public healthcare services by the population in the area served by the hospital. However, it should be noted that the aforementioned level of production is defined based on historical data related to the level of demand for public healthcare services on the part of the population living in the area the hospital serves.

The prices that the hospital charges to the NHS are contractually agreed and adjusted annually based on the inflation rate. The PPP agreement also provides that at the beginning of each month the State must pay 90% of one-twelfth of the annual contracted value of production (regardless of the real value of production), with a final adjustment of the amount (which may include the remaining 10% plus any additional production above the contracted amount, since there are areas in which surpassing the established production limit is allowed, such as emergency room visits and hospitalisation episodes) being liquidated during the following financial year.

Financial risks

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

Credit risk

Credit risk results from the possibility of financial losses occurring due to a customer's default on contractual obligations established with the Group in the course of its business activity. Customer portfolios and their open balances are managed on an ongoing basis.

This approach is complemented by the group's efforts to continually improve the methods and tools it uses for assessing and monitoring risk when vetting customers and setting credit

limits, as well as for the debt collection process.

The Group's credit risk is monitored regularly by the Operations and Financial Department, namely with respect to changes in credit exposure and default losses. Compliance with approved credit levels is also reviewed regularly.

The Group's exposure to credit risk essentially consists of balances due arising from its operating activities and is affected by the specific characteristics of each customer. Customer demographic and geographic characteristics have no significant impact on each customer's credit risk.

The Group has established a credit policy in which each new customer is vetted individually from a credit risk standpoint prior to being accepted as a customer. This process includes a review of outside information and, whenever possible, third party references about the entity.

Adjustments to outstanding receivables are estimated based on likely losses on the customer portfolio following a review of each outstanding balance.

Under the payment system in place at Hospital Beatriz Ângelo, at the beginning of each month the State pays 90% of one-twelfth of the annual contracted value of production (regardless of the real value of production), with a final adjustment of the amount (which may include the remaining 10% plus any additional production above the contracted value, as there are areas in which surpassing the set production limit is allowed, such as emergency room visits and hospitalisation episodes) being liquidated during the following financial year. To date, the government has complied with the terms of this contractual mechanism, namely with respect to settling the aforementioned monthly payments.

This means that nearly all of the amount reported under trade receivables at the consolidated level applies to the private healthcare segment (since, in the public healthcare segment, only balances owed relative to patient co-payments and non-NHS entities are reported in this category). On 31 December 2013, this balance represented approximately 64 days of revenue from sales and services in the private healthcare segment (to customers outside the Espírito Santo Saúde Group). This amount reflects the history of timely compliance on the part of the ADSE subsystem and the private subsystems with which the Group works.

On 31 December 2013, the breakdown of the consolidated trade receivables balance was as follows:

Unit: euros

	Amount
Private segment	50 449 147.96
Other segment and eliminations	406 466.90
Trade receivables	50 855 614.86

Unit: euros

Ageing of trade receivables in the private healthcare segment on 31 December 2013		Amount
0-3 months		39 371 081.95
3-6 months		4 684 293.32
6-12 months		3 179 132.72
12-18 months		1 167 153.44
18-24 months		687 915.68
> 24 months		8 447 229.08
		57 536 806.19
Accumulated impairment		(7 087 658.23)
Net trade receivables balance		50 449 147.96

The ageing of trade receivables in the private healthcare segment as at 31 December 2013, based on the date of the respective invoice, is detailed below:

More than 50% of the trade receivables balance is for outstanding balances aged less than 3 months. Provisions for the amount of trade receivables aged more than 24 months had already been made by 31 December 2013.

Liquidity risk

Liquidity risk arises from the potential inability to finance the group's assets or to satisfy contractual responsibilities on their due dates. Management of liquidity risk is centralised in the Financial Department. Management of liquidity risk aims at maintaining a satisfactory level of available resources to meet the group's short-term, medium-term and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that make it possible to identify occasional liquidity shortages and activate mechanisms to cover them.

As at 31 December 2013, the amount of committed lines of credit available for use (including commercial paper programmes) was approximately EUR 46 million. Commercial paper issues that do not include a guaranteed subscription clause are classified as current liabilities, even though it is expected that the banks involved in the organisation and underwriting of the securities will be able to obtain the necessary funds through their distribution channels.

The financial liabilities will absorb the following non-discounted cash flows, excluding interest, based on the remaining period of the contract on the balance sheet date:

Unit: euros

	Financial Leasings	Loans and Bank Overdrafts	Commercial Paper	Other Liabilities ¹	Total
< 1 year	11 091 102	22 266 812	43 787 765	78 200 106	155 345 786
1-2 year	8 180 960	2 601 063	33 501 654	399 061	44 682 739
2-3 year	4 709 372	3 259 728	12 700 000	299 296	20 968 396
3-4 year	3 079 146	1 021 431	16 700 000	-	20 800 577
4-5 year	2 511 990	185 095	19 500 000	-	22 197 085
> 5 year	8 891 266	2 500 000	47 899 758	-	59 291 024
	38 463 837	31 834 129	174 089 177	78 898 464	323 285 607

¹ Includes trade payables and other payables

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or stock market conditions, may affect the Group's results and financial position. As the Group is not exposed to currency or stock market risks, the Group's market risk management focuses mainly on monitoring changes in interest rates that affect interest-bearing liabilities based on floating interest rates.

No financial instruments are used to cover this market risk.

Risks related to the regulatory framework

Certain financing agreements the Company and its subsidiaries have entered into contain change of control provisions which will be activated if ESI ceases to have a direct or indirect controlling interest in the Company.

Certain financing agreements in which the Company and some of its subsidiaries are parties contain change of control provisions that require ESI to maintain a direct or indirect controlling interest in the Company. On 31 December 2013, the total amount owed under these agreements was EUR 172 million. Some of these change-of-control provisions may be activated if ESI's direct or indirect shareholdings fall below 51% of the Company's share capital and voting rights, or if ESI ceases to hold, directly or indirectly, a majority of the Company's share capital and voting rights. ESI currently has a controlling interest in RF, holding 100% of its share capital; RF, in turn, holds 55.0% of the share capital of ESHCI, which, in turn holds 51.00%. In the event that, in the future, ESI's direct or indirect controlling interest in the Company falls below the applicable limits, these change-of-control provisions may be activated. Cross default and cross acceleration provisions may also be triggered due to default on some or all of these agreements. In this case, the creditors will have the right, under the respective agreements, to demand early payment of the amounts owed by the Company and or by the Company's subsidiaries in question. Should this situation occur and the Company is unable to obtain financing for early payment of this debt, it could have a materially adverse effect on the Company's business activities, financial position, operating income or future prospects. Furthermore, the change of control provisions in these agreements may limit the Company's ability to raise capital in the future or arrange additional financing, which could limit the Company's operational flexibility and its prospects for future expansion.

54. Description of the procedure for identifying, assessing, monitoring, controlling and managing risks.

See point C.III. 50 above.

Following admission of its shares to trading on the regulated market, the Company intends to take the necessary steps during the current financial year to create and implement a process for identifying, assessing, monitoring, controlling and managing risks that will be in line with best corporate governance practices regarding this matter.

55. Key elements of the internal control and risk management systems implemented in the Company with respect to the procedure for reporting financial information (Article 245-A (1) (m)).

In the financial year ended 31 December 2013, as the Company's shares had not yet been admitted to trading on the regulated market, the Company's did not have a formal process for identifying, assessing, monitoring, controlling and managing risks, except as described above under point C.III. 50. Therefore, this point is not applicable.

Following admission of its shares to trading on the regulated market, the Company intends to take the necessary steps during the current financial year to create and implement a process for identifying, assessing, monitoring, controlling and managing risks that will enable it to identify and improve the processes for preparing and reporting financial information transparently and accurately.

IV. INVESTOR RELATIONS

56. Department responsible for investor relations, its composition and role, the information provided by the department and contact details.

Given that in the financial year ended 31 December 2013, the Company was not issuing securities admitted to trading on the regulated market, there was no department handling investor relations.

Currently the Company has an Investor Relations Office [Investor Relations Desk ("IRD")] responsible for assisting investors. This department was created prior to the Company's shares being admitted to trading on the regulated market and is dedicated to preparing, managing and coordinating all the Company's activities in order to achieve its objectives with respect to shareholders, investors and analysts. The Investor Assistance Office is charged with the task of ensuring adequate communication with the financial markets and with investors in order to facilitate the process of making investment decisions and sustained creation of value for the shareholder. The IRD is also responsible for responding in a timely fashion to requests for information and clarification of relevant facts about

the Company's business that have been disclosed under the terms of the law, as well as for communicating effectively with shareholders, investors, analysts and financial markets, particularly with Euronext Lisbon stock market and CMVM.

The Investor Assistance Office can be contacted via the following:

Jorge Santos

Telephone: +351 21 313 82 60

E-mail: investors@essaude.pt

Address: Espírito Santo Saúde - SGPS, SA

C/O: Gabinete de Apoio ao Investidor
Rua Carlos Alberto da Mota Pinto, n.º 17, 9.º andar (Edifício Amoreiras Square)
1070-313 Lisbon, Portugal
Telephone: +351 21 313 82 60 | Fax: +351 21 353 02 92

The Investor Assistance Desk is primarily responsible for:

- a) Acting as a Company liaison in communications with shareholders, capital market investors and financial analysts, ensuring equal treatment of shareholders
- b) Ensuring that the Company fulfils its obligations with respect to the CMVM and other entities
- c) Disclosing information provided by the group's companies, matters involving transmission of privileged information and other communications to the market, and publication of periodic financial statements
- d) Keeping the Executive Committee informed of feedback received from institutional investors
- e) Monitoring the results of research by analysts in order to correctly assess the Company's strategy and results
- f) Preparing and continually monitoring financial and operational benchmarking studies of the Company's competitors and peer group
- g) Attracting the interest of potential institutional investors, as well as a greater number of financial analysts
- h) Planning and preparing Investor Assistance Office activities, such as roadshows and visits to investors
- i) Ensuring that the Investor Relations page on the Company's website is kept up-to-date.

57. Market relations representative.

As the Company's was not issuing securities admitted to trading on the regulated market during the financial year ended 31 December 2013, it did not have a market liaison officer.

Currently the market liaison officer is João Novais (telephone: +351 21 313 82 60 and e-mail: investors@essaude.pt).

58. Information on the percentage of requests for information received during the year or pending from previous years that were answered and the turnaround time for replying.

As the Company's was not issuing securities admitted to trading on the regulated market during the financial year ended 31 December 2013, this point was not applicable.

During the current financial year, approximately 90% of the requests for information were answered within an average of one working day.

V. WEBSITE

59. Address(es).

The Company's website: www.essaude.pt.

60. Place where information about the firm, public company status, registered office and other details referred to in Article 171 of the Portuguese Company Law is available.

In 2013, information about the firm, its registered office and the other information referred to in Article 171 of the Portuguese Company Law was available on the Company's website at www.essaude.pt and at the Company's registered office. As to public company status, this item was not applicable at that time.

Currently the information mentioned in this point is available on the Company's website at www.essaude.pt and at the Company's registered office.

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available.

In 2013, the Company's articles of association were available at the Company's registered office. There were no regulations on the functioning of the boards and/or committees.

Currently the Company's articles of association are available on the Company's website at www.essaude.pt (link: <http://www.essaude.pt/en/o-grupo-espirito-santo-saude/governo-da-sociedade/estatutos-da-sociedade/>) and at the Company's registered office. At this time there are no regulations on the functioning of the boards and/or committees.

62. Place where information is available on the names of members of the company's boards, the market liaison officer, the investor assistance office or comparable structure, their respective roles and contact details.

In 2013, only the names of the members of the Company's boards were available on the Company's website at www.essaude.pt and at the Company's registered office (the other information was not required since, during that financial year, the company's shares had not been admitted to trading on the regulated market).

Currently the information mentioned in this point is available on the Company's website at www.essaude.pt. (link: <http://www.essaude.pt/en/o-grupo-espirito-santo-saude/governo-da-sociedade/>) and at the Company's registered office.

63. Place where financial accounts reporting documents are available, which should be accessible for at least five years, and the half-yearly calendar of Company events that is published at the beginning of each six-month period, including, among others, general meetings and disclosure of annual, half-yearly and where applicable, quarterly financial statements.

In 2013 these documents, if applicable, were available at the Company's registered office.

Currently these documents are available on the Company's website at www.essaude.pt (link: <http://www.essaude.pt/en/investidores/informacao-financieira>) and at the Company's registered office.

64. Place where notices calling a general meeting and all the preparatory and subsequent information related to the meeting are posted.

In 2013 these documents, where applicable, were available at the Company's registered office.

In the 2014 financial year, the information referred to in this point will be available on the Company's website at www.essaude.pt, (link: <http://www.essaude.pt/en/investidores/informacao-acionista/assembleias-gerais/>) and at the Company's registered office.

65. Place where the historical archive of resolutions passed at the company's general meetings, the share capital represented and results of voting during the preceding three years is available.

In 2013 these documents were available at the Company's registered office.

In the 2014 financial year, the information referred to in this point will be available on the Company's website at www.essaude.pt, (link: <http://www.essaude.pt/en/investidores/informacao-acionista/assembleias-gerais/>) and at the Company's registered office.

D. REMUNERATION

I. POWER TO ESTABLISH

66. Details of the powers for determining the remuneration of corporate boards, members of the Executive Committee or Chief Executive and Directors of the Company.

In 2013 The Company's Shareholders Meeting had the power to determine the remuneration of the corporate bodies and members of the executive committee. With respect to the power to establish the remuneration of directors who are not members of the Company's corporate bodies, this lies with the boards of administration of the companies in the Group, most of which are composed primarily of executive members of the Company's Board of Directors.

As described in more detail later in this report, in preparation for admission of the Company's shares to trading on the regulated market, power for determining remuneration of the corporate bodies (Board of Directors, Audit Board and members of the General Meeting Board) was assigned to a Remunerations Committee in the 2014 financial year, without prejudice to any other compensation that may be approved by the shareholders at the General Meeting.

II. REMUNERATIONS COMMITTEE

67. Composition of the Remunerations Committee, including details of individuals or legal persons hired to provide services to the committee, and a statement on the independence of each member and advisor.

In 2013, the Company did not have a Remunerations Committee.

However, in preparation for admission of its Shares to trading on the regulated market, on 20 January 2014, the Company's General Meeting passed a resolution to amend the articles of association, which now provide for (in Article 23) a Remunerations Committee composed of three members, to be elected by

the General Meeting for four year terms, to establish the remuneration of the corporate bodies. The General Meeting will appoint the respective chair from among them. In the case of members of the Board of Directors, a variable remuneration may be added to the fixed remuneration. The variable remuneration may correspond, all or in part, to a percentage of the Company's consolidated net profit. In the latter case, the overall percentage going to the directors may not exceed, in each financial year, 10% of the consolidated profit of that financial year. Resolutions of the Remunerations Committee will be passed by a simple majority of votes.

On that same day, a single list of members to elect to the Remunerations Committee was submitted to a vote (and unanimously approved).

The members of the Remunerations Committee are independent in relation to the board. The Remunerations Committee does not include any member of another corporate body for whom the respective remuneration will be established, and the three current members of the committee have no family relationship to the members of these corporate bodies, whether as spouses, relatives by blood, marriage or similar, up to and including third degree relatives.

In the work already undertaken by the Remunerations Committee, namely as regards defining the remuneration policy, the Committee has enlisted the help of an outside consultant, "Heidrick & Struggles". This entity has not provided services in the last three years to any structure that reports to the board, to the Company's board itself or to any structure that has a current relationship with the Company or with a consultant to the Company. Neither the outside consultant "Heidrick & Struggles" nor any of its employees who provide consultancy services to the ESS Remunerations Committee have a current relationship with the Company or with a consultant to the Company through an employment or service provider contract.

68. Knowledge and experience of the members of the Remunerations Committee in matters relating to remuneration policy.

In 2013, the Company had not yet formed a Remunerations Committee.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy for the board of directors and supervisory boards as set forth in Article 2 of Law No. 28/2009 of 19 June.

In 2013, the Company did not have a formal remuneration policy for the board of directors and supervisory board.

With admission of the Company's shares to trading on the regulated market, the Company adopted the following policies:

(a) Remuneration policy for the corporate governing bodies

At a meeting of the Company's Remunerations Committee that took place on 21 January 2014, the committee, assisted by the outside consultant "Heidrick & Struggles", determined what criteria would be taken into account when defining the "Remuneration Policy for the Company's Corporate Governing Bodies". At the meeting, the Remunerations Committee resolved that:

(i) The structure of the remuneration policy to be applied to the Company's governing bodies for the 2014-2017 term will observe the CMVM Corporate Governance Code.

(ii) The data collected from a study on PSI-20 companies done by "Heidrick & Struggles" would also be taken into account, which would enable the committee to arrive at a salary benchmark for members of the Board of Directors, both executive and non-executive, as well as for the Audit Board and the General Meeting Board.

(iii) Similar to what happens in comparable PSI-20 companies, only the executive members of the Board of Directors should benefit from variable remuneration, which should represent no more than 45% of the total annual remuneration.

(iv) The variable portion shall be limited to (a) 10% of the ESS Group's consolidated profits, as proposed in the Company's articles of association; (b) it shall include a deferred portion to be liquidated in cash and shares, and (c) it will only be paid if certain prior conditions based on financial and non-financial criteria are met. These criteria will be proposed by "Heidrick & Struggles" by way of a guide and will be based on a more thorough analysis of best remuneration practices in the market.

