ANNUAL REPORT 2018

LUZ SAÚDE

LUZ SAÚDE, S.A.

Registered Office in Rua Carlos Alberto da Mota Pinto, 17, 9th floor, 1070-313 in Lisbon
Registered with the Commercial Registry Office of Lisbon under the same registration and taxpayer number 504 885 367, currently with fully subscribed and paid-up share capital of EUR 95,542,254.

ANNUAL REPORT
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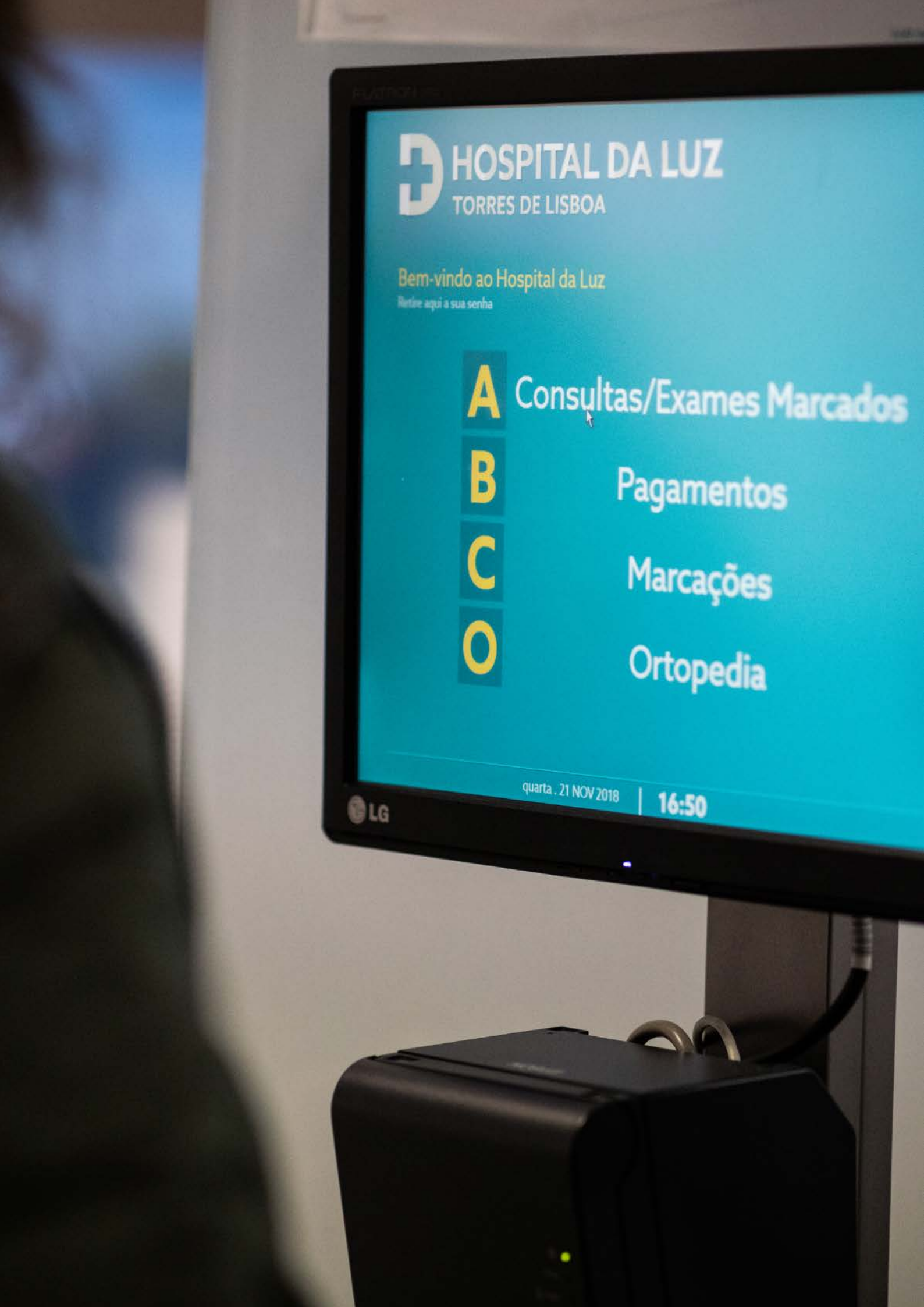
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LUZ SAÚDE