(v) Members of the General Meeting Board, the Audit Board and the Board of Directors who are considered independent shall benefit from a monthly remuneration paid twelve times a year, the amounts of which will be established based on salary benchmark referred to in the aforementioned study.

(vi) Non-executive, non-independent members of the Board of Directors will only be reimbursed for expenses incurred for travelling to meetings of the Board of Directors.

As soon as the analysis of market remuneration practices (referred to above) is completed, the Remunerations Committee will prepare a resolution on the “Remuneration Policy for the Company’s Corporate Governing Bodies” for the 2014 financial year, which will be submitted to the Company’s General Meeting for approval.

70. Information on how remuneration is structured so as to enable the interests of the board members to fit with the company’s long-term interests, how it is linked to the performance assessment and how it discourages excessive risk taking.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and supervisory board.

However, as mentioned above in point D.II.69, with admission of the Company’s shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company’s governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

71. Reference, if applicable, to the existence of a variable remuneration component and information on any impact that performance appraisal will have on this component.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and supervisory board.

However, as mentioned above in point D.III.69, with admission of the Company’s shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company’s governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

72. Deferred payment of the variable remuneration component and length of the deferral period.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and audit board.

However, as mentioned above in point D.III.69, with admission of the Company’s shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company’s governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

73. The criteria used for allocating variable remuneration in the form of shares, as well as the holding period for Company shares allocated to executive directors, possible contracts involving these shares, including hedging or risk transfer contracts, the corresponding limit, and its relationship to the total amount of annual remuneration.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and supervisory board.

However, as mentioned above in point D.III.69, with admission of the Company’s shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company’s governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

74. The criteria on which allocation of variable remuneration in the form of stock options is based, the deferral period and the price of exercising the options.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and supervisory board.

However, as mentioned above in point D.III.69, with admission of the Company’s shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company’s governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

75. The main parameters and rationale for any annual bonus scheme and any additional non-financial benefits.

In 2013, the Company did not have a formal policy for remuneration of the board of directors and audit board.

However, as mentioned above in point D.III.69, with admission of the Company's shares to trading on the regulated market, the Remunerations Committee approved certain remuneration policies, one of which establishes that the structure of the remuneration policy to be applied to the Company's governing bodies for the 2014 – 2017 term will follow the structure set forth in the CMVM Corporate Governance Code. As these policies have not yet been approved by the General Meeting, there is no information to report on this point yet.

76. The main characteristics of supplementary pension or early retirement schemes for directors and the date these schemes were approved at the general meeting, on a case-by-case basis.

As the Company has no supplementary pension or early retirement schemes for directors, this point is not applicable.

IV. REMUNERATION DISCLOSURE

77. Details on the annual amount of remuneration paid by the Company, overall and individually, to members of the Company's Board of Directors, including fixed and variable remuneration and as regards the latter, a description of the different components it comprises.

In 2013, all the remunerations paid to members of the Company's Board of Directors (including remunerations paid by the Company, by companies of the Group or by Espírito Santo Saúde - Serviços, ACE) are listed in the following table:

Nomes	Annual fixed remuneration	Variable remuneration	Insurance	Communications (mobile equipment and communications)	Total
	<i>(EUR thousand)</i>				
Isabel Maria Pereira Aníbal Vaz	265.3	60.6	1.2	✓	327.1
Ivo Joaquim Antão	187.6	81.2	0.8	✓	269.6
João Paulo da Cunha Leite de Abreu Novais	187.8	81.2	0.8	✓	269.8
Pedro Gonçalo Costa Pinheiro Líbano Monteiro	168.1	42.3	N/A	✓	210.4
Maria do Rosário Nunes Vicente Rebordão Sobral	50.1	18.9	0.2	✓	69.2
António Davide de Lima Cardoso	163.9	81.5	N/A	✓	245.4
João Carlos Pellon Parreira Rodrigues Pena	No remuneration	No remuneration	N/A	N/A	N/A
Artur Aires Rodrigues de Morais Vaz	157.9	72.6	N/A	✓	230.5
José Manuel Malheiro Holtreman Roquette	No remuneration	No remuneration	N/A	✓	N/A
Tomás Leitão Branquinho da Fonseca	187.9	81.2	0.8	✓	269.9
Luís Espírito Santo Ricciardi	No remuneration	No remuneration	N/A	✓	N/A
Gonçalo Nuno Guerreiro Cadete	No remuneration	No remuneration	N/A	N/A	N/A
Pedro Guilherme Beauvillain de Brito e Cunha	No remuneration	No remuneration	N/A	N/A	N/A
Total	1 368.6	519.5	3.8	N/A	1 891.9

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship or which are subject to a common control.

All of the amounts mentioned in Point D.IV.77 above were paid by companies in the Group or by Espírito Santo Saúde – Serviços, ACE, except for the variable part of the remuneration to directors Pedro Gonçalo Costa Pinheiro Libano Monteiro (EUR 15,100) and António Davide de Lima Cardoso (EUR 27,000), which was paid directly by the Company.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonuses or profit sharing were awarded.

No payments in the form of profit sharing and/or bonuses are planned beyond the variable component of the remuneration described in points D.IV.77 and D.IV.78.

80. Compensation paid or owed to former executive directors related to termination of their appointment during the financial year.

No compensation was paid or owed to former executive directors related to termination of their appointment during the 2013 financial year.

81. Details of the annual remuneration paid, overall and individually, to the members of the company's audit board under the terms of Law No. 28/2009 of 19 June.

In the financial year ended 31 December 2013, the amount paid as annual fixed remuneration to the single auditor was EUR 238,000.

82. Details of the remuneration in paid to the Chair of the General Meeting Board during the year in question..

In the financial year ended 31 December 2013, the Chair of the General Meeting Board received no remuneration.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual limitations established for compensation to be paid in the event a director is removed without just cause and its impact on the variable component of the remuneration.

To the best of the Company's knowledge, in the 2013 financial year there were no provisions for contractual limitations to compensation for removal of a director without just cause; therefore, in these situations, only the amounts provided for by law would be owed.

84. Reference to the existence and description, with details of the sums involved, of any agreements between the Company and members of the Board of Directors and managers, pursuant to Article 248-B (3) of the Securities Code, that provide for compensation in the event of resignation or unfair dismissal or termination of employment following a change in the control of the Company (Article 245-A (1) (I)).

To the best of the Company's knowledge, there are no agreements between the Company and members of the Board of Directors or managers (pursuant to Article 248-B (3) of the Securities Code) that provide for compensation in the event of resignation or unfair dismissal or termination of employment following a change in the control of the Company or following a takeover bid.

This continues to be true in the 2014 financial year.

VI. SHARE-ALLOCATION AND/OR STOCK OPTION PLANS

85. Details of the plan and its beneficiaries.

In the financial year ended 31 December 2013 no shares or stock options in the Company were held by members of the Company's Board of Directors and Audit Board.

86. Characteristics of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the price of exercising the stock options, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options).

Non applicable. See the description above in Point D.VI.85.

87. Stock option plans for Company employees and staff .

During 2013, the Company did not approve any stock option plans. This continues to be true to date in the 2014 financial year.

88. Control mechanisms planned for a possible employee-share ownership scheme inasmuch as the voting rights are not directly exercised by these employees (Article 245-A (1) (e))

There are no control mechanisms for employee share ownership in the Company.

E. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the Company to control related-party transactions (For this purpose, the concept of related parties is defined in IAS 24.).

According to the IFRS, the Company must disclose all transactions with related entities, as defined in IAS 24 ("Related Party Disclosures"), which may have an effect on the Company's business activities, financial position, operating income, profit or loss due to the existence of related parties and transactions and outstanding balances involving these entities. In addition, the Company and its subsidiaries are subject to the laws governing these transactions. During financial year of 2013, there were transactions made between members of the Group and related third parties. The Company believes that its transactions with related third parties were conducted under normal market conditions in all material aspects.

The Company endeavours to conduct transactions with related parties according to the principles of accuracy, transparency and strict observance of market competition rules. These transactions are subject to specific administrative procedures that arise from compulsory rules, namely transfer pricing rules.

In 2014, the Company plans to take the necessary steps to draw up a set of rules, to be approved by the Audit Board, to regulate Company transactions with holders of qualifying shares (pursuant to Articles 16 and 20 of the Securities Code) and their related parties (as defined in Article 20 (1) of the Securities Code) in order to comply with CMVM Recommendation V.2.

90. Details of transactions that were subject to control during the year in question.

See point E.I.89 above. In 2013, as the Company did not have a set of regulations in place for transactions between the Company and holders of qualifying shares and their related parties, or even a supervisory board, there are no situations to report under this point.

91. A description of the procedures and criteria applicable to the role of the supervisory body in the prior assessment of business deals to be carried out between the Company and the holders of qualifying shares or entities related to them in any way, pursuant to Article 20 of the Securities Code.

See point E.I.89 above. In 2013, as the Company did not have a set of regulations in place for transactions between the Company and shareholders of qualified shares and their related parties, or even a supervisory board, there are no situations to report under this point.

II. INFORMATION RELATED TO BUSINESS DEALINGS

92. Details of the place where the financial statements, including information on business dealings with related parties, in accordance with IAS 24, are available or, alternatively, where a copy of this information is available.

Information about business dealings with related parties, in accordance with IAS 24, is described in the note 30 in the annex to the consolidated financial statements in the 2013 Annual Report.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Information about the Corporate Governance Code implemented

The Corporate Governance Code to which the Company is subject to, or has voluntarily decided to abide by, should be identified pursuant to Article 2 of this Regulation.

In 2013, as the Company's shares had not yet been admitted to trading on a regulated market, the Company was not subject to any corporate governance code.

The Company's shares were admitted in 2014, and under the terms of the law and CMVM Regulation no. 4/2013, the Company is now required to prepare an annual report on its corporate governance structure and practices, which is to be released as a chapter of the annual report, or an annex to that report, within four months of the end of the Company's fiscal year.

Under these terms, in 2014, after a resolution was passed by the General Meeting on 20 January 2014 at the request of the Board of Directors, the Company adopted the CMVM Corporate Governance Code because it believes that this corporate governance code not only enables strict compliance with the applicable rules but is also in line with the CMVM's stated goal of standardising these reports in order to facilitate their analysis and consultation by the market, as it is the corporate governance code most commonly adopted by issuers of shares admitted to trading on regulated markets.

Since on 31 December 2013, the Company was not subject to the provisions of CMVM Regulation 4/2013 or the CMVM Corporate Governance Code, a significant number of the recommendations in this code had not yet been adopted by that date.

However, with the Company's shares being admitted to trading during the financial year beginning 1 January 2014, the Company has been implementing changes in its structure and governance policies in order to comply with the laws that apply to companies whose shares are admitted to trading on regulated markets as well as the CMVM guidelines on governance of these companies.

Therefore, the Company has completed the table of assessment of compliance with CMVM recommendations with reference to 31 December 2013 but has also included an assessment of compliance with the recommendations as at the present date to show the changes the Company has been implementing.

Several of the recommendations set forth in the CMVM Corporate Governance Code indicated as not being applicable nor

adopted by the Company in the table below, namely recommendations II.3.3, III.1, III.2, III.3, III.4, III.6 and III.7, will be implemented as soon as the relevant policies and rules have been approved internally, which is expected to happen in the near future.

Indicate where the relevant texts of the Corporate Governance Code to which the Company is subject are available to the public (Article 245-A/1/p).

The CMVM Corporate Governance Code adopted by the Company is available online at www.cmvm.pt.

2. Analysis of compliance with the Corporate Governance Code adopted

Pursuant to Article 245-A/o), a statement should be included relative to acceptance of the Corporate Governance Code to which the Company is subject; and any deviation from parts of that code must be specified, along with the reasons for the deviation.

The information to be submitted should include the following for each recommendation:

a) Information enabling verification of compliance with the recommendation or reference to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page)

b) Grounds for any non-compliance or partial compliance thereof

c) In the event of non-compliance or partial compliance, the details of any alternative mechanism adopted by the Company for the purpose of pursuing the same objective of the recommendation

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code	Compliance during the financial year beginning 1 January 2014	Section
I	Voting and Corporate Control			
I.1.	Companies shall encourage shareholders to attend and vote at general meetings and shall not require an excessively large number of shares for the entitlement of one vote and shall implement the means necessary for shareholders to exercise their voting rights by post and electronically.	<p>Adopted</p> <p>The Company's articles of association state that each 1,000 shares correspond to one vote.</p> <p>Given the concentration of ownership of the Company's share capital prior to its being admitted to trading on a regulated market, as described above, the Company believes that did not require an excessively large number of shares for the entitlement of one vote.</p> <p>Voting by post was allowed.</p>	<p>Adopted</p> <p>The Company's articles of association state that each 100 shares correspond to one vote, and that the General Meeting comprises all shareholders with voting rights.</p> <p>The ownership of 100 shares currently corresponds to less than a 0.001% stake in the Company's share capital (which will correspond to an even smaller share after the capital increase); therefore, the articles of association do not require an excessively large number of shares for the entitlement of one vote.</p> <p>Voting by post is allowed.</p>	B.I.12
I.2.	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including requiring a quorum for resolutions that is greater than that required by law.	<p>Adopted</p> <p>Nonetheless, the articles of association established a quorum greater than that required by law: the articles of association established that the General Meeting could not meet without at least fifty-one percent of the share capital being present or represented, regardless of what matters were on the agenda, while the law states that the Meeting may pass resolutions regardless of the number of shareholders present or represented, except for resolutions on certain matters, in which case the law requires a quorum of one-third of the share capital.</p>	<p>Adopted</p> <p>Nonetheless, the articles of association establish a quorum greater than that required by law: the articles of association establish that the General Meeting may not meet unless at least fifty-one percent of the share capital is present or represented, regardless of what matters are on the agenda, while the law states that the Meeting may pass resolutions regardless of the number of shareholders present or represented, except on certain matters, in which case the law requires a quorum of one-third of the share capital.</p>	B.I.14
I.3.	Companies shall not establish mechanisms which would cause a mismatch between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of the long-term interests of shareholders.	Adopted	Adopted	B.I.12

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code	Compliance during the financial year beginning 1 January 2014	Section
I.4.	If the company's articles of association provide for limits to the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, they shall also contain provisions for a resolution to be passed by the General Assembly, at least once every five years, on whether that statutory provision is to be amended or maintained – without requiring a larger quorum than that required by law – and that in said resolution, all votes cast shall be counted, without applying said restriction.	Adopted	Adopted	B.I.13
I.5.	Measures that require payment or assumption of costs by the Company in the event of a change of control or a change in the composition of the Board which appear likely to impair the free transfer of shares and free assessment of the performance of Board members by the shareholders, shall not be adopted.	Adopted	Adopted	A.I.4
II.				
II.1.				
II.1.1.	Within the limits established by Law, and unless the Company is of a reduced size, the Board of Directors shall delegate the day-to-day management of the Company, and the delegated duties should be detailed in the Annual Report on Corporate Governance	Adopted	Adopted	B.II.15 B.II.18 B.II.21
II.1.2.	The Board of Directors shall ensure that the Company acts in accordance with its goals, and should not delegate its duties as regards the following: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks or particular characteristics involved.	Adopted	Adopted. Although delegation is done "to the greatest extent permitted by law" the Company believes the Board of Directors should continue to be responsible for: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks or particular characteristics involved, since these strategic matters go beyond the Company's day-to-day management, power over which is delegated to the Executive Committee.	B.II.21

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code	Compliance during the financial year beginning 1 January 2014	Section
II.1.3.	The General and Audit Board, in addition to the supervisory duties with which it is charged, shall take full responsibility for the corporate governance of the Company, whereby through statutory provisions or equivalent means, it shall require this body to opine on the company's strategy and major policies, the corporate structure of the Group and any decisions that are considered strategic due to the amounts or risks involved. This body shall also assess compliance with the strategic plan and implementation of the Company's key policies.	Not applicable	Not applicable	Not applicable
II.1.4.	Unless the Company is of a reduced size and depending on the model adopted, the Board of Directors and the General and Audit Board shall set up the necessary Committees in order to: (a) Ensure that a competent and independent assessment of the performance of the executive directors and the overall performance of the General and Audit Board itself is carried out as well as that of the various committees; (b) Reflect on the structure of the system and the governance practices in place, verify their efficacy and propose any measures for improvement that need to be implemented to the appropriate governing bodies.	Not adopted	Not adopted The Board of Directors believes that the processes of evaluating performance and reflecting on the corporate governance system are and will be adequately addressed in the best interest of the Company by the non-executive members of the Company. The Company also relies on the Remunerations Committee to play an active role in evaluating the performance of directors.	B.II.27
II.1.5.	The Board of Directors or the General and Audit Board, depending on the applicable model, should establish goals in matters involving risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Not adopted	Not adopted The Company plans to take the necessary steps during the current fiscal year to create and implement a process for identifying, monitoring, controlling and managing risks, in keeping with best corporate governance practices in these matters. Therefore, measures to assess adoption of this recommendation are not yet in place.	C.III.54
II.1.6.	The board of directors shall include a sufficient number of non-executive members to ensure effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Not adopted	Adopted	B.II.18

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code)	Compliance during the financial year beginning 1 January 2014	Section
II.1.7.	Non-executive members shall include an appropriate number of independent members, taking into account the governance model adopted by the Company, the size of the Company, its shareholder structure and the relevant free float ¹ .	Not applicable	Adopted	B.II.18 B.II.24
II.1.8.	Whenever board members who carry out executive duties are asked by other board members to provide information, they shall provide the information requested in a timely and pertinent manner.	Adopted. The executive directors respond in a timely and pertinent manner to all requests for information from other members of the Company's governing bodies	Adopted. The executive directors respond in a timely and pertinent manner to all requests for information from other members of the Company's governing bodies.	
II.1.9.	The Chair of the Executive Board or of the Executive Committee, as applicable, shall send the notifications of calls for meetings and the minutes of meetings to the Chair of the Board of Directors, the Chair of the Audit Board, the Chair of the Audit Committee, the Chair of the General and Audit Board and the Chair of the Financial Matters Committee.	Not applicable. In 2013, the positions of chair of the Executive Committee and Chair of the Board of Directors were filled by the same person. The Company did not have a Audit Board.	Adopted. The Executive Committee provided information to the Chair of the Board of Directors and the Chair of the Audit Board in a timely and pertinent manner regarding the meetings that were held.	
II.1.10.	If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure that the work of the other non-executive members is coordinated and that mechanisms are in place to so that these members can make independent and informed decisions or establish another equivalent mechanism to ensure such coordination.	Not adopted	Not applicable	B.II.18
II.2.				
II.2.1.	Depending on the applicable model, the Chair of the Audit Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and shall have the necessary qualifications to carry out his/her respective duties.	Not applicable	Adopted. The chair of the Audit Board is independent and fulfils the legal requirements as to qualifications.	B.III.32
II.2.2.	The supervisory body shall serve as liaison between the Company and the external auditor and be the first recipient of the auditor's reports. It shall be responsible, inter alia, for proposing the respective remuneration for the auditor's services and ensuring that the proper conditions for the provision of these services are provided within the Company.	Not applicable	Adopted	B.III.37 B.V.45

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code)	Compliance during the financial year beginning 1 January 2014	Section
II.2.3.	The supervisory board shall evaluate the external auditor on an annual basis and propose its dismissal or termination of the service provider contract to the competent body when there is just cause for such dismissal.	Not applicable	Adopted	B.V.45
II.2.4.	The supervisory board shall assess the functioning of the internal control and risk management systems and propose any adjustments that are deemed necessary.	Not adopted	Not adopted. The Company intends to take the necessary steps during the current fiscal year to create and implement a process for identifying, monitoring, controlling and managing risks. Therefore, measures to assess adoption of this recommendation are not yet in place.	C.III.55
II.2.5.	The Audit Committee, the General and Audit Board and the Audit Board shall decide on the plans of work and resources to be allocated to internal auditing services and services dedicated to ensuring compliance with the regulations applicable to the Company (compliance services), and should be recipients of reports made by these services at least whenever they concern matters related to accountability, identification or resolution of conflicts of interest and detection of potential illegalities.	Not applicable	Not adopted. The Company intends to take the necessary steps during the current fiscal year to create and implement a process for identifying, monitoring, controlling and managing risks. Therefore, measures to assess adoption of this recommendation are not yet in place.	C.III.55
II.3.				
II.3.1.	All members of the Remunerations Committee or equivalent should be independent from the executive board members and should include at least one member with knowledge and experience in matters of remuneration policy.	Not applicable	Adopted	D.II.67
II.3.2.	Any natural or legal person that provides, or has provided services in the past three years, to any structure under the Board of Directors, the Board of Directors of the Company itself or who has a current relationship with the Company or a consultant of the Company, shall not be hired to assist the Remunerations Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related to the above by employment or a service provider contract.	Not applicable	Adopted	D.II.67

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code	Compliance during the financial year beginning 1 January 2014	Section
II.3.3.	<p>The statement regarding the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June shall include the following:</p> <p>(a) Details and explanation of the criteria used to determine the remuneration paid to members of the governing bodies;</p> <p>(b) Information regarding the potential maximum amount, in individual terms, and the potential maximum amount, in aggregate form, to be paid to members of corporate bodies, and identification of the circumstances in which these maximum amounts may be payable;</p> <p>(c) Information regarding the enforceability or unenforceability of payments for dismissal or termination of the duties of board members.</p>	Not applicable	<p>Not adopted.</p> <p>The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place.</p>	D.III.69
II.3.4.	<p>Any proposal relative to approval of plans for the allotment of shares and/or options for share purchase or on variations in share prices to members of the company's governing bodies shall be submitted to the General Meeting. The proposal must contain all the information needed in order to properly evaluate the proposed plan.</p>	Not applicable	Adopted	D.VI.85
II.3.5.	<p>Any proposal relative to approval of any retirement benefit schemes for members of the company's governing bodies shall be submitted to the General Meeting. The proposal must contain all the information needed in order to properly evaluate the proposed scheme.</p>	Not applicable	Not applicable	D.III.76
III.				
III.1.	<p>Remuneration of the executive members of the board shall be based on actual performance and shall discourage undue risk-taking.</p>	Not applicable	<p>Not adopted.</p> <p>The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.</p>	

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code)	Compliance during the financial year beginning 1 January 2014	Section
III.2.	Remuneration of non-executive board members and remuneration of members of the supervisory board shall not include any component whose value depends on the performance or value of the Company.	Adopted	Not adopted. The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.	D.IV.77 D.IV.81
III.3.	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration, and maximum limits should be set for all components.	Not adopted	Not adopted. The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.	
III.4.	A significant portion of the variable remuneration should be deferred for a period of not less than three years, and the right to receive this payment should depend on continued positive performance of the Company during that period.	Not adopted	Not adopted. The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.	
III.5.	Members of the Company's management body shall not enter into contracts with the Company or with third parties that are intended to mitigate the risk inherent in the variable remuneration set by the Company.	Adopted. To the Company's best knowledge, the members of its administrative body did not enter into any contracts, with either the Company itself or with third parties, that are intended to mitigate the risk inherent in the variability of their remuneration.	Adopted. In the current fiscal year, to the Company's best knowledge, the members of its administrative body have not entered into any contracts with either the Company itself or with third parties that are intended to mitigate the risk inherent in the variability of their remuneration.	
III.6.	Executive board members shall continue to hold the company's shares that were allotted to them by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold to pay any taxes resulting from gains on said shares, until the end of their term.	Not applicable	Not applicable The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.	

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code)	Compliance during the financial year beginning 1 January 2014	Section
III.7.	When the variable remuneration includes stock option plans, the beginning of the period in which the options may be exercised shall be deferred for a period of not less than three years.	Not applicable	Not applicable. The remuneration policy drawn up by the Remuneration Committee has not yet been approved by the General Meeting. Therefore, measures to assess adoption of this recommendation are not yet in place. However, to the Company's best knowledge, the proposed remuneration policy to be presented to the General Meeting adopts this recommendation.	
III.8.	When the removal of a board member is not due to a serious breach of duties nor to unfitness for the normal performance of their duties, but is nevertheless due to inadequate performance, the Company shall be equipped with the appropriate and necessary legal mechanisms so that no compensation beyond what is legally due will be required.	Adopted	Adopted	D.V.83
IV.				
IV.1.	The external auditor shall, within the scope of its powers, verify implementation of the policies and systems that relate to remuneration of the corporate bodies well as their efficacy and whether the internal control mechanisms are working. Any shortcomings should be reported to the company's supervisory body.	Not applicable	Not adopted. The powers of the external auditor are limited to the legal powers established in Article 420 of the CSC by virtue of Article 446(3) of the CSC.	
IV.2.	The Company and any entities with which it maintains a controlling relationship shall not hire the external auditor or any entity belonging to a group to which they also belong or which are part of the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – the value of these services must not exceed more than 30% of the total value of services rendered to the Company.	Not applicable	Adopted. Now that the Company has a Supervisory Board, since the beginning of the 2014 financial year the Company has taken steps to comply with this recommendation.	B.III.37 B.V.46

No.	Recommendation	Compliance as at 31 December 2013 (the Company was not yet subject to CMVM Regulation 4/2013 or the CMVM Corporate Governance Code)	Compliance during the financial year beginning 1 January 2014	Section
IV.3.	Companies should change auditors after two or three terms, depending on whether the terms are for four or three years, respectively. Continuing with the same auditor beyond this period must be justified in a specific opinion issued by the supervisory body in which factors such as auditor independence and the advantages and cost of replacement are weighed.	Adopted	Adopted	B.IV.40
V.				
V.1.	Any Company business with holders of qualifying shares or with entities with which they are in any of the relationships described in Article 20 of the Portuguese Securities Code, shall be conducted under normal market conditions.	Adopted	Adopted	E.I.89
V.2.	The supervisory or oversight board shall establish the procedures and criteria needed in order to define the relevant level of significance of business conducted with holders of qualifying shares – or with entities with which they are in any of the relationships described in Article 20(1) of the Portuguese Securities Code. Thus any business dealings of significant relevance are subject to a prior opinion from that body.	Adopted	Adopted	E.I.91
VI.				
VI.1.	Companies shall provide access to information on their progress and current economic and financial position as well as their corporate governance, via their websites, in both Portuguese and English.	Not adopted	Adopted	C.V.59 C.V.60 C.V.61 C.V.62 C.V.63 C.V.64 C.V.65
VI.2.	Companies shall have an investor support and market liaison office that responds to requests from investors in a timely fashion, and a record shall be kept of the requests submitted and how they were processed.	Not applicable	Adopted	C.IV.56

3. Additional information

The Company shall provide any additional data or information that is not included in the previous points but which may be relevant for understanding the corporate governance model and practices adopted.

There is no additional information to report.





06

CORPORATE SOCIAL
RESPONSIBILITY

06.1

Introduction

In October 2011 the European Union published its European Strategy for Corporate Social Responsibility (CSR) for the 2011-2014 triennium (<http://docs.apee.pt/docs/ce-estrategia-rs/ce-rs-estrategia.pdf>).

One of the changes introduced by this document was the recommendation that member states should better clarify what is expected from enterprises in terms of corporate social responsibility, evolving from a paradigm where companies voluntarily incorporate social and environmental concerns and interaction with stakeholders into their business activities to a new paradigm based on a more cohesive society and a more sustainable economic system. In this context, corporate social responsibility is defined as “the responsibility of enterprises to maximise their positive impacts and mitigate possible negative impacts on society”.

In this new paradigm it is essential to foster involvement with stakeholders (employees, customers, suppliers, shareholders and the community), build trust and create an environment leading to innovation and growth of the business. Addressing social responsibility means going beyond simple compliance with legislation and agreements. It means incorporating social, environmental, ethical, human rights and consumer rights into the operations and strategies of companies, striving to create shared value (for the company and society at large) and identifying, preventing and mitigating adverse impacts.

The European strategy identifies eight priorities for intervention in the area of corporate social responsibility: awareness-raising and promotion of best practices, support for multi-stakeholder initiatives, cooperation with member states, promotion of corporate social responsibility from an international perspective, consumer information, transparency, research, education and innovation (aspects that are being explicitly included within the scope of corporate social responsibility for the first time).

One of the indicators mentioned in the European strategy as a sign of progress in corporate social responsibility is the adoption by many companies of the ten principles established by the United Nations Global Compact. These principles fall into four key areas (human rights, labour practices, environmental protection and anti-corruption) and are consistent with areas recognised in the European strategy:

Human Rights

Principle 1 - Business should support and respect the protection of internationally proclaimed human rights; and Principle 2 - Make sure that they are not complicit in human right abuses.

Labor

Principle 3 - Business should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4 - The elimination of all forms of forced and compulsory labor; Principle 5 - The effective abolition of child labor; and Principle 6 - The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7 - Business should support a precautionary approach to environmental challenges; Principle 8 - Undertake initiatives to promote greater environmental responsibility; and Principle 9 - Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10 - Business should work against corruption in all its forms, including extortion and bribery.

Within the framework of adopting the principles outlined in the United Nations Global Report, indicators have been developed (quantitative and qualitative, environmental, social and economic) in an effort to ensure accurate reporting for the information market. The most well-known indicators are those established by the Global Reporting Initiative organisation (GRI indicators).

Espírito Santo Saúde's commitment to corporate social responsibility falls within the new concept of European corporate social responsibility referred to above, and the corporate social responsibility report is based on an analysis of the business through this lens and on data collected with GRI indicators according to the guidelines in version G3.1.

06.2

Espírito Santo Saúde's commitment to corporate social responsibility

Espírito Santo Saúde's commitment to corporate social responsibility is based on transparency of its business activities and on development of an ethical relationship of "positive capitalisation" with its stakeholders: employees, customers/patients and their families, suppliers, the community and shareholders. The Group takes a position of openness and interaction with the social and professional communities within and outside of the Group and with regard to protecting the environment.

06.2.1 Employees

Our employees are the organisation's most valuable asset. We strive to attract and retain the best professionals, provide a stimulating and innovative workplace and foster, at all levels of the organisation, efficient and effective communication, multi-disciplinary teamwork, transfer of good practices between units and a Group culture that promotes continuous improvement and delivery of excellent healthcare.

At the same time, employees are encouraged to develop formal or informal initiatives of a professional or personal nature that promote solidarity and mutual aid for those who are more vulnerable, whether they are fellow employees or patients in need, or their families. Among the initiatives undertaken by informal support networks are the Hospital da Luz's Social Support Office, which in 2013 provided assistance to 90 employees in highly difficult economical situations, amounting to 210 people if their family households are taken into account, and the Hospital de Santiago's Psychological Support Office, which in 2013 embraced its mission to "Treat our Own" by organising initiatives for employees and their families. A total of 1,210 people participated in these initiatives.

The magazines IESS [Informação da Espírito Santo Saúde], IESS PRO and IESS-HBA, which had a circulation of 400,000 in 2013, and the 6,000 copies of the Casos Clínicos books (Clinical Cases) that have been published, plus the Group and its units' websites, which have had almost 2 million views, and the annual Espírito Santo Saúde Conference all act as vehicles for disseminating projects, experiences, knowledge and good practices and they help encourage a common group spirit that brings employees closer together and fosters the Group's culture.

Training is an increasingly important strategic investment for Espírito Santo Saúde. In addition to the training done in each unit that is specific to the needs of its staff, a significant number of other training activities are open to Espírito Santo Saúde employees as well as professionals from outside the Group.

Articulation between Espírito Santo Saúde staff and the national and international community of healthcare professionals has also become more prominent and important. The Group recognises the value of encouraging cooperation, trust, sharing, transfer of knowledge and keeping abreast of scientific developments, and staff members are encouraged to attend and present their work at conferences and clinical sessions. All these actions have helped the Group develop a close relationship with more than 6,000 external healthcare professionals: 1,005 interns; 35 resident doctors at Hospital da Luz and for the first time in 2013 at Hospital Beatriz Ângelo; and 2,052 physicians and nurses participated in training sessions open to professionals from outside the Espírito Santo Saúde Group.

06.2.2 Customers/patients and their families

Our relationship with our patients and their families – one that is based on efficacy, integrity, trust and quality – is underscored by continuous efforts to systematically improve the care we provide:

- Promotion of regular initiatives designed to improve our customer care and the services we provide, with a particular emphasis on recognising teaching competence in order to support education and attract the best professionals.
- Efforts at Hospital da Luz and Hospital Beatriz Ângelo to obtain formal accreditation and certification for units and departments from recognised accreditation organisations. Among the accreditations obtained are of Hospital Beatriz Ângelo by the Joint Commission; recognition of the Hospital da Luz Palliative Care Unit for its clinical excellence by the European Oncology Society; accreditation of the Hospital da Luz Echocardiography Unit by the European Society of

Echocardiography; and accreditation of the Hospital da Luz Molecular Medicine Unit by the European Association of Nuclear Medicine.

The accreditation process generates evidence about compliance with internationally recognised quality parameters and enables inclusion in indexes and ratings based on performance indicators, making it possible to compare the Group's units with other national and international healthcare units.


Espírito Santo Saúde monitors customer/patient satisfaction through the use of surveys in the inpatient area and by analysing complaints and suggestions. In 2013 patient satisfaction among inpatients was quite positive, with scores ranging between 90.3% and 95.5%. This demonstrates a higher level of patient satisfaction than that reported by patients in American hospitals.

	Weighted Average Hospitals ES Saúde			USA Hospital's Average*	
	2010	2011	2012	2013	04.2012 a 03.2013
% of patients with high overall satisfaction in Hospitals	90.3%	93.6%	94.9%	95.5%	70%

* Hospital Consumer Assessment of Healthcare Providers and Systems (H-CAPS) model

Espírito Santo Saúde has joined the National Healthcare Quality Evaluation System [Sistema Nacional de Avaliação em Saúde project (SINAS)], a partnership between the International Joint Commission and the Portuguese Healthcare Regulatory Authority [Entidade Reguladora da Saúde (ERS)]. The purpose of SINAS is to develop a benchmark for Portuguese hospitals by evaluating various process and

outcome indicators. In 2013, Espírito Santo Saúde began monitoring performance using checklists drawn up by the ERS that evaluate activity and process indicators. These make it possible to assign ratings that allow for comparisons between participating hospitals at the national level. The ratings of Espírito Santo Saúde units are generally above the national average.