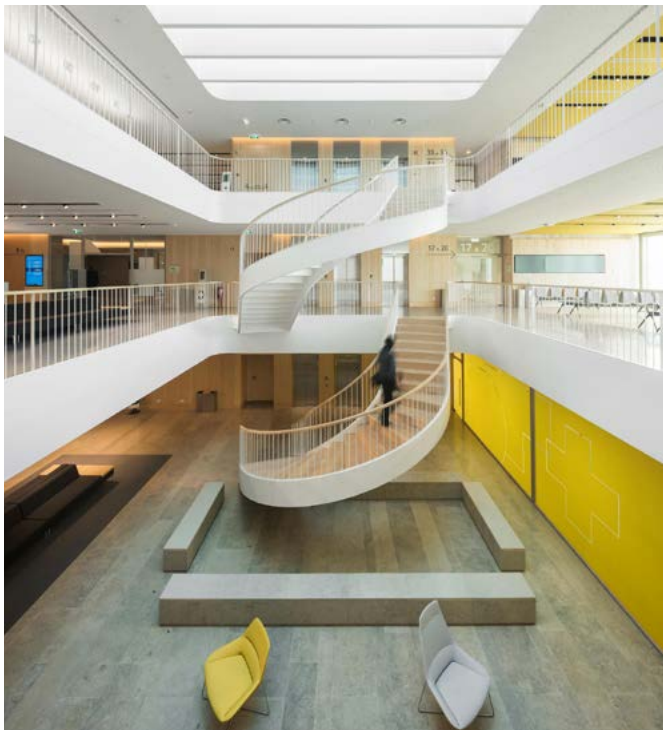
01
Luz Saúde

(free translation from the original version in portuguese)

01.1 Identity and Structure

01.1.1 Identity

Luz Saúde, SA is the holding company of one of the largest healthcare services groups, by income, in the currently expanding Portuguese market. The Group provides its services by way of 30 units (including 14 private hospitals, one NHS hospital which is run by Luz Saúde under a Public-Private Partnership (PPP), 13 private outpatient clinics and two senior residences) located in the Northern, Central, Southern-Central and Madeira regions of Portugal. In certain regions, it owns the only private hospital in operation.



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

01.1.2 Luz Saúde's History

Since it was founded in 2000, Luz Saúde has built-up an integrated network that includes hospitals, outpatient clinics and senior residences.

2000
Luz Saúde acquired a majority shareholding in Cliria - Hospital Privado de Aveiro and in Hospital da Arrábida in Vila Nova de Gaia.

2002
Luz Saúde began managing Hospital da Misericórdia de Évora in partnership with third parties.

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

2004
Cliria - Centro Médico de Águeda began its activities and Clube de Repouso Casa dos Leões was fully integrated into Luz Saúde.
In July of that year, construction work began on Hospital do Mar in the county of Loures.

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

2006
Hospital do Mar opened and Luz Saúde acquired the entire share capital of IRIO - Instituto de Radioterapia.

In March of that year, Luz Saúde became sole shareholder of Hospor, with its two hospital units – Hospital de Santiago in Setúbal and Clipóvoa - Hospital Privado in Póvoa de Varzim – and three outpatient clinics – Clínica de Cerveira, Clínica de Amarante and Clínica do Porto.

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

2009
Casas da Cidade - Residências Sénior and Hospital da Luz - Centro Clínico da Amadora opened and Cliria - Clínica de Oiã was acquired.

At the end of that year, a management agreement was entered into for Hospital Beatriz Ângelo in the county of Loures under the Public-Private Partnerships Programme.

2010
Hospital da Arrábida doubled its capacity with new wards for outpatient surgery and specialised hospitalisation, namely a new maternity ward.

Cliria - Hospital Privado was also extensively renovated and began operating its second branch, thereby doubling its outpatient care.

Clipóvoa - Hospital Privado in Póvoa de Varzim continued the renovation of its inpatient area, operating rooms and maternity ward. Hospital de Santiago completed construction of its new 24-hour medical care ward.
In January of that year, the ground-breaking ceremony for Hospital Beatriz Ângelo took place.

2011
There was a strong focus on the preparation of Hospital Beatriz Ângelo's opening. This included completing all the final construction work, structuring the hospital's procedures and recruiting staff.

Hospital da Luz celebrated its fifth anniversary and opened a new outpatient paediatric ward.
That year was also marked by Luz Saúde winning the Excellence at Work award from Heidrick & Struggles.