Area being evaluated	Hospital da Luz	Hospital Arrábida	Clipóvoa	Cliria	Hospital Santiago	Hospital Beatriz Ângelo	H. M. Évora	Nacional Average
Safety Rating	 0.968	 0.992	 0.992	 0.976	 0.974	 0.976	 0.907	 0.902

At the same time, Espírito Santo Saúde constantly strives to improve the process of collecting and standardising indicators regarding adverse events that may occur in the Group's units (infection rates, falls, prevalence and incidence of pressure ulcers, adverse event reporting rates and identification of adverse incidents through diagnostic coding). From a prevention standpoint, concerted efforts are made to develop a culture of

safety. To this end, we also assess implementation of clinical safety measures, such as compliance rates for performance and documentation in areas like obtaining informed consents, hand-washing, the use of surgical checklists, pressure ulcers risk assessment, fall risk assessment, nutritional risk assessment and suicide risk assessment..

06.2.3 Suppliers

Our relationship with our suppliers is based on transparency and information sharing. Suppliers are selected by means of an annual centralised tender process using an electronic platform, and review meetings are conducted quarterly. This way, supply can be better matched to demand and effective long-term partnerships can be built. This closer relationship

– which involved approximately 700 suppliers in 2013 – includes initiatives designed to satisfy common objectives, namely in the areas of training, disease prevention and health promotion, chronic diseases, dissemination of good clinical practices and support for the patients, their families and caregivers.

06.2.4 The Community

Espírito Santo Saúde's sponsorship of initiatives and projects in the community is based on the Group's interest in preventing disease and promoting health in the populations it serves, exchanging knowledge, and sharing experiences and contributing to a healthier society so that people can live better and longer, with more dignity and better care.

In 2013 Espírito Santo Saúde worked with different partners in the community – municipal governments, parish councils, schools, sporting clubs and other public, private and social organisations – which involved direct contact with 8,900 people – to promote activities that included, among others, health screening (7,053 people), sessions in schools for parents and teachers and courses and workshops on health-related topics such as chronic diseases (spinal disorders, cancer, head-

aches, obesity, diabetes and thyroid disorders), parental education, children's hygiene, massage for children, domestic violence and relations with family members of psychiatric patients.

In addition to the activities mentioned above, volunteer initiatives took place in some units (particularly in the Hospital da Luz Palliative Care Unit) that were aimed at giving effective support to nearby private charitable institutions with which the unit had developed special ties, such as the Carnide Parochial Centre's *Companheiro* programme and the association *Dar e Acordar* (with Hospital da Luz), *ADVITA* (support for caregivers) and the more than a half dozen private charitable organisations that held collection drives for their organisations in Espírito Santo Saúde units.



06.3

Environmental Sustainability

The environmental impact of hospitals is recognised in every part of the world. Espírito Santo Saúde has always pursued a strategy of sustainable environmental development and resource efficiency in order to minimize negative environmental impacts in matters relating to energy efficiency, energy and gas consumption (to reduce CO2 emissions), water consumption and waste production. The Group has been concerned about these issues right from the beginning – during the planning phases and construction work on the buildings and obtaining their respective energy certifications. Once the units began operating, assessment and monitoring practices were implemented and concerted efforts are being made to reduce consumption of gas, electricity and water, and to reduce waste. Awareness-raising sessions are also held to educate employees, a crucial step in ensuring successful implementation of the measures adopted.

The Energy Certification process began in 2008 when the Espírito Santo Saúde Project and Maintenance Manuals were drawn up. Currently all the buildings where Espírito Santo Saúde units operate are certified. In 2013, the largest of the Espírito Santo Saúde hospitals, Hospital Beatriz Ângelo – a 424-bed facility that is operated under a Public-Private Partnership agreement (PPP) – obtained ISO 14001 Environmental Certification.

As a result of the monitoring measures adopted and efforts to reduce waste and consumption, the Group has achieved very positive results in matters of environmental sustainability. Despite an average increase in operations in 2013 in Espírito Santo Saúde's units, they were able to achieve a 16% reduction in gas consumption and a 1% reduction in energy consumption, resulting in a significant decrease in CO2 emissions (-29%). Water consumption in the same period fell by 2.5%. With respect to waste, there was a 4.7% reduction in the production of non-hazardous waste and increase of 5.7% in the production of hazardous waste (primarily motivated by a significant increase in activity at Hospital Beatriz Ângelo).

The measures adopted to reduce energy and water consumption and fight waste included the following, among others:

- installation of pre-heating systems for hot water for human use, recourse to renewable energies with the use of solar panels and thermal panels that feed the hot water supply systems and chillers (air conditioning), recovery of hot water from the chillers and the use of centralised technical management systems suitable for the operating profile of each building;

- timers for lighting circuits, particularly in traffic areas and garages; replacement of incandescent, fluorescent and halogen light bulbs with more energy efficient ones or with LEDs in lighted areas;
- timers for the recirculation pumps in the hot water supply system and chiller circuits (HVAC); timers for functional components of the HVAC system (chillers and air treatment units), in the climate controlled area;
- installation of water flow reducers on taps, optimised scheduling of when hot water supply pumps and chillers (HVAC) are in operation and monitoring for leaks in the plumbing systems for regular consumption, firefighting and irrigation.

The waste generated in healthcare units can present safety risks for patients, employees and society as a whole. Management of hospital waste, which is a complex matter due to the different types of waste produced, as well as the sheer volume of waste involved, is done in all the Espírito Santo Saúde units with the help of a certified waste management organisation, in accordance with all the standards and guidelines that apply to the different types of waste produced. Compliance is ensured through continuous monitoring of compliance with the Group's a triage policy.







07

INDIVIDUAL
FINANCIAL
STATEMENTS

Statement of Financial Position as at 31 December

Unit: euros

Assets	Notes	31 December 2013	31 December 2012
Property, plant and equipment	11	780 939.68	485 013.29
Intangible assets	12	917 375.64	-
Financial investments	13	307 074 337.82	257 055 049.33
Deferred tax assets	10	3 514 776.70	3 702 511.91
Total non-current assets		312 287 429.84	261 242 574.53
Trade receivables	14	3 037 604.11	2 113 147.49
Other receivables	14	14 655 352.24	10 692 578.90
Income tax receivable		-	1 047 570.64
Cash and cash equivalents	15	47 569.66	2 754 700.96
Total current assets		17 740 526.01	16 607 997.99
Total assets		330 027 955.85	277 850 572.52
Shareholders' Equity			
Nominal capital		88 500 000.00	88 500 000.00
Share premiums		47 729 917.86	47 729 917.86
Non-distributable reserves		1 003 300.00	122 600.00
Distributable reserves		17 289 872.06	1 442 450.52
	16	154 523 089.92	137 794 968.38
Net income/ (loss) for the period		17 203 913.36	17 613 121.54
Total shareholders' equity		171 727 003.28	155 408 089.92
Liabilities			
Provisions	20	3 183 333.30	3 802 265.00
Trade payables	18	698 357.10	-
Bank loans and overdrafts	19	98 801 594.17	94 803 366.69
Total noncurrent liabilities		102 683 284.57	98 605 631.69
Trade payables	18	1 418 377.81	1 680 586.49
Other payables	18	7 685 426.49	9 083 351.08
Bank loans and overdrafts	19	43 896 824.18	12 477 552.84
Current income tax payable		2 617 039.52	595 360.50
Total current liabilities		55 617 668.00	23 836 850.91
Total liabilities		158 300 952.57	122 442 482.60
Total shareholders' equity and liabilities		330 027 955.85	277 850 572.52

The attached explanatory notes are an integral part of these financial statements.

Comprehensive income statement for the period ended 31 December

Unit: euros

	Notes	31 December 2013	31 December 2012
Income and earnings			
Revenue from sales and services	5	227 147.34	1 030 748.58
Other operating income and earnings	6	36 001.78	4 981 304.26
Other financial income and earnings	6	22 802 882.12	23 926 236.71
Total income and earnings		23 066 031.24	29 938 289.55
Expenses and losses			
Costs of materials and services	8	(873 436.86)	(6 634 506.97)
Personnel expenses	9	(512 257.55)	(172 340.54)
Depreciation and amortisation	11	(192 210.37)	(300 004.27)
Other operating expenses and losses	21	(1 225 816.31)	(1 065 571.44)
Increase/decrease in provisions	20	618 931.70	327 915.62
Increase/decrease in write-downs and impairment losses	14	(385 200.82)	(302 519.91)
Interest and other financial expenses and losses	7	(3 651 465.28)	(4 746 263.29)
Total expenses and losses		(6 221 455.49)	(12 893 290.80)
Pre-tax income/(loss)		16 844 575.75	17 044 998.75
Income tax	10	359 337.61	568 122.79
Net income/ (loss) for the period		17 203 913.36	17 613 121.54
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income/(loss)		17 203 913.36	17 613 121.54
Earnings per share	17	0.194	0.199

The attached explanatory notes are an integral part of these financial statements

Statement of changes in shareholders' equity for the period ended 31 December 2012 and 2013

Unit: euros

	Notes	Nominal capital	Share premiums	Non-distributable reserves	Distributable reserves	Net income/(loss) for the period	Total
Balance as at 1 January 2012		88 500 000.00	47 729 917.86	-	-	2 450 050.52	138 679 968.38
Increased reserves from retained earnings		-	-	122 600.00	1 442 450.52	(1 565 050.52)	-
Distribution of dividends		-	-	-	-	(885 000.00)	(885 000.00)
Total direct increase/decrease in equity		-	-	122 600.00	1 442 450.52	(2 450 050.52)	(885 000.00)
Net income for the period		-	-	-	-	17 613 121.54	17 613 121.54
Balance as at 31 December 2012	16	88 500 000.00	47 729 917.86	122 600.00	1 442 450.52	17 613 121.54	155 408 089.92
Balance as at 1 January 2013		88 500 000.00	47 729 917.86	122 600.00	1 442 450.52	17 613 121.54	155 408 089.92
Increased reserves from retained earnings		-	-	880 700.00	15 847 421.54	(16 728 121.54)	-
Distribution of dividends		-	-	-	-	(885 000.00)	(885 000.00)
Total direct increase/decrease in equity		-	-	880 700.00	15 847 421.54	(17 613 121.54)	(885 000.00)
Net income for the period		-	-	-	-	17 203 913.36	17 203 913.36
Balance as at 31 December 2013	16	88 500 000.00	47 729 917.86	1 003 300.00	17 289 872.06	17 203 913.36	171 727 003.28

The attached explanatory notes are an integral part of these financial statements.

Cash flow statement for the period ended 31 December

Unit: euros

	Notes	31 December 2013	31 December 2012
Operating activities			
Receipts from clients		5 319 187.50	7 221 046.91
Payments to suppliers		(7 600 595.18)	(6 029 313.10)
Payments to employees		(104 647.26)	(117 664.99)
Cash flow generated by operations		<u>(2 386 054.94)</u>	<u>1 074 068.82</u>
Income tax (payments)/proceeds		480 423.79	1 606 961.12
Other receipts/(payments)		(451 542.03)	(2 623 688.98)
Cash flow from operating activities		<u>(2 357 173.18)</u>	<u>57 340.96</u>
Investment activities			
Proceeds from:			
Property, plant and equipment		24.99	-
Financial investments		300 000.00	44 666 416.90
Interest and other similar income		470 658.24	9 402 994.92
Dividends		19 600 000.00	20 500 000.00
Loans granted		3 950 000.00	10 821 000.00
Payments related to:			
Property, plant and equipment		(201 339.95)	(149 097.10)
Intangible assets		(219 529.69)	-
Financial investments		(194 405.00)	(5 912 213.61)
Loans granted		(55 240 000.00)	(55 966 000.00)
Cash flow from investing activities		<u>(31 534 591.41)</u>	<u>23 363 101.11</u>
Financial activities			
Proceeds from:			
Borrowing		376 952 349.45	340 426 486.00
Other financial operations		6 000 000.00	18 050 000.00
Payments related to:			
Interest and other similar expenses		(2 800 185.47)	(4 377 593.35)
Borrowing		(342 100 230.69)	(357 244 095.23)
Shareholder loans		-	(1 496 111.45)
Distribution of dividends		(867 300.00)	(867 422.59)
Other financial operations		(6 000 000.00)	(18 050 000.00)
Cash flow from financing activities		<u>31 184 633.29</u>	<u>(23 558 736.62)</u>
Increase/(decrease) in cash and equivalents		(2 707 131.30)	(138 294.55)
Cash and equivalents at the beginning of the period		2 754 700.96	2 892 995.51
Cash and equivalents at the end of the period	15	47 569.66	2 754 700.96

The attached explanatory notes are an integral part of these financial statements.

Notes to the Financial Statements

(Amounts expressed in euros)

1

Reporting Entity

ESPÍRITO SANTO SAÚDE - SGPS, SA (ES SAÚDE) is a public limited company headquartered in Lisbon, Portugal. The company was formed on 6 July 2000 as a holding company under the terms of Decree-Law 495/88 of 30 December for the purpose of managing investments in the shares of other companies as an indirect way to carry out economic activities.

ES SAÚDE was set up to operate as a holding company for developing and participating in businesses in the area of healthcare.

ES SAÚDE's financial statements relative to the year ended 31 December 2013 were approved and authorised for publication by the Board of Directors on 21 April 2014.

The Health Sector in Portugal

In Portugal the healthcare sector revolves around the national health system (Sistema Nacional de Saúde), which was created in 1979 to provide universal healthcare to all citizens in all parts of the country, regardless of their social and economic status.

The healthcare regulatory environment in Portugal

The healthcare sector is one of the basic pillars of the State and it is a highly regulated sector. The healthcare delivery system in Portugal consists of a network of public and private healthcare service providers, with all healthcare delivery being coordinated by the Ministry of Health – the government department responsible for defining and implementing national health policy, ensuring sustainable use of resources and evaluation of outcomes as well as the funding of public healthcare.

Pursuant to Law 48/90 of 24 August (the Basic Law on Health) the Ministry of Health's primary function is to plan, regulate and manage the national health system (NHS), as well as to supervise and inspect private healthcare service providers, whether they are integrated into the NHS or not.

In 1993, a new NHS Statute was approved (Decree-Law 11/93 of 15 January) that identifies and clarifies the role of the NHS. The NHS provides mainly direct acute hospital care, general healthcare and maternity and paediatric services. Specialist and

dental consultations, diagnostic services, kidney dialysis, and physiotherapy treatments are more commonly provided in the private sector (although they are in large part publicly funded). Diagnostic services, kidney dialysis, and physiotherapy treatments are typically provided by private practitioners under agreements with the NHS. No healthcare services are explicitly excluded from NHS coverage except for dental services (which are neither provided nor funded by the NHS). Highly specialised medical treatment that cannot be provided in Portugal for lack of technical or human resources may be provided abroad under the NHS coverage in accordance with specific legislation. The amounts to be paid for healthcare provided under the NHS are established by the Ministry of Health, as set out in Ministerial Order 163/2013 of 24 April.

All hospitals belonging to the NHS are an integral part of the public sector, including hospital facilities operated under public-private partnership agreements (PPPs), as is the case of Hospital Beatriz Ângelo (HBA) in Loures. In addition to the NHS, there are several other healthcare subsystems. These subsystems allow individuals other options when choosing a healthcare provider. Under these subsystems, healthcare is provided either by professionals directly hired by these subsystems or through contracts with public and/or private healthcare providers.

Decree-Law 279/2009 of 6 October (Private Health Services Law) regulates the establishment and operation of private healthcare facilities in Portugal. A private healthcare facility is an establishment that provides healthcare but which is not part of the NHS. The functional requirements, namely with respect to the materials that can be used, minimum areas, etc., are defined in ministerial orders issued by the Ministry of Health.

The legal framework governing Public-Private-Partnerships (PPPs) in Portugal was initially set out in Decree-Law 185/2002 of 20 August and subsequently amended by Decree-Law 111/2012 of 23 May (PPP Law). The law establishes the general rules regarding the State's role in the design, the tender process, supervision and modification of PPPs. The PPP Law prevails over any other general or specific rules that may apply to certain public sectors (e.g. the health sector).

2

Basis of Presentation

These financial statements have been prepared under the going concern assumption and under the historical cost basis of accounting in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 31 December 2013. These standards include the IFRS issued by the International Accounting Standards Board (IASB) as well as the international accounting standards (IAS) issued by the International Accounting Standards Committee (IASC) and their respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). These standards and interpretations are collectively known as IFRS.

The financial statements are expressed in euros.

Up to 31 December 2005, inclusive, ES SAÚDE's financial statements were prepared according to the generally accepted accounting standards used in Portugal.

After EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002, was transposed into Portuguese law in the form of Decree-Law 35/2005 of 17 February, the group's financial statements could be prepared according to the International Financial Reporting Standards (IFRS)

starting in 2006. The Board of Directors decided that the Company's financial statements would be presented according to the IFRS as adopted by the European Union starting from 1 January 2006.

Preparing the financial statements according to the IFRS required the Company to make judgements and estimates and use assumptions that affect how accounting policies are applied and the amounts of income, costs, assets and liabilities reported. Any changes or differences in these assumptions with respect to the actual situation may have an impact on current estimates and judgments.

During the 2013 financial year, new accounting standards and interpretations were approved by the European Union and published in the Official Journal of the European Union (OJ). These standards apply to subsequent financial years, although early adoption is allowed. The standards and amendments adopted by the Company in drawing up its financial statements, as well as the standards not adopted early are summarised below.

2.1

New standards and interpretations applicable in force from 1 January 2013

Following endorsement by the European Union, the following new issues, revisions, amendments and improvements made to the standards and interpretations entered into force on 1 January 2013:

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for financial years starting on or after
June 2012	IAS 1 – Presentation of Financial Statements (amendments)	475/2012	1 July 2012
June 2012	IAS 19 – Employee Benefits (revision)	475/2012	1 January 2013
December 2012	IFRS 1 – First-Time Adoption of IFRS: Exemption for Severe Hyperinflation and Removal of Fixed Dates (amendments)	1255/2012	1 January 2013
December 2012	IFRS 13 – Fair value: Measurements and Disclosures (new)	1255/2012	1 January 2013
December 2012	IAS 12 – Income Taxes (amendments)	1255/2012	1 January 2013
December 2012	IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (new)	1255/2012	1 January 2013
December 2012	IFRS 7 – Disclosures: Offsetting Financial Assets and Liabilities (amendments)	1256/2012	1 January 2013
March 2013	IFRS 1 – First-Time Adoption of IFRS: Government Loans (amendments)	183/2013	1 January 2013
March 2013	IFRS 1 – First-Time Adoption of International Financial Reporting Standards (improvement)	301/2013	1 January 2013
March 2013	IAS 1 – Presentation of Financial Statements (improvement)	301/2013	1 January 2013
March 2013	IAS 16 – Property, Plant and Equipment (improvement)	301/2013	1 January 2013
March 2013	IFRS 32 – Financial Instruments: Presentation (improvement)	301/2013	1 January 2013
March 2013	IAS 34 – Interim Financial Reporting (improvement)	301/2013	1 January 2013

The Company believes that the new issues, revisions, amendments and improvements to the abovementioned standards do not have a significant impact on its financial statements.

2.2

New standards and interpretations issued but not yet in force

New standards and interpretations recently issued by IASB that will become mandatory for periods beginning on or after 1 January 2014 are the following:

(a) Endorsed by the EU but not yet adopted by the Company

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for financial years starting on or after (IASB)
December 2012	IFRS 32 – Financial Instruments: Offsetting Financial Assets and Liabilities (improvement)	1256/2012	1 January 2014
November 2013	IFRS 10, 12 and IAS 27 Investment Entities (amendments)	1174/2013	1 January 2014
November 2013	IAS 36 – Impairment of Assets (amendments)	1374/2013	1 January 2014
November 2013	IAS 39 – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (amendments)	1375/2013	1 January 2014

(b) Endorsed by the EU and early adopted by the Company

Issued	IASB Standard or IFRIC Interpretation	Regulation	Mandatory application for financial years starting on or after (IASB)
December 2012	IFRS 10 – Consolidated Financial Statements	1254/2012	1 January 2014
December 2012	IFRS 11 – Joint Arrangements	1254/2012	1 January 2014
December 2012	IFRS 12 – Disclosure of Interests in Other Entities	1254/2012	1 January 2014
December 2012	IAS 27 – Consolidated and Separate Financial Statements (revision)	1254/2012	1 January 2014
December 2012	IAS 28 – Investments in Associates and Joint Ventures (revision)	1254/2012	1 January 2014
April 2013	IFRS 10, 11 and 12 Transition Guidance (amendments)	313/2013	1 January 2014

IFRS 10 – “Consolidated Financial Statements”, which was issued in May 2012 and adopted by the EU in December 2012 through EU Regulation no. 1254/2012, establishes the principles for preparing and presenting consolidated financial statements when a company controls one or more entities. This accounting standard identifies control as being the key factor for determining whether an entity should be included in the consolidated financial statements of its parent company. IFRS 10 changes the consolidation requirements set out in SIC 12 Consolidation and in IAS 27 – “Consolidated and Separate Financial Statements.”

IFRS 11 – “Joint Arrangements”, issued and adopted on the same dates as IFRS 10, classifies joint arrangements as either Joint Operations or Joint Ventures (entities controlled jointly). This definition brings about a change in the consolidation

method used in jointly controlled entities, requiring the use of the equity method instead of the proportional method of consolidation. This accounting standard replaces IAS 31 – “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non Monetary Contributions by Venturers”.

IFRS 12 – “Disclosure of Interests in Other Entities”, issued and adopted on the same dates as IFRS 10 and 11, establishes the minimum requirements for disclosure of an entity's interests in subsidiaries, joint arrangements, associates and other unconsolidated entities. According to this standard, an entity must disclose enough information to enable the readers of its financial statements to evaluate the nature of and risks associated with its interests in other entities, as well as the financial impact of these interests on its financial position, performance and cash flows.

Early adoption of the three aforementioned IFRSs also implied adoption of the amendments to IAS 27 – “Consolidated and Separate Financial Statements” (transition guidance) and to

IAS 28 – “Investments in Associates and Joint Ventures”, issued in May 2011 by the IASB and adopted by the EU in December 2012 (Regulation 1254/2012).

(c) New standards, amendments and interpretations issued by IASB but not yet endorsed by the EU

Issued	IASB Standard or IFRIC Interpretation	Endorsed by the EU in	Regulation	Mandatory application for financial years starting on or after (IASB)
October 2010	IFRS 9 – Financial Instruments – Classification and Measurement	NA	NA	1 January 2015
May 2013	IFRIC 21 – Levies (new)	NA	NA	1 January 2014
November 2013	IAS 19 – Employee Benefits: Employee Contributions (amendments)	NA	NA	1 July 2014
December 2013	IFRS 2 – Share-based Payments (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 3 – Business Combinations (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 8 – Operating Segments (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 13 – Fair Value Measurement (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 16 – Property, Plant and Equipment (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 24 – Related Party Disclosures (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IAS 38 – Intangible Assets (improvements relative to the 2010-2012 cycle)	NA	NA	1 January 2014
December 2013	IFRS 1 – First-time Adoption of International Financial Reporting Standards (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IFRS 3 – Business Combinations (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IFRS 13 – Fair Value Measurement (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014
December 2013	IAS 40 – Investment Property (improvements relative to the 2011-2013 cycle)	NA	NA	1 January 2014

3.1

Principal accounting policies

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

(a) Property, plant and equipment

(i) Recognition and determination of value

The values of ES SAÚDE's property, plant and equipment are measured at cost less the respective accumulated depreciation and impairment losses. On the date of transition to IFRS, ES SAÚDE elected to consider the cost of its property, plant and equipment as the revalued amount determined according to the previous accounting policies, which was generally comparable to the depreciated cost measured according to the IFRS adjusted to reflect changes in the general price index. Acquisition/construction costs include the actual cost, the cost of transport and installation, financing costs and exchange rate differences in bank loans carried during the construction period and indirect costs attributable during the construction period.

Subsequent costs related to property, plant and equipment are only recognised if it is likely they will result in future economic benefits for the Group. All maintenance and repair expenses are recognised as costs incurred, in keeping with the principles of accrual accounting.

When there are indications that an asset may be impaired,

IAS 36 requires its recoverable value to be estimated and an impairment loss recognised whenever the carrying value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement. The recoverable value is the higher of an asset's fair value and its value in use, with the latter being based on the current value of the future estimated cash flow that can be expected from the asset's continued use and its disposal at the end of its useful lifespan.

Gains or losses arising from disposal of property, plant and equipment are defined as the difference between the selling price of the assets disposed of less costs of disposal and the asset's carrying value and are recorded on the income statement under "Other operating income and earnings" or "Other operating expenses and losses".

Assets under construction correspond to property, plant and equipment 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.

(ii) Depreciation

Land is not depreciated. Depreciation of the remaining property, plant and equipment is calculated according to the straight line method, on a 12-month basis, beginning with the month the assets become available for use. The following annual depreciation rates, which reflect the useful lives of the assets, are applied:

	Annual rate
Basic equipment	10 - 33.33%
Other tangible assets	10 - 20%

(b) Intangible assets

Intangible assets are recognised at the acquisition cost less accumulated amortisation and impairment losses, if any. Intangible assets are recognised only whenever it is likely that they will result in future economic benefits for ES SAÚDE and when these benefits can be measured reliably.

Intangible assets include goodwill and computer programmes.

Intangible assets with a definite useful life are amortised using the straight line method during their useful lives beginning in the month they become available for use. Intangible assets with indefinite useful lives are not amortised, but they are assessed for impairment on the reporting date and anytime there is an indication that they might be impaired (see Note 15).

(c) Financial investments in subsidiaries

Financial investments in subsidiaries are presented as their cost of acquisition, less any impairment losses when applicable.

(d) Write-off and impairment of non-financial assets, except goodwill

ES SAÚDE assesses its tangible and intangible assets for impairment whenever an event or change occurs that indicates that the carrying value of an asset may not be recoverable. If these circumstances occur, the Group undertakes to determine the recoverable value of the asset in order to determine the possible extent of the impairment loss. If 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 fair value and (ii) its value in use. Fair value is the amount obtainable from the sale of the asset in a transaction between independent and knowledgeable entities, less the costs directly attributable to its disposal. Value in use is the present value of the future estimated discounted cash flows expected to be derived from the asset during its useful life. The discount rate used to calculate discounted cash flows reflects the current time value of money and the specific risk of the asset.

(e) Financial assets and liabilities

Financial assets and liabilities are recognised in the consolidated financial position statement when ES SAÚDE becomes a party to the contractual provisions of the corresponding instrument. A financial asset is any asset that is cash or a cash equivalent, a contractual right to receive cash or an equity instrument of another entity. A financial liability is a liability that entails a contractual obligation to deliver cash or a cash equivalent to another entity.

ES SAÚDE's financial assets are presented in the financial position statement under "Trade receivables", "Other receivables" and "Cash and equivalents". ES SAÚDE's financial liabilities comprise "Trade payables", "Bank loans and overdrafts" and "Other payables".

Financial assets are initially recognised at their fair value plus the cost of the transaction, except for assets at fair value derived through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Whenever the carrying value of the asset or cash-generating unit is higher than the recoverable amount, an impairment loss is recognised. The impairment loss is recorded in the consolidated comprehensive income statement for the applicable financial year under "Other operating costs and losses".

When an impairment loss is subsequently reversed, the carrying value of the asset is updated to its estimated value and the reversal is recognised in the consolidated income statement as a deduction under "Other operating costs and losses". However, reversal of the impairment loss is limited to the carrying amount that would have been recognised (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Financial assets are derecognised when: (i) ES SAÚDE's contractual rights to receive future cash flows expire, (ii) ES SAÚDE has substantially transferred all the risks and benefits associated with their ownership, or (iii) ES SAÚDE has transferred control of the assets even though it has retained part but not substantially all of the risks and benefits associated with their ownership.

Financial liabilities are recognised: (i) initially at their fair value less the transaction costs incurred and (ii) subsequently at their amortised cost based on the effective interest rate method; or at fair value if ES SAÚDE decides, when the liability is initially recognised, to designate this financial liability at fair value through profit and loss under the fair value option.

(i) Trade and other receivables

Non-interest-bearing trade and other receivables classified as current assets are presented using the amortised cost method, which is equal to the nominal value less any related impairment losses, which are calculated based on two factors: the age of the receivable balance and the risk profile of the debtor. If the amount receivable is expected to be settled within one year or less, it is classified as a current asset. Otherwise, it is classified as a non-current asset.

Impairment losses are written down against income when there is objective evidence that ES SAÚDE will not receive the full

amounts due. If there is a subsequent decrease in the amount of the estimated loss, the write-down is reversed in a later period.

Trade and other receivables classified as non-current assets are recognised at their amortised cost, which is determined according to the effective interest rate method. When there is evidence they are impaired, the corresponding loss is recognised in the income statement.

(ii) Cash and equivalents

For the purposes of the cash flow statement, cash and equivalents comprise the amounts reported on the statement of financial position that mature within three months of the date of

their contract/acquisition, which includes cash and deposits on demand in credit institutions.

(iii) Bank loans

Loans are recognised under liabilities at cost or amortised cost. Amortised cost is calculated according to the effective interest rate method. They are expressed as current liabilities or non-current liabilities depending on their maturity dates. If payment is due within one year, they are considered current liabilities; otherwise they are considered non-current liabilities. Derecognition of these liabilities occurs when the contractual obligations cease to exist, namely at the time of settlement.

Financial costs are calculated on an accrual basis using the effective interest rate method and are recognised on an accrual basis in the income statement. Amounts due but unpaid as at the reporting date are reported under "Other payables".

(iv) Trade and other payables

"Trade payables" are liabilities related to goods or services acquired by the Group during the normal course of its business. If the payment falls due within one year, they are classified as current liabilities; otherwise, they are classified as non-current liabilities.

Trade and other payables that are considered current liabilities are recognised at their amortised cost, which is identical to their nominal value, i.e. at cost.

(f) Revenue recognition

(i) Provision of services

Revenue is recognised whenever it is likely that it will result in future economic benefits for the Company and when these benefits can be measured reliably.

The revenue associated with the transaction is recognised in relation to its stage of completion as of the reporting date.

(g) Accrual basis

ES SAÚDE recognises its revenue and costs on an accrual basis. Therefore, revenue and costs are recognised with they are generated regardless of when that are collected or paid. Differ-

ences between the amounts collected and paid and the corresponding costs and revenue are reported under “Other receivables” or “Other payables”, respectively.

(h) Financial gains and losses

Financial gains include interest and financial discounts obtained from third parties and are recognised in the year in which they occur. Dividend income is also recognised from the moment the company declaring distribution of dividends becomes obliged to distribute them.

Financial losses include interest paid and other banking costs and are also recognised in the year they occurred.

(i) Income taxes

Income taxes for the period are recognised according to IAS 12 – “Income Taxes”, including both current and deferred income taxes. Taxes on profits are recognised in the income statement, except when they are related to items directly recognised as equity, in which case they are also reported against equity.

Current taxes are those that are expected to be paid on taxable income calculated according to the tax laws and rates enacted or substantively enacted in each jurisdiction.

Deferred taxes are calculated using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements using the tax rates enacted or substantively enacted in each jurisdiction that are expected to apply when temporary differences are reversed.

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

ES SAÚDE falls under the special tax regime for groups of companies (RETGS), which covers all the companies in which ES SAÚDE directly or indirectly holds at least 90% of the share capital and which are required to report their taxable income for corporate income tax purposes in Portugal. The remaining companies in which the Company holds shares that are not included in the special tax regime that applies to the Group are taxed individually according to their respective taxable income and the applicable tax tables.

Current taxes are determined based on the accounting profit/loss adjusted for tax purposes in accordance with the tax law in force. Currently, companies resident in Portugal are subject to a corporate tax rate of 25%, plus a municipal surtax of up to 1.5% on taxable profits, and a State surtax of 3% on taxable profits between EUR 1.5 million and EUR 7.5 million (EUR 10 million in 2012) and 5% on taxable profits above EUR 7.5 million (EUR 10 million in 2012).

Payment of taxes on profits is based on self-assessment tax returns, which are subject to inspection and possible adjustments by the tax authorities during a period of the four years following the financial year to which they apply. Tax losses carried forward from a given financial year, which are also subject to inspection and adjustment for a period of ten years, may be deducted from taxable profits during the five years following the loss (six years until 2009 and four years between 2010 and 2011, inclusive).

In accordance with IAS 12, the Group offsets deferred tax assets and liabilities whenever: (i) the company in question has a legally enforceable right to offset current tax assets against current tax liabilities and 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 realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(j) Provisions for risks and charges, contingent assets and liabilities

Provisions are recognised when (i) ES 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.

If one of these requirements is not met, ES SAÚDE still discloses the obligation 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 updating being recorded as a financial cost under “Financial costs and losses” (see Note 8).

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date (see Note 17).

When losses in associated companies exceed the investment made in these entities, the investment’s carrying value is re-

duced to zero, and future losses are no longer recognised, except to the extent that ES SAÚDE has incurred a legal or constructive obligation to assume these losses on behalf of the associated company, in which case a provision is recorded for investments in associated companies.

A provision is accrued for litigation underway when a reliable estimate can be made of the costs that will be incurred due to lawsuits filed by third parties. The estimate is based on an assessment of the likelihood of having to pay based on the opinion of ES SAÚDE’s lawyers.

Contingent assets are not recognised in the consolidated financial statement, but they are disclosed when it is likely that they will generate future economic benefit.

(k) Segment reporting

According to IFRS 8, an operating segment is a component of the company: (i) that engages in business activities from which it may earn revenue and incur expenses; (ii) whose operating results are reviewed regularly by ES SAÚDE’s chief operating

decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and (iii) for which separate financial information is available.

(l) Earnings per share

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

To calculate diluted earnings per share, the weighted average of ordinary shares outstanding is adjusted to reflect all poten-

tially dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The effect of dilution translates into lower earnings per share, assuming that all convertible instruments are converted and all share options are exercised.

(m) Distribution of dividends

Dividends are recognised as a liability from the time their distribution is approved by the company’s General Meeting until they are paid.

(n) Cash flow statement

The Cash Flow Statement is prepared using the direct method in which cash receipts and payments relative to operating, investment and financing activities are reported.

(o) Subsequent events

Events that occur between the end of the reporting period and the date that the financial statements are approved by the Board of Directors and that may provide additional information about conditions that existed at the reporting date are reflected in the financial statements. Any events that occur after the

reporting date that are indicative of conditions that arose after the reporting date are disclosed in the annex to the financial statements if they are considered to be materially relevant.