2012

Hospital Beatriz Ângelo began its activities on 19 January, with its first outpatient paediatric and dermatology appointments, thereby marking the opening of Luz Saúde's first unit under the Public-Private Partnership. The opening was completed on 27 February with the beginning of activities at the General Emergency Ward.

In March of that year, Hospital do Mar began expansion work to meet the high demand for its specialised services. In July, renovation work began on Cliria - Clínica de Oiã.

2013

The expansion work on Hospital do Mar and the renovation of Cliria - Clínica de Oiã were completed.

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

2014

The opening of Hospital do Mar's expansion took place, as did the opening of Cliria - Clínica de Oiã's renovated wards.

In February, Luz Saúde entered the capital markets through an initial public offering, thereby becoming the first healthcare provider to be listed on Euronext Lisbon.

In October, Luz Saúde was acquired by Fidelidade – Companhia de Seguros, S.A., following a highly competitive takeover.

2015

In March, Hospital da Luz opened the expansion área of its parking lot to the public, doubling its available capacity.

In July, Luz Saúde became the sole owner of HME's share capital, the company responsible for the management of Hospital da Misericórdia de Évora.

In November, the construction works for the expansion of Hospital da Luz Clínica de Oeiras were initiated.

In December, Hospor acquired a real estate property in Vila Real, with the goal to develop a new healthcare unit in order to reinforce the Group's presence in the North of Portugal.

2016

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

The year 2016 corresponded to the beginning of the expansion works of the Hospital da Luz Lisboa, for an expected capacity increase of 80% in what is already the largest private hospital in the country.

At Hospital da Luz Clínica de Oeiras, work continued on the construction of the expansion of this unit, for a doubling of installed capacity and expansion of clinical services, with an opening scheduled for 2017.

In the Hospital da Luz Arrábida, the works of adaptation of a new ambulatory area of expansion of the unit, whose opening occurred in January of 2017, were completed.

During 2016 Luz Saúde Group acquired a plot of land in Vila Real for the development of a private reference hospital in this region, having advanced to the opening of an ambulatory unit during the period of construction of the hospital. In addition, the Group proceeded to the definitive acquisition of a clinic in Odivelas for the development of an outpatient unit in that region.

2017

In 2017, Luz Saúde acquired Clínica de Santa Catarina and Policlínica do Caniço, in Madeira Island, and the British Hospital, in Lisbon.

Works were initiated in the new ambulatory clinic in Odivelas – Hospital da Luz Clínica de Odivelas.

The expansion works in Hospital da Luz Oeiras ended, with the new facility being open to the public and the renovation of the existing building being initiated.

2018

In 2018, Luz Saúde acquired Idealmed Group in the Coimbra region, which includes one hospital that will operate as the hub in the Center region of Portugal, and four ambulatory clinics that allow for a larger influence area.

In January, Hospital da Luz Clínica de Odivelas opened to the public, a new ambulatory clinic providing consultations, imaging and other exams and treatments in the outskirts of Lisbon.

The renovation works and service reorganizations were concluded in Hospital da Luz Oeiras' original building, which allowed for the full fledge functioning of this recently expanded facility.

In September, Hospital da Luz Vila Real opened to the public, a new hospital facility in the northern region, which will allow the enlargement of the Group's reach and the ability to gain clients, through a unit with a broad set of available services.

In the end of 2018, the decision to delist Luz Saúde approved by its Shareholders on the 2018 April 13th Shareholders' Meeting was implemented, after the approval process by the Securities Market Regulator (CMVM).

01.1.3 Luz Saúde's structure and business segments

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

LUZ SAÚDE

Private Healthcare

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

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

Public Healthcare

HOSPITAL
- Hospital Beatriz Ângelo (PPP)

Other Activities

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

Financial Holdings

- Genomed (38%)
- HL - Sociedade Gestora do Edifício (10%)

01.1.4 Management and corporate body structure

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

Jorge Manuel Batista Magalhães Correia | Chairman of the Board of Directors
Isabel Maria Pereira Aníbal Vaz | Vice-Chairman of the Board of Directors and Chief Executive Officer
Chen Qiyu | Vice-Chairman of the Board of Directors
José Manuel Alvarez Quintero | Director
Wei Zhang | Director
Ivo Joaquim Antão | Member of the Executive Committee
João Paulo da Cunha Leite de Abreu Novais | Member of the Executive Committee
Rogério Miguel Antunes Campos Henriques | Director
Tomás Leitão Branquinho da Fonseca | Member of the Executive Committee

From left to right: João Abreu Novais, Tomás Branquinho da Fonseca, Isabel Vaz and Ivo Antão

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

01.2 Strategic Positioning

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

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

01.2.1 Vision

To be a benchmark healthcare provider through its excellence and innovation medical practice.