3.2

Key estimates and assumptions used in preparing the financial statements

The IFRS establish a number of accounting treatments and require the Board of Directors to make the necessary assumptions and estimates to determine the most suitable accounting treatment to use. The key accounting estimates and judgments that ES SAÚDE uses in applying accounting principles are presented in this note to enable a better understanding of how their application affects ES SAÚDE's results and how they are reported. A broad description of the key accounting policies used by the Group is presented in Note 3.1 to the financial statements.

Considering that in many situations there are alternative accounting treatments to those adopted by the Board of Directors, the

results reported by ES SAÚDE might be different had a different treatment been chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements adequately show the Group's financial position and the results of its operations in all materially relevant aspects.

The results of the alternatives examined below are presented only to enable a better understanding of the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Property, plant and equipment and intangible assets – estimated useful lives

Depreciation and amortisation are calculated on acquisition cost on a straight-line basis starting from the month when the asset first becomes available for use. The depreciation and amortisation rates applied reflect the best estimate of the use-

ful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted when deemed necessary.

Impairment on trade receivables

Impairment losses on doubtful trade receivables are based on ES SAÚDE's assessment of the probability of recovering the balances owed. This assessment is based on the length of time the balances are overdue, the customer's credit history and

deterioration of the credit standing of major customers. If the customers' financial situations deteriorate, impairment losses might be higher than expected.

Provisions for risks and charges

ES SAÚDE exercises considerable judgement in measuring and recognising provisions. Judgment is required to determine the probability of any pending litigation in which the Group is involved having a successful outcome. Provisions are recognised when ES SAÚDE expects an unfavourable outcome in pending litigation that will likely result in an outflow of funds

and when this loss can be reasonably estimated. Due to the uncertainties inherent in the assessment process, actual losses may be different from those estimated in the provision. These estimates are subject to change as new information about the litigation becomes available. Revision of these estimated losses may affect future results.

Income taxes

Certain interpretations and estimates must be made in order to determine the amount of tax on income.

There are a number of transactions and calculations for which determination of the final amount of tax to be paid is not certain during the normal business cycle.

Other interpretations and estimates could result in a different level of taxes on income, both current and deferred, recognised in the period.

The tax authorities have the right to review the Group's calculation of taxable earnings for a period of four or six years if there are tax losses carried forward (five years for social security). Corrections may therefore have to be made to taxable earnings, mainly due to different interpretations of the tax laws. However, the Board of Directors believes that there will be no significant corrections to the income taxes reported in the financial statements.

Goodwill

The Group does annual impairment testing on goodwill recognised as assets according to the IFRS. For this purpose, the Group estimates the recoverable value of cash generating units to which goodwill is allocated. The recoverable value is calculated by determining value in use, based on the present value of future estimated cash flows, using a discount rate that reflects the risk associated with the assessed asset.

If future cash flows are found to be less than those estimated by the ES SAÚDE Board of Directors, significant impairment losses may need to be recognised.

4 Segment Reporting

ES SAÚDE's business activity is carried out indirectly through its subsidiaries. As this activity falls entirely within the health care delivery sector, the company is not reporting information by segments.

5 Revenue

The amount of revenue comes solely from the health care services delivered by ES SAÚDE subsidiaries.

6

Other Income

	2013	2012
Other operating income and earnings	36 001.78	4 981 304.26
Dividends obtained	19 600 000.00	20 500 000.00
Other financial income and earnings	3 202 882.12	3 426 236.71
	<u>22 802 882.12</u>	<u>23 926 236.71</u>
	<u>22 838 883.90</u>	<u>28 907 540.97</u>

The decrease in the amount of other operating income and earnings is essentially the result of the method of accounting for the costs of materials and services that are passed on to ES SAÚDE's various subsidiaries, which are then deducted from the respective expense accounts (see Note 8).

The amount of dividends obtained refers to the dividends received from HLUZ (EUR 160 million) and HAG (EUR 3.6 million).

7

Financial Costs and Losses

	2013	2012
Interest paid	2 912 017.36	4 035 295.31
Other financial expenses and losses	739 447.92	710 967.98
	<u>3 651 465.28</u>	<u>4 746 263.29</u>

The decrease in the amount of interest paid derives basically from a reduction in the Euribor rates that serve as the index rate for most of the financing in the form of commercial paper.

In addition, receiving the amount left over from the proceeds of the sale of Espírito Santo Health & Spa (Portugal) at the end of 2012 enabled ES SAÚDE to achieve better cash management.

8

Costs of Materials and Services

	2013	2012
Specialised work	552 234.15	4 409 354.30
Advertising and publicity	160 909.92	190 187.33
Rents and leases	50 220.29	1 379 931.47
Insurance	32 219.72	32 278.89
Representation expenses	21 755.82	38 877.00
Maintenance and repairs	6 739.89	58 090.36
Communications	6 186.10	115 025.49
Litigation and notary services	5 082.25	806.49
Banking services	4 115.96	2 188.37
Cleaning, sanitation and comfort	3 023.99	25 529.22
Professional fees	2 575.00	369.00
Electricity	2 103.74	11 464.86
Travel and accommodation	1 792.42	67 669.14
Fuel	1 109.52	419.33
Office supplies	476.58	5 420.94
Other materials and services used	22 891.51	296 894.78
	<u>873 436.86</u>	<u>6 634 506.97</u>

As mentioned in Note 6, costs passed on to subsidiaries began to be recognised as a reduction in the costs borne by ES SAÚDE, allowing for a more correct analysis of ES SAÚDE's own costs.

9

Personnel Expenses

	2013	2012
Remuneration paid to the governing bodies	295 000.00	-
Wages and salaries	191 194.30	150 638.07
Payroll-related expenses	21 839.47	21 448.34
Other personnel expenses	4 223.78	254.13
	<u>512 257.55</u>	<u>172 340.54</u>

The average number of people employed by the Company in the 2013 financial year was: 2 (2012: 2).

The amount of remuneration paid to the governing bodies corresponds to increased expenses related to bonuses to members of the Company's Executive Committee.

10

Income taxes

Deferred tax assets and liabilities recognised on the statement of financial position in 2013 and 2012 are shown below:

	Assets		Liabilities		Net	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Temporary differences in the value of intangible assets	85.06	85.06	-	-	85.06	85.06
Impairment on financial investments	1 222 330.35	1 012 062.42	-	-	1 322 112.42	1 012 062.42
Reported tax losses	1 135 824.74	1 402 248.27	-	-	1 135 824.74	1 402 248.27
Provisions and adjustments	1 156 536.55	1 288 116.16	-	-	1 056 754.48	1 288 116.16
	<u>3 514 776.70</u>	<u>3 702 511.91</u>	<u>-</u>	<u>-</u>	<u>3 514 776.70</u>	<u>3 702 511.91</u>

Transactions reported under deferred taxes were offset as follows:

	31 December 2013	31 December 2012
Opening balance	3 702 511.91	5 564 275.00
Recognised in the income statement	367 238.99	579 860.96
Included in reserves	-	-
Use of carried forward losses	(554 974.20)	(2 441 624.05)
	<u>3 514 776.70</u>	<u>3 702 511.91</u>

The deferred taxes recognised in the income statement and reserves originated from the following:

	31 December 2013		31 December 2012	
	Recognised in the income statement	Included in reserves	Recognised in the income statement	Included in reserves
Reported tax losses	288 550.67	-	367 272.18	-
Impairment	210 267.93	-	219 950.00	-
Provisions	(131 759.61)	-	(7 361.22)	-
	<u>367 238.99</u>	<u>-</u>	<u>579 860.96</u>	<u>-</u>

Details of the income tax reported in the income statements are as follows:

	31 December 2013	31 December 2012
Current tax	7 901.38	11 738.17
Deferred tax		
Origin and reversal of temporary differences	131 759.61	7 361.22
Impairment on financial investments	(210 267.93)	(219 950.00)
Tax losses carried forward	(288 550.67)	(367 272.18)
	(367 238.99)	(579 860.96)
Total tax reported on the income statement	(359 337.61)	(568 122.79)

Reconciliation of the tax rate is shown below:

	31 December 2013		31 December 2012	
Income/(Loss) for the year	17 203 913.36		17 613 121.54	
Income tax	(359 337.61)		(568 122.79)	
Income/(Loss) excluding tax	16 844 575.75		17 044 998.75	
Tax rate	26.5%	4 463 812.57	26.5%	4 516 924.67
Change in the deferred tax rate		194 193.22		-
Unrecognised deferred tax assets		(9 477.28)		66 584.95
Non-deductible expenses		180 598.74		270 270.22
Untaxed dividends		(5 194 000.00)		(5 432 500.00)
Other untaxed income		(2 329.95)		(6.81)
Autonomous taxes		7 901.38		10 604.18
Tax benefits		(36.29)		-
		(359 337.61)		(568 122.79)

Deferred taxes on tax losses were partially recognised because entering the special taxation system for corporate groups made recovery by their maturity date expectable.

The Company elected to be taxed under the special taxation system for corporate groups (RETGS) beginning with the 2006 fiscal year. The companies included in the Group in 2006

were: ES SAÚDE, CLIRIA, ES USATI, HAG, HOSPITAL DA LUZ and SURGICARE. In 2007, CPPOETAS, ESS-RcSS and ESH&SP joined the Group. In 2008, IRIO and HOSPOR were also included, and ESH&SP left the Group after disposal of the company. In 2009, CASAS DA CIDADE, HL-CCA and SGHL, companies that were newly formed during that financial year, joined the Group. In 2012, CRB joined the Group.

11

Property, Plant and Equipment

	Basic and transport equipment	Other	Assets under construction	Total
Acquisition cost				
Balance as at 1 January 2012	3 085 481.86	1 955.85	381 809.50	3 469 247.21
Additions	39 447.21	-	48 585.00	88 032.21
Disposals and write-offs	(544.72)	-	(245 152.01)	(245 696.73)
Transfers and adjustments	-	-	-	-
Balance as at 31 December 2012	3 124 384.35	1 955.85	185 242.49	3 311 582.69
Balance as at 1 January 2013	3 124 384.35	1 955.85	185 242.49	3 311 582.69
Additions	166 628.95	-	507 642.62	674 271.57
Disposals and write-offs	(1 035.00)	-	-	(1 035.00)
Transfers and adjustments	(2 124 521.46)	-	(341 966.26)	(2 466 487.72)
Balance as at 31 December 2013	1 165 456.84	1 955.85	350 918.85	1 518 331.54
Accumulated depreciation				
Balance as at 1 January 2012	2 524 905.50	1 676.64	-	2 526 582.14
Depreciation	299 914.24	90.03	-	300 004.27
Disposals and write-offs	(17.01)	-	-	(17.01)
Transfers and adjustments	-	-	-	-
Balance as at 31 December 2012	2 824 802.73	1 766.67	-	2 826 569.40
Balance as at 1 January 2013	2 824 802.73	1 766.67	-	2 826 569.40
Depreciation	104 075.49	90.03	-	104 165.52
Disposals and write-offs	(1 035.00)	-	-	(1 035.00)
Transfers and adjustments	(2 192 308.06)	-	-	(2 192 308.06)
Balance as at 31 December 2013	735 535.16	1 856.70	-	737 391.86
Book value				
31 December 2012	299 581.62	189.18	185 242.49	485 013.29
31 December 2013	429 921.68	99.15	350 918.85	780 939.68

12

Intangible Assets

	Computer programmes	Assets under construction	Total
Acquisition cost			
Balance as at 1 January 2012	-	-	-
Additions	-	-	-
Disposals and write-offs	-	-	-
Transfers and adjustments	-	-	-
Balance as at 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 1 January 2013	-	-	-
Additions	367.77	800 561.54	800 929.31
Disposals and write-offs	-	(69 668.48)	(69 668.48)
Transfers and adjustments	2 281 245.23	185 222.49	2 466 467.72
Balance as at 31 December 2013	<u>2 281 613.00</u>	<u>916 115.55</u>	<u>3 197 728.55</u>
Accumulated amortisation			
Balance as at 1 January 2012	-	-	-
Amortisation	-	-	-
Disposals and write-offs	-	-	-
Transfers and adjustments	-	-	-
Balance as at 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 1 January 2013	-	-	-
Depreciation	88 044.85	-	88 044.85
Disposals and write-offs	-	-	-
Transfers and adjustments	2 192 308.06	-	2 192 308.06
Balance as at 31 December 2013	<u>2 280 352.91</u>	<u>-</u>	<u>2 280 352.91</u>
Book value			
31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2013	<u>1 260.09</u>	<u>916 115.55</u>	<u>917 375.64</u>

13

Financial Investments

	Shareholdings	Loans	Supplementary capital contributions	Goodwill	Advances	Total
Acquisition cost						
Balance as at 1 January 2012	96 900 691.82	7 726 000.00	101 047 173.60	1 248 982.85	-	206 922 848.27
Additions	908 679.00	56 146 000.00	3 808 285.62	-	-	60 862 964.62
Disposals and write-offs	(3 174.00)	(9 921 000.00)	-	-	-	(9 924 174.00)
Transfers and adjustments	23 410.44	(1 130 000.00)	300 000.00	-	-	(806 589.56)
Balance as at 31 December 2012	<u>97 829 607.26</u>	<u>52 821 000.00</u>	<u>105 155 459.22</u>	<u>1 248 982.85</u>	<u>-</u>	<u>257 055 049.33</u>
Balance as at 1 January 2013	97 829 607.26	52 821 000.00	105 155 459.22	1 248 982.85	-	257 055 049.33
Additions	38 103.00	51 270 000.00	152 413.52	-	-	51 460 516.52
Disposals and write-offs	-	(1 150 000.00)	(300 000.00)	-	-	(1 450 000.00)
Transfers and adjustments	8 771.97	(2 300 000.00)	2 300 000.00	-	-	8 771.97
Balance as at 31 December 2013	<u>97 876 482.23</u>	<u>100 641 000.00</u>	<u>107 307 872.74</u>	<u>1 248 982.85</u>	<u>-</u>	<u>307 074 337.82</u>

The amount reported in “Disposals and Write-offs” corresponds primarily to repayment of loans and supplementary capital contributions from subsidiaries.

Investments are shown below:

	Headquarters	Acquisition Cost	% of share capital held	Equity value of the share	Value of the share in net profit/(loss)	Year
Group:						
CASAS	Lisboa	200 000.00	100.00	(1 125 430.42)	(199 313.20)	2013
CLIRIA	Aveiro	3 471 309.23	90.59	7 585 914.94	133 467.78	2013
CPPOETAS	Oeiras	250 000.00	100.00	(582 723.40)	541 658.52	2013
ES USATI	Lisboa	39 800 000.00	100.00	80 043 902.73	(2 959 458.50)	2013
ESS-RcSS	Oeiras	3 349 658.58	100.00	1 362 335.81	(88 201.55)	2013
HAG	Gaia	5 793 972.09	100.00	24 836 391.39	5 504 529.89	2013
HL-CCA	Amadora	100 000.00	100.00	2 294 182.70	(960 203.65)	2013
HLUZ	Lisboa	1 000 000.00	100.00	15 481 788.21	16 647 934.09	2013
HOSPOR	P. Varzim	33 450 000.00	100.00	45 156 688.45	1 929 306.06	2013
RML	Lisboa	5 362 500.00	75.00	3 863 686.37	(144 546.85)	2013
SGHL	Lisboa	1 287 317.00	98.00	(11 505 136.44)	(3 404 738.82)	2013
SURGICARE	Lisboa	4 087 500.00	100.00	7 195 405.40	(361 500.39)	2013
		<u>98 152 256.90</u>		<u>174 607 005.74</u>	<u>16 638 933.38</u>	
Jointly controlled and associated entities:						
GENOMED	Lisboa	109 825.33	24.00	104 305.33	5 988.98	2013
HL-SGE	Oeiras	14 400.00	10.00	601 809.30	190 655.00	2013
HME	Évora	125 000.00	50.00	(4 895 219.60)	(342 105.67)	2013
		<u>249 225.33</u>		<u>(4 189 104.97)</u>	<u>(145 461.69)</u>	
Impairment		(525 000.00)		-	-	
		<u>97 876 482.23</u>		<u>170 417 900.77</u>	<u>16 493 471.69</u>	

CASAS

In February 2009, ES SAÚDE subscribed 200,000 shares, with a nominal value of 1 euro each, representing 100% of the share capital of Casas da Cidade – Residências Sénior, SA (CA-

SAS), whose object is to manage the residential complex. The residential complex was built by ES USATI and is part of the Lisbon integrated healthcare complex.

CLIRIA

A 53.27% share in the capital of CLIRIA – Hospital Privado de Aveiro, SA (CLIRIA) was acquired on 30 September 2000 for EUR 4,423,577.96, which corresponds to 354,250 shares. During the 2002 financial year, ES SAÚDE acquired a total of 150,400 shares for EUR 1,124,992, representing 22.62% of the share capital of CLIRIA. In 2003, it acquired another block

of 5,000 shares for EUR 37,400, and in December 2004 it acquired another block of 92,800 shares for EUR 974,400, which represents 13.95 % of CLIRIA's share capital.

As a result, as at 31 December 2010, ES SAÚDE held 602,450 shares corresponding to 90.59% of the share capital of CLIRIA.

CPPOETAS

On 23 October 2006, ES SAÚDE subscribed 250,000 shares of Clínica Parque dos Poetas, SA (CPPOETAS), with a nominal value of one euro each, representing 100% of the company's

share capital. The company's object is construction, operation and management of healthcare facilities, and it manages the Oeiras clinic built by SURGICARE.

ES USATI

On 5 June 2001, ES SAÚDE subscribed 50,000 shares with a nominal value of one euro each, which represent 100% of the share capital of Espírito Santo – Unidades de Saúde e de Apoio à Terceira Idade, SA (ES USATI), whose object is construction,

operation and management of healthcare facilities. In October 2009, ES SAÚDE subscribed all of an increase in capital to a total of EUR 15 million. In October 2011, ES SAÚDE subscribed all of a new increase in capital to a total of EUR 20 million.

ESS-RcSS

Through a contract dated 29 December 2000, ES SAÚDE acquired a 66.67% share of Espírito Santo Saúde – Residência com Serviços Sénior, SA, corresponding to 333,350 shares, granting usufruct in favour of the sellers on 33.34% (166,700

shares) of the share capital. On 20 February 2004 ES SAÚDE acquired the remaining 166,650 shares and the usufruct, and since 31 December 2006 ES SAÚDE has held 100% of the company's share capital.

HAG

A total of 572,492 shares representing 95.42% of the share capital of Hospital da Arrábida – Gaia were acquired on 31 October 2000 for the sum of EUR 4,475,768.84. During the 2001 financial year, HAG proceeded to reduce and increase its

capital, and ES SAÚDE subscribed all of the increase for EUR 2 million along with a share premium of EUR 2 million, giving the company 100% control of HAG.

HL – CCA

In February 2009, ES SAÚDE subscribed 100,000 shares, with a nominal value of one euro each, representing 100% of the share capital of Hospital da Luz – Centro Clínico da Amadora,

SA (HL-CCA), whose object is operation of an outpatient clinic located in Amadora.

HOSPITAL DA LUZ

On 19 October 2005, ES SAÚDE subscribed 50,000 shares, with a nominal value of one euro each, representing 100% of the company's share capital of Hospital da Luz, SA (HLUZ). The company's object is construction, operation and manage-

ment of healthcare facilities. The company manages the Lisbon hospital built by ES USATI. On 16 November 2006, ES SAÚDE subscribed all of an increase in capital to a total of EUR 1 million.

HOSPOR

On 29 December 2005, ES SAÚDE subscribed 10,000 shares, with a nominal value of one euro each, representing 20% of the share capital of ROPSOH – Unidades de Saúde, SA (ROP-SOH), whose object is construction, operation and management of healthcare facilities, and which served as a vehicle for acquiring 90% of the share capital of HOSPOR – Hospitais Portugueses, SA (HOSPOR).

acquired an addition block of shares of HOSPOR, increasing its share to 95.3% of the respective capital.

In September 2006, ROPSOH acquired the remainder of HOSPOR's capital, giving it 100% control of the company's share capital.

On 3 March 2006, after receiving notification of non-opposition from the Autoridade da Concorrência [the Portuguese competition authority], shares representing the remaining 80% of ROPSOH's capital were acquired. At the same time, ROPSOH

In 2007, ROPSOH was incorporated into HOSPOR through a merger, with accounting effects reported as at 1 January 2007. From that date ES SAÚDE officially became the direct holder of all of HOSPOR's share capital – 18,500,000 shares.

RML

On 5 June 2003, ES SAÚDE subscribed 37,497 shares, with a nominal value of 1 euro each, which represented 74.99% of the share capital of RML – Residência Medicalizada de Loures, SGPS, SA (RML). The company's object is management of shareholdings in other companies as an indirect way to conduct economic activities. On 6 October 2003, three shares of RML were acquired at nominal value.

of one euro each. ES SAÚDE subscribed 543,750 shares for EUR 543,750 with a share premium also in the amount of EUR 543,750 and ES SAÚDE now holds 1,500,000 shares representing 75% of the share capital of RML.

RML increased its share capital by public deed on 19 December 2003 when it issued 1,225,000 new shares with a nominal value of one euro each. ES SAÚDE subscribed 918,750 shares for EUR 918,750 with a share premium also in the amount of EUR 918,750.

In June 2011 RML increased its share capital by public deed by issuing 1,600,000 new shares with a nominal value of one euro each. ES SAÚDE subscribed 1,200,000 shares for EUR 1,200,000 along with a share premium also in the amount of EUR 1,200,000. As of that date ES SAÚDE has held 2,700,000 shares corresponding to 75% of the share capital of RML.

RML increased its share capital again by public deed 17 June 2005 when it issued 725,000 new shares with a nominal value

RML holds all of the share capital of Vila Lusitano – Unidades de Saúde, SA (VILA LUSITANO) and Hospital Residencial do Mar, SA (HRM).

SGHL

In December 2009, ES SAÚDE subscribed 48,998 shares, with a nominal share value of 1 euro each, representing 97.996% of the share capital of SGHL – Sociedade Gestora do Hospital de Loures, SA (SGHL), a company headquartered in Oeiras whose object is the management of Hospital Beatriz Ângelo in Loures under the Public-Private Partnership Programme.

ES SAÚDE subscribed 721,179 shares for EUR 721,179. Since that date ES SAÚDE has held 1,249,214 shares corresponding to 97.9998% of the share capital of SGHL.

In December 2011 SGHL increased its share capital by issuing 488,813 new shares with a nominal value of one euro each. ES SAÚDE subscribed 479,037 shares for EUR 479,037.

In December 2013, SGHL increased its share capital by issuing 38,881 new shares with a nominal value of one euro each. ES SAÚDE subscribed 38,881 shares for EUR 38,881. Since that date ES SAÚDE has held 1,287,317 shares corresponding to 97.9998% of the share capital of SGHL.

In December 2012 SGHL increased its share capital by issuing 735,897 new shares with a nominal value of one euro each.

SURGICARE

On 28 August 2002, ES SAÚDE subscribed 200,000 shares with a nominal value of one euro each, which represent 100% of the share capital of SURGICARE – Unidades de Saúde, SA (SURGICARE), whose object is construction, operation and management of healthcare facilities. During the 2003 financial year, ES SAÚDE acquired a total of 15.000 shares for EUR 150, representing 7.5% of the share capital of SURGICARE. In July 2007 SURGICARE increased its share capital by issuing 3,800,000 new shares with a nominal value of one euro each. ES SAÚDE subscribed all of the increase. During the 2007

financial year, ES SAÚDE disposed of 85.000 shares for EUR 850, representing 2.125% of the share capital of SURGICARE.

On 7 December 2012, ES SAÚDE acquired the minority shareholding in the company, giving it full control of SURGICARE's share capital.

As a result, as at 31 December 2010, ES SAÚDE held 4,000,000 shares 100% of the share capital of SURGICARE.

GENOMED

On 7 October 2004, ES SAÚDE subscribed 48,000 shares, with a nominal share value of 5 euros each, representing 24% of the share capital of GENOMED – Diagnósticos de Medicina Molecular, SA (GENOMED), whose object is to provide diag-

nostic, prevention and therapeutic support services in human diseases, and to promote diagnostic and research and development activities in the area of nuclear medicine.

HL-SGE

A 10% share (14,400 shares with a nominal value of one euro each) of the share capital of HL – Sociedade Gestora do Edifício, SA (HL-SGE) was subscribed in December 2009. HL-SGE

is a company whose object was construction of the future Hospital Beatriz Ângelo in Loures under the Public-Private Partnership Programme.

HME

A 50% share in the capital of HME – Gestão Hospitalar, SA (HME) was acquired on 15 April 2002 for EUR 154,179.70. This corresponds to 25,000 shares.

In sum, the following transactions occurred during the financial year:

	2013	2012	Change	Event
Group				
CASAS	200 000.00	200 000.00	-	
CLIRIA	3 471 309.23	3 471 309.23	-	
CPPOETAS	250 000.00	250 000.00	-	
ES USATI	39 800 000.00	39 800 000.00	-	
ESS-RcSS	3 349 658.58	3 349 658.58	-	
H LUZ	1 000 000.00	1 000 000.00	-	
HL-CCA	100 000.00	100 000.00	-	
HAG	5 793 972.09	5 793 972.09	-	
HOSPOR	33 450 000.00	33 450 000.00	-	
RML	5 362 500.00	5 362 500.00	-	
SGHL	1 287 317.00	1 249 214.00	38 103.00	Share capital increase
SURGICARE	4 087 500.00	4 087 500.00	-	
	<u>98 152 256.90</u>	<u>98 114 153.90</u>	<u>38 103.00</u>	
Impairment	<u>(400 000.00)</u>	<u>(400 000.00)</u>	-	
	<u>97 752 256.90</u>	<u>97 714 153.90</u>	<u>38 103.00</u>	
Jointly controlled and associated entities				
GENOMED	109 825.33	101 053.36	8 771.97	Appropriation of results
HL-SGE	14 400.00	14 400.00	-	
HME	125 000.00	125 000.00	-	
	<u>249 225.33</u>	<u>240 453.36</u>	<u>8 771.97</u>	
Impairment	<u>(125 000.00)</u>	<u>(125 000.00)</u>	-	
	<u>97 876 482.23</u>	<u>97 829 607.26</u>	<u>46 874.97</u>	

The amount of Goodwill recognised is shown below:

	2013	2012
HAG	446 140.69	446 140.69
CLIRIA	802 842.16	802 842.16
HME	14 103.47	14 103.47
	<u>1 263 086.32</u>	<u>1 263 086.32</u>
Impairment	<u>(14 103.47)</u>	<u>(14 103.47)</u>
	<u>1 248 982.85</u>	<u>1 248 982.85</u>

In addition to the above shareholdings, supplementary capital contributions were made as shown below:

	2013	2012
ES USATI	75 200 000.00	75 200 000.00
ESS-RcSS	3 000 000.00	2 900 000.00
HL-CCA	8 500 000.00	6 300 000.00
HOSPOR	6 500 000.00	6 500 000.00
SGHL	5 188 475.74	5 036 062.22
SURGICARE	7 500 000.00	7 500 000.00
HL-SGE	1 419 397.00	1 719 397.00
	<u>107 307 872.74</u>	<u>105 155 459.22</u>

Finance loans have also been made to subsidiaries. The balances as at 31 December are shown below:

	2013	2012
CLIRIA	750 000.00	750 000.00
CPPOETAS	-	950 000.00
ES USATI	17 000 000.00	11 000 000.00
ESS-RcSS	2 141 000.00	1 811 000.00
HL-CCA	1 510 000.00	2 160 000.00
HOSPOR	67 990 000.00	32 000 000.00
RML	2 150 000.00	1 650 000.00
SGHL	6 800 000.00	-
SURGICARE	2 300 000.00	2 500 000.00
HME	4 850 000.00	3 680 000.00
	<u>105 491 000.00</u>	<u>56 501 000.00</u>
Impairment	<u>(4 850 000.00)</u>	<u>(3 680 000.00)</u>
	<u>100 641 000.00</u>	<u>52 821 000.00</u>

The loan granted to CLIRIA in the amount of EUR 750,000, which has no specified repayment period, is for liquidity support and earns market rate interest.

The amount of loans to CPPOETAS, EUR 950,000, was fully repaid during the 2013 financial year.

The loan made to ES USATI in the amount of EUR 17,000, which has no specified repayment period, earns market rate interest.

The loan made to ESS-RcSS, in the amount of EUR 2.141,000, which has no specified repayment period earns interest at the 6 month Euribor rate.

The amount reported under loans to HL-CCA, EUR 1,150,000, relates to financing with no specified repayment period for the purpose of liquidity support. The loan earns market rate interest.

The loan made to HOSPOR in the amount of EUR 67,990, which has no specified repayment period, earns market rate interest.

The loan made to RML in the amount of EUR 2,150,000, which has no specified repayment period, earns market rate interest.

The loan granted to SURGICARE in the amount of EUR 2,300,000, which has no specified repayment period, is for liquidity support and earns market rate interest.

The loan granted to HME in the amount of EUR 4,850,000, which has no specified repayment period, is for liquidity support and earns market rate interest.

The most significant figures for the subsidiaries as at 31 December 2013 were:

	Assets	Shareholders' Equity	Income	Net Income/(Loss) for the year
CASAS	819 164.71	(1 125 430.42)	1 976 240.42	(199 313.20)
CLIRIA	21 397 255.71	8 373 898.82	17 320 556.15	147 331.69
CPPOETAS	3 225 488.27	(582 723.40)	12 591 880.44	541 658.52
ES USATI	121 107 097.43	80 043 902.73	14 857 557.48	(2 959 458.50)
ESS-RcSS	8 186 275.94	1 362 335.81	1 486 957.78	(88 201.55)
HAG	52 413 547.36	24 836 391.39	48 957 306.28	5 504 529.89
HL-CCA	8 444 710.26	2 294 182.70	4 412 479.67	(960 203.65)
H LUZ	44 042 390.68	15 481 788.21	132 822 401.18	16 647 934.09
HOSPOR	158 146 435.13	45 156 688.45	65 529 538.00	1 929 306.06
RML	12 988 711.30	5 151 581.83	34 134.60	(192 729.13)
SGHL	43 205 893.51	(11 739 955.02)	82 064 483.11	(3 474 229.17)
SURGICARE	10 953 096.05	7 195 405.40	1 482 703.86	(361 500.39)
GENOMED	1 109 229.86	434 605.54	873 007.98	24 954.09
HL-SGE	96 062 490.00	6 018 093.00	2 378 679.00	1 906 550.00
HME	2 316 757.56	(9 790 439.20)	5 226 697.60	(684 211.34)

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Trade and Other Receivables

	2013	2012
Trade receivables	3 297 192.94	2 312 625.35
Adjustments to receivables	(259 588.83)	(199 477.86)
	<u>3 037 604.11</u>	<u>2 113 147.49</u>
Advances to suppliers	102.00	102.00
Government and other public entities	186 278.44	-
Group companies – RETGS	10 222 480.25	8 799 917.65
Accrued income	-	311.11
Other receivables	4 445 932.81	1 698 451.68
Adjustments to receivables	(1 277 635.23)	(952 545.38)
Deferred costs	1 078 187.97	1 146 341.84
	<u>14 655 352.24</u>	<u>10 692 578.90</u>
Total current	<u>17 692 956.35</u>	<u>12 805 726.39</u>

The amount under "Other receivables" is mainly due to interest debited to subsidiaries for the advances made.

Deferred costs include EUR 847,205.45 (2012: 992,037.89) for set-up and agent commissions for commercial paper programmes.

Transactions under “Adjustments to receivables” can be broken down as follows:

	2013	2012
Adjustments to trade receivables		
Opening balance	199 477.86	157 937.68
Customer advances	60 110.97	41 540.18
Closing balance	<u>259 588.83</u>	<u>199 477.86</u>
Adjustments to other receivables		
Opening balance	952 545.38	691 565.65
Advances for other receivables	325 089.85	260 979.73
Closing balance	<u>1 277 635.23</u>	<u>952 545.38</u>
Effect on net income	<u>385 200.82</u>	<u>302 519.91</u>

15 Cash and Cash Equivalents

	2013	2012
Cash on hand	500.00	500.00
Bank deposits that mature within 3 months	47 069.66	1 754 200.96
Other deposits	-	1 000 000.00
Cash and equivalents in the cash flow statement	<u>47 569.66</u>	<u>2 754 700.96</u>

16 Capital and Reserves

Share capital

The Company's share capital consists of 88,500,000 ordinary shares with a nominal value of one euro each. During the

financial year, there were transactions between shareholders, which resulted in the following positions as at 31 December:

	2013	2012
Banco Espírito Santo, SA	10.00%	10.00%
BES Vida, Companhia de Seguros, SA	5.00%	5.00%
Companhia de Seguros Tranquilidade, SA	3.00%	3.00%
Espírito Santo Financial Group, SA	24.90%	24.90%
Rio Forte Investments, SA	57.10%	44.50%
AA – Iberian Venture Capital	<u>-</u>	<u>12.60%</u>

In January 2014, further transactions occurred with the entry of Espírito Santo Health Care Investments, SA (ESHCI), and the

shareholder positions changed again:

	23 January 2014
Espírito Santo Health Care Investments, SA	55.06%
Companhia de Seguros Tranquilidade, SA	3.00%
Espírito Santo Financial Group, SA	15.12%
Rio Forte Investments, SA	26.82%

These positions changed again in February as a result of the public offer of up to 49% of the Company's share capital due

to admission to trading on the Euronext Lisbon market (see Note 27 regarding subsequent events).

Share premiums

Share premiums are the result of increases in the company's share capital that were made in 2004, 2005 and 2006 in the amounts of EUR 12,500,000, EUR 7,500,000 and

EUR 61,600,000, respectively. In 2011, a portion of the share premiums (EUR 33,870,082.14) was used to cover losses carried forward, leaving a residual balance of EUR 47,7,9.917.86.

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Earnings Per Share and Basic Earnings Per Share

Basic	2013	2012
Net income attributable to equity holders of the parent	17 203 913.36	17 613 121.54
Average number of shares	88 500 000	88 500 000
Basic earnings per share	0.194	0.199

As at 31 December 2013 and 31 December 2012, the company had no financial instruments with a dilutive effect; there-

fore, basic earnings per share are equal to diluted earnings per share.