Luz Saúde's commitment is absolute and unequivocal: to ensure the best diagnosis and medical treatment that talent, innovation and dedication can provide. Luz Saúde offers a full range of healthcare services that not only ensures continued care, but also addresses changing healthcare needs throughout life.

01.2.2 Mission

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

EXCELLENCE

- Placing the interests of patients ahead of the personal interests and of the organization.
- 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 healthcare that scientific and technological advances allow.
- Investing in cutting edge technology for providing innovative treatments.

TALENT

- Working with the best professionals and fostering their continued development through training investment and implementing a culture of highly demanding standards and personal overcoming.
- Managing an efficient, high-quality healthcare structure made up of competitive and dynamic employees who are strongly committed to the organization, to its mission and values.

01.2.3 Values

Eight fundamental values are at the core of Luz Saúde's culture:

RELENTLESS PURSUIT OF RESULTS

We are determined to achieve ambitious measurable results in the implementation of our mission. We therefore pursue our ultimate goals with perseverance, even when faced with challenges and obstacles.

INTELLECTUAL RIGOUR

We self-assess all we do, approaching each issue and decision rigorously and rationally. We always strive for the best idea or solution.

CONSTANT 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 are responsible for achieving the best possible results in our sphere of business.

RESPECT AND HUMILITY

We respect others and their ideas and welcome their contributions. We acknowledge our experience's limits and value other views.

POSITIVE ATTITUDE

We have ambitious goals, enthusiastically welcome new ideas and take pride in the results.

INTEGRITY

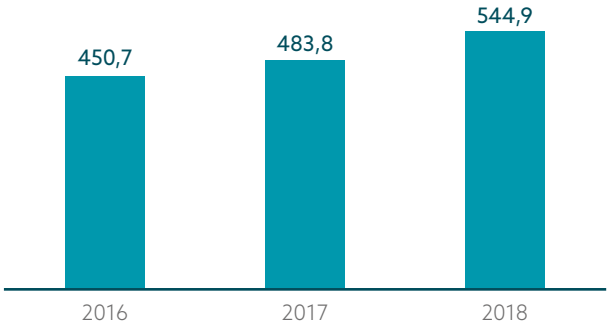
We are truthful, loyal and serious in all we do. We are always mindful of our shareholders' values and expectations and, above all, those of our clients.

TEAM SPIRIT

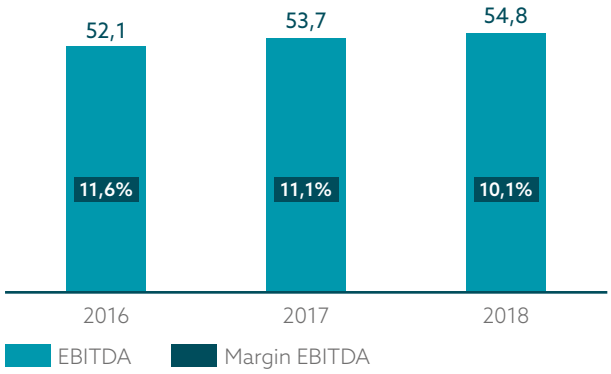
We believe a group effort is the best way to achieve our goals and enhance the impact of our initiatives on the community.

01.3 Luz Saúde Key Data

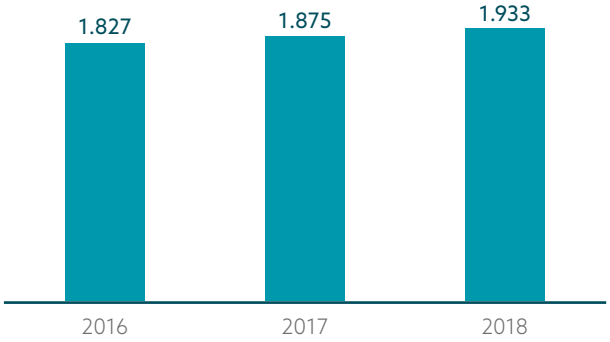
Consolidated Operating Income
Unit: millions of euros