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Trade and Other Payables

	2013	2012
Trade payables	1 392 440.46	1 679 478.38
Property, plant and equipment suppliers	25 937.35	1 108.11
	<u>1 418 377.81</u>	<u>1 680 586.49</u>
Government and other public entities	4 263.58	83 338.30
Group companies – RETGS	5 599 378.32	7 316 431.10
Other payables	1 267 773.27	1 163 469.64
Employee salaries and benefits	417 770.33	112 480.79
Other accrued expenses	396 240.99	407 631.25
	<u>7 685 426.49</u>	<u>9 083 351.08</u>
	<u>9 103 804.30</u>	<u>10 763 937.57</u>
Non-current trade payables	698 357.10	-
	<u>9 802 161.40</u>	<u>10 763 937.57</u>

19

Bank loans and Overdrafts

	Term	Interest Rate	2013	2012
Medium and long term				
BST – commercial paper	2016	Eur6M + spread	9 003 681.81	-
BCP – commercial paper (*)	2019	Eur6M + spread	84 799 757.51	89 818 459.88
CGD – commercial paper	2015	Eur + spread	4 998 154.85	4 984 906.81
			<u>98 801 594.17</u>	<u>94 803 366.69</u>
Short term				
BCP – commercial paper (*)	2014	Eur6M + spread	5 000 000.00	4 000 000.00
BES – commercial paper	2014	Fixed	38 787 765.39	8 477 552.84
BES – overdraft		-	109 058.79	-
			<u>43 896 824.18</u>	<u>12 477 552.84</u>
			<u>142 698 418.35</u>	<u>107 280 919.53</u>

*This loan includes change of ownership clauses on the part of Espírito Santo International.

Most of the loans mentioned above contain restrictions/covenants that are common in financing agreements. Typical non-financial restrictions included are negative pledge provisions, guarantees provided by members of the Group and by the Company, in particular restrictions applying to the use of capital resources, acquisition and disposal of assets, pari passu obligations, situations of default that include cross default clauses relative to the companies that are controlled by or are in a group relationship with the respective borrower. In terms of financial restrictions, some contracts include obligations to ensure certain debt to equity and working capital ratios.

Some financing agreements involving subsidiaries of the company contain change-of-control provisions that require ESI to

maintain a direct or indirect controlling interest in the Company. Some of these change-of-control provisions may be activated if (i) ESI's direct or indirect investment falls below 51% of the Company's share capital, (ii) ESI's direct or indirect investment falls below 51% of the Company's share capital and voting rights (iii) ESI ceases to hold, directly or indirectly, a majority of the Company's share capital and voting rights without obtaining authorisation for the disposal from the creditors in question.

As at 31 December 2013, "Bank loans and overdrafts" consisted mainly of commercial paper issues. The BCP commercial paper programme is guaranteed by ES-USATI through the mortgage on the Hospital da Luz building.

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Provisions

The amounts reported under provisions as at 31 December 2013 and 31 December 2012 were as follows:

	2013	2012
Opening balance	3 802 265.00	4 130 180.62
Additions (net of reversals)	(618 931.70)	(327 915.62)
	<u>3 183 333.30</u>	<u>3 802 265.00</u>

The balance of provisions as at 31 December 2013 and 31 December 2012 comprised:

	Opening balance	Additions	Used Reversed	Closing balance
Risk of losses from subsidiaries	3 350 000.00	-	(166 666.70)	3 183 333.30
Other provisions	452 265.00	-	(452 265.00)	-
	<u>3 802 265.00</u>	<u>-</u>	<u>(618 931.70)</u>	<u>3 183 333.30</u>

The provisions reported are for the purpose of covering risks of an operational and financial nature identified as at 31 December 2013 which meet the requirements for being recognised as a liability.

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Other Operating Expenses and Losses

	2013	2012
Impairment on loans to subsidiaries	1 170 000,00	830 000,00
Cost of acquiring the remaining share capital of Surgicare	-	87 500,00
Losses sue to dissolution of Health Care International	-	27 748,91
Other expenses and losses	55 816,31	120 322,53
	<u>1 225 816,31</u>	<u>1 065 571,44</u>

22

Contingent Assets and Liabilities

As at 31 December 2013 and 31 December 2012, no materially relevant contingent assets or liabilities had been identified.

23

Guarantees

As at 31 December 2013, the breakdown of guarantees made to third parties was as follows:

Company	Bank	Beneficiary	Amount
ES SAÚDE	CGD	SGHL	3 250 000.00
ES SAÚDE	CGD	HL-SGE	105 000.00
ES SAÚDE	Bankia	SGHL	3 250 000.00
			<u>6 605 000.00</u>

In addition, the following guarantees were provided to subsidiaries:

- A comfort letter to Banco BPI regarding the obligations ensuing from the loans taken out by RML;
- Comfort letters to Banco Espírito Santo and Caixa Geral de Depósitos regarding fulfilment of the obligations resulting from the loans granted to HME;
- Some loans taken out by the subsidiaries include ownership clauses on the part of ES SAÚDE, under which the banks may ask for early repayment of the respective loans; however, no financial obligations have been assumed by ES SAÚDE.

24 Related Parties

Balances and transactions with Group companies as at 31 December were as follows:

	2013	2012
Income:		
CASAS	-	1 729.49
CLIRIA	41 009.01	246 005.88
CPPOETAS	7 976.72	67 389.00
ES USATI	692 323.16	2 017 035.81
ESS-RcSS	6 809.11	31 632.33
ESS – SERVIÇOS, ACE	17 095.05	652 092.33
H LUZ	16 000 000.00	18 107 919.28
HAG	3 616 998.80	2 875 002.40
HL-CCA	137 322.10	173 153.46
HOSPOR	1 933 407.84	256 466.29
HRM	-	7 217.07
IRIO	-	884.88
RML	81 807.54	42 028.77
SGHL	18 749.55	1 817 306.71
SURGICARE	130 857.90	439 569.22
VILA LUSITANO	2 105.73	19 525.53
GENOMED	8 771.97	20 236.44
HME	327 933.67	294 752.23
BES	15 633.28	24 283.64
	23 038 801.43	27 094 230.76
Expenses:		
CASAS	-	13 169.05
CRB	116 506.85	122 547.95
H LUZ	2 219.18	351 616.43
HAG	-	13 993.15
BES	79 050.94	150 157.65
BES INVESTIMENTO	43 358.73	436 818.31
EDENRED	31.70	-
ES RESOURCES	18 450.00	18 450.00
ESUMÉDICA	126.18	126.16
LOCARENT	8 357.24	7 381.64
T-VIDA	7 759.88	7 757.72
TRANQUILIDADE	27 869.44	24 521.14
	303 730.14	1 146 539.20

	2013	2012
Third Party Receivables:		
CASAS	8 816.39	6 202.28
CLIRIA	728 224.09	613 169.11
CPPOETAS	207 151.87	288 419.01
CRB	19 717.06	20 070.63
ES USATI	781 155.02	677 353.68
ESS-RcSS	11 926.60	33 525.88
ESS – SERVIÇOS, ACE	210 987.11	121 671.33
H LUZ	6 551 227.13	5 689 383.75
HAG	2 466 827.36	2 199 097.94
HL-CCA	293 650.02	267 832.98
HOSPOR	3 322 853.81	783 867.12
HRM	27 439.12	18 322.43
IRIO	-	140 220.27
RML	124 336.31	42 028.77
SGHL	1 261 871.39	285 172.98
SURGICARE	140 282.33	184 665.61
VILA LUSITANO	5 356.51	6 746.47
HME	1 537 224.06	1 152 023.24
BES	-	2 729 038.39
ESUMÉDICA	-	44.64
T-VIDA	-	8 800.00
TOP ATLÂNTICO	-	294.00
	<u>17 699 046.18</u>	<u>15 267 950.51</u>
Third Party Payables:		
CASAS	41 444.07	41 444.07
CRB	379 726.04	263 219.19
ES USATI	12 871.04	10 860.96
ESS – SERVIÇOS, ACE	352 558.39	352 558.39
H LUZ	494 044.77	491 825.59
HAG	-	13 993.15
IRIO	4 809.04	-
BES	109 058.79	-
BES INVESTIMENTO	13 453.62	63 842.50
EDENRED	15.44	
ES RESOURCES	1 537.50	1 537.50
ESUMÉDICA	14.88	-
SGL	4 548.54	4 548.54
TRANQUILIDADE	185.42	466.35
	<u>1 414 267.54</u>	<u>1 244 296.24</u>

The earnings reported are from management support services provided to the units, debits from services and equipment

acquired centrally and interest debited from finance loans granted (see Note 13).

25

Financial Risk Management

Introduction

ES SAÚDE 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 gives information about ES SAÚDE's exposure to each of the aforementioned risks, as well as ES SAÚDE's objectives, policies and practices for measuring and management of these risks and management of the ES SAÚDE's funds in general. Further disclosures of a quantitative nature are presented throughout these financial statements.

The Board of Directors has ultimate responsibility for defining and monitoring ES SAÚDE's risk management policies. These policies were established in order to identify and analyse the risks ES SAÚDE faces, to establish risk limits and appropriate control mechanisms and to monitor evolution of these risks and ES SAÚDE's adherence to the limits it has imposed on itself. Risk management policies and systems are reviewed regularly to ensure they reflect real market conditions and are consistent with the ES SAÚDE's activities.

Credit risk

Credit risk results from the possibility of financial losses occurring due to a customer's default on contractual obligations established with ES SAÚDE in the context of its business activity. Customer portfolios and their open balances are managed on an ongoing basis.

Adjustments to outstanding receivables are estimated based on expected losses on the customer portfolio following a review of each outstanding balance.

Liquidity risk

Liquidity risk arises from the potential inability to finance the ES SAÚDE's assets or to satisfy contractual responsibilities on their due dates. Management of liquidity risk aims at maintaining a satisfactory level of available resources to meet the Group's short-term, medium-term and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that make it possible to identify occasional liquidity shortages and activate mechanisms to cover them.

paper issues that do not include a guaranteed subscription clause are classified as current liabilities, even though it is expected that the banks involved in the organisation and underwriting of the securities will be able to obtain the necessary funds through their distribution channels.

To finance its business activity, ES SAÚDE maintains the lines of credit mentioned in Note 19.

As at 31 December 2013, the amount of committed lines of credit available for use (including commercial paper programmes) was approximately EUR 46 million. Commercial

The financial liabilities will absorb the following non-discounted cash flows, excluding interest, based on the remaining period of the contract on the balance sheet date:

	Bank Loans	Commercial Paper	Other Liabilities ^(*)	Total
< 1 year	109 059	43 787 765	9 103 804	53 000 628
1-2 years	-	12 501 837	399 061	12 900 898
2-3 years	-	9 700 000	299 296	9 999 296
3-4 years	-	13 700 000	-	13 700 000
4-5 years	-	16 500 000	-	16 500 000
> 5 years	-	46 399 758	-	46 399 758
	109 059	142 589 360	9 802 161	152 500 580

* Includes trade and other payables.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or stock market changes, may affect the ES SAÚDE's income and financial position. Given that ES SAÚDE is not exposed to currency or stock market risks, market risk management focuses essentially on

monitoring changes in interest rates that affect the interest-bearing liabilities that are contracted based on interest rates indexed to market conditions.

No financial instruments are used to cover this market risk.

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Fair Values of Financial Assets and Liabilities

The principal methods and assumptions used to estimate the fair value of the aforementioned financial assets and liabilities are described below:

Cash and cash equivalents

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

Trade credit

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

Trade debt

Given the short terms associated with these financial instruments, their respective carrying values are considered a reasonable estimate of their fair value.

Bank loans

The fair value of these financial instruments is estimated by updating the expected principal and interest cash flows, assuming that the payments occur on the dates stipulated in the contract. The discount rate used is that which reflects the current rates obtained by the Group for instruments of a similar nature. Given that the applicable interest rates are variable and given their maturity dates, there are no materially significant differences between the carrying value and the fair value of these financial liabilities.

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Subsequent Events

Since the close of the 2013 financial year and the present date, an initial public offering (IPO) was launched in the process of admission to trading on the Euronext Lisbon market.

In addition of distributing capital to the investors, there was also an increase in the share capital of ES SAÚDE, in the amount of 7,042,254 shares, at the IPO price, with share premiums, which resulted in gross proceeds of approximately

EUR 22.5 million. At the same time, ES SAÚDE paid a proportional share of the costs of the operation, which are estimated to be between EUR 1.6 million and EUR 1.8 million.

As a result of the IPO, shareholder positions changed, with the Espírito Santo Group retaining control through Espírito Santo Health Care Investments, SA, which holds 51% of the share capital, as indicated below:

	31 March 2014
Esírito Santo Health Care Investments, SA	51.0%
Esírito Santo Financial Group, SA	3.4%
Other qualifying shares	18.9%
Other	<u>26.7%</u>

Lisbon, 21 April 2014

Chartered Accountant

Luís Filipe Diegues dos Santos

Board of Directors

Diogo José Fernandes Homem de Lucena

Isabel Maria Pereira Aníbal Vaz

Pedro Guilherme Beauvillain de Brito e Cunha

Luís Espírito Santo Silva Ricciardi

Alexandre Carlos de Melo Vieira Costa Relvas

António Davide de Lima Cardoso

Artur Aires Rodrigues de Moraes Vaz

Ivo Joaquim Antão

João Carlos Pellon Parreira Rodrigues Pena

João Paulo da Cunha Leite de Abreu Novais

José Manuel Caeiro Pulido

José Manuel Malheiro Holtreman Roquette

Maria do Rosário Nunes Vicente Rebordão Sobral

Nuno de Carvalho Fernandes Thomaz

Pedro Gonçalo Costa Pinheiro Líbano Monteiro

Tomás Leitão Branquinho da Fonseca

(Free Translation of a report originally issued in Portuguese)

Statutory and Auditor's Report

Introduction

1. In accordance with applicable legislation, we present the Statutory and Auditor's Report on the financial information contained in the Annual Report and the financial statements as at 31 December 2013 of Espírito Santo Saúde - SGPS, S.A., comprising the Statement of Financial Position as at 31 December 2013 (which shows a total of 330.027.956 Euros and shareholders' equity of 171.727.003 Euros, including a net income for the year of 17.203.913 Euros), the Statement of comprehensive income, the Statement of Changes in Shareholders' Equity and the Cash Flows Statement, for the year then ended, and the Notes.

Responsibilities

2. The Company's Board of Directors is responsible for:
 - a) the preparation of the financial statements that present a true and fair view of the financial position of the Company, the results and comprehensive income of its operations, the changes in equity and cash flows;
 - b) the historical financial information prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union, that is complete, accurate, current, transparent, objective and complies with regulations, as determined by the Securities Exchange Code ("Código dos Valores Mobiliários");
 - c) the adoption of appropriate accounting policies and accounting methods;
 - d) the maintenance of an adequate system of internal control; and
 - e) the disclosure of all significant facts which have had an impact on its activity, financial position, results and comprehensive income.

3. Our responsibility is to audit the financial information contained in these documents, to ascertain if it is complete, accurate, current, transparent, objective and compliant with applicable regulations established by the Securities Exchange Code (“Código dos Valores Mobiliários”), with the objective of expressing a professional and independent opinion, on such information, based on our audit.

Scope

4. Our audit was conducted in accordance with the auditing and technical standards issued by the Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require an audit to be planned and performed with the objective of obtaining an acceptable level of assurance as to whether the Financial Statements are free of material misstatement. As such, our audit included:
 - the verification, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, and the assessment of the estimates and judgements made by the Board of Directors in the preparation of the financial statements;
 - the assessment as to whether the accounting policies adopted and their disclosure are appropriate, under the circumstances;
 - the verification of the appropriateness of the going concern principle;
 - the assessment as to whether the overall presentation of the financial statements is reasonable; and
 - the assessment as to whether the financial information is complete, accurate, current, transparent, objective and complies.
5. Our examination also covered the verification of the consistency of the financial information included in the Annual Report with the other documents comprising the financial statements, as well as the verifications set out in paragraphs 4 and 5 of Article 451 of the Companies Code (“Código das Sociedades Comerciais”).
6. We believe that this examination provides an acceptable basis for the expression of our opinion.

Opinion

7. In our opinion, the financial statements referred to above present a true and fair view, in all material respects, of the financial position of Espírito Santo Saúde - SGPS, S.A. at 31 December 2013, the results and comprehensive income of its operations, changes in equity and cash flows for the year then ended in conformity with International Financial Reporting Standards as endorsed by the European Union and the information contained therein is complete, accurate, current, transparent, objective and compliant.

Report on other legal requirements

8. It is also our opinion that the financial information presented in the Annual Report is in agreement with the financial statements for the period and that the Corporate Governance Report satisfies the requirements of the Article 245 - A of the Securities Exchange Code.

Lisbon, 29 April 2014

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Represented by:

(Signed)

Ricardo Filipe de Frias Pinheiro (ROC nº 739)





08

CONTACTS



08

Contacts of Espírito Santo Saúde Group

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- **Hospital do Mar**

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- **Hospital da Luz**

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- **Hospital de Santiago**

E.N. 10, km 37
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- **Hospital da Misericórdia de Évora**

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- **Hospital Beatriz Ângelo**

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OUTPATIENTS CLINICS

- **Clipóvoa - Clínica de Cerveira**

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- **Clipóvoa - Clínica de Amarante**

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- **Clipóvoa - Clínica do Porto**

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- **Cliria - Centro Médico de Águeda**

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- **Cliria - Clínica de Oiã**

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- **Hospital da Luz - Centro Clínico da Amadora**

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- **Hospital da Luz - Clínica de Oeiras**

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SENIOR RESIDENCES

- **Casas da Cidade - Residências Sénior**

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- **Clube de Repouso Casa dos Leões**

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HOLDING

- **Espírito Santo Saúde**

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