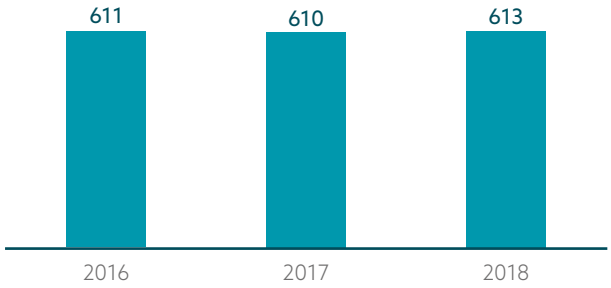
Consolidated EBITDA and EBITDA margin
Unit: millions of euros



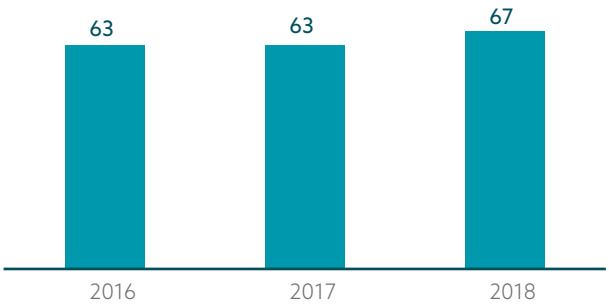
Number of medical consultations
Unit: thousands



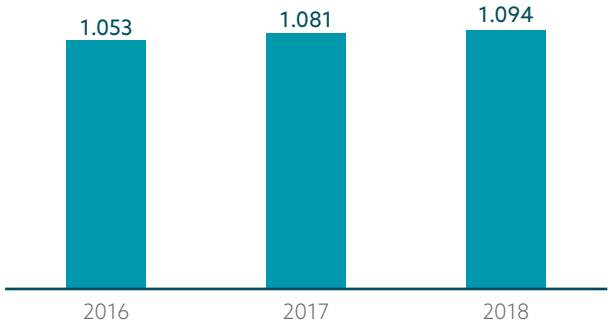
Number of emergency room visits
Unit: thousands



Number of surgeries and deliveries
Unit: thousands



Number of imaging exams
Unit: thousands

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02
MANAGEMENT REPORT

02 Management Report

02.1 Overview for 2018

In 2018, the Portuguese economy maintained the growth levels of the previous year, with GDP showing real growth of 2.2%, the second highest value in the last 10 years. In addition, the unemployment rate decreased to 7.0% of the active population, reaching the minimum value of the last 14 years. Coupled with the increase in the national minimum wage and the reduction of working hours in the public sector to 35 hours increased pressure on the labor market and on the evolution of personnel costs of corporations, which now face a more competitive environment in recruitment and maintenance of their workforce.

The health insurance market in Portugal maintained high growth levels in 2018, with a 7.8% increase in the amount of premiums issued compared to the same period of the previous year.

In the healthcare area, at the level of the public sector, 2018 was characterized by the maintenance of budgetary pressure on the basis of system costs. This situation has several implications on levels of access, quality, degree of modernization of public hospitals and motivation of employees.

With regard to the private healthcare sector, the consolidation movement was maintained due to the combined effect of financial pressure on smaller providers, especially those with greater dependence on the State, and preference by payers for large operators with a diversified portfolio of services and focus on innovation and excellence. It is estimated that these larger operators, despite the slowdown in some areas of the market, were able to achieve, in general, increases in healthcare activity, through the natural growth of the market and, above all, the capture of market share due to the referred to above.

In the end of 2018, the decision to delist Luz Saúde approved by its Shareholders on the 2018 April 13th Sharedolders' Meeting was implemented, after the approval process by the Securities Market Regulator (CMVM).

02.2 Luz Saúde overall and business segments performance

Consolidated Income Statement

(Million Euro)

	2017	2018	Var.
Operating revenues	**483.8**	**544.9**	**12.6%**
Operating costs, without depreciation and amortization	(430.1)	(490.1)	14.0%
EBITDA	**53.7**	**54.8**	**1.9%**
EBITDA margin	11.1%	10.1%	-1.0 p.p.
Depreciation	(25.7)	(28.8)	11.9%
EBIT	**28.0**	**26.0**	**-7.2%**
EBIT margin	5.8%	4.8%	-1.0 p.p.
Financial results	(7.1)	(8.7)	22.8%
EBT	**21.0**	**17.4**	**-17.3%**
Taxes	(3.7)	(3.4)	-7.8%
Net Income	**17.3**	**13.9**	**-19.3%**
Non-controlling interests	0.3	0.2	N.A.
Net Income attributable to Shareholders	**17.0**	**13.8**	**-19.1%**
EPS (Euro)	0.178	0.144	-19.1

In 2018, Luz Saúde consolidated operating revenues increased by 12.6% vis-à-vis 2017, reaching €544.9 million, driven by activity growth of 14.2% on the private healthcare segment and of 5.0% on the public segment.

EBITDA reached €54.8 million in 2018, representing a 1.9% growth vs. 2017 and EBITDA margin reached 10.1% (1.0 p.p. decrease vis-à-vis 2017). This evolution was reflected on the net income attributable to shareholders of €13.8 million, a 19% decrease versus 2017.

OPERATING REVENUES PERFORMANCE

Operating revenues by segment

(Million Euro)

	2017	2018	Var.
Consolidated operating revenues	**483.8**	**544.9**	**12.6%**
Private Healthcare	382.9	437.4	14.2%
Public Healthcare	97.3	102.2	5.0%
Other businesses	15.1	17.6	16.5%
Corporate center	17.3	20.4	17.9%
Eliminations	(28.8)	(32.7)	N.A.

The private healthcare segment operating revenues totaled €437.4 million, 14.2% above 2017. This growth was mainly fueled by the acquisition of Hospital da Luz Coimbra, by the full year effect of Hospital da Luz Funchal and Hospital da Luz Torres de Lisboa (both acquired in 2017) and by the organic growth of the existing units, although conditioned by capacity constraints, especially in the units in the Lisbon region.

The public healthcare segment operating revenues increased 5.0% to €102.2 million, as a consequence of price evolution with inflation and of an increase of complexity levels in the Hospital's activity.

The other businesses segment obtained €17.6 million operating revenues, an increase due to the growth of operations of GLSMED Trade, an internal logistics company, as well as for GLS Learning Health, a company dedicated to medical training, research and innovation.

RESULTS PERFORMANCE

Consolidated EBITDA and EBITDA margin

(Million Euro)

	2017		2018		
	€ million	Margin	€ million	Margin	Var.
Consolidated results	**53.7**	**11.1%**	**54.8**	**10.1%**	**1.9%**
Private Healthcare	59.2	15.5%	58.9	13.5%	-0.5%
Public Healthcare	(3.4)	-3.5%	(2.7)	(2.7%)	19.7%
Other businesses	0.4	2.9%	(0.2)	(1.2%)	N.A.
Corporate center	(2.5)	N.A.	(1.2)	N.A.	N.A.

In consolidated terms, Luz Saúde's EBITDA was €54.8 million and EBITDA margin decreased from 11.1% in 2017 to 10.1% in 2018.

On the private healthcare segment, EBITDA was €58.9 million and the EBITDA margin decreased from 15.5% in 2017 to 13.5% in 2018. Part of this evolution was due to the effect of the acquired units in 2018, as well as of the in process turnaround of the units acquired in 2017, which present lower than segment average margins. In addition, the generalized pressure for price reduction by some relevant payers was maintained, not always recognizing the high differentiation of healthcare provided by the Group units. This evolution was also due to the operational investment, translated in this phase into personnel costs, to reinforce the support structures for the acquisition activities, to the development of new business areas and client service, specialized training and centralization of services, together with personnel restructuring at the units level, in harmony with the strategy of increasing capacity.

On the public healthcare segment, EBITDA margin evolved positively from -3.5% to -2.7%, as a result of the implementation of efficiency improvement initiatives, with impact on external services and personnel costs, and as a result of lower net provision levels regarding management contract related penalties. These improvements were partially offset by an increase of personnel costs (increase in the number of residents and full year effect of personnel expenses growth in 2017) and by the growth in costs with anti-retroviral therapy for HIV.

In relation to the acknowledgment of the right of Hospital Beatriz Ângelo to receive payment for additional healthcare services rendered in outpatient context to HIV/AIDS patients, the manager entity of the Hospital has in the past triggered the mechanisms of dispute resolution set out in the Management Contract. This corresponds to a measure with significant impact in the hospitals' financial performance. In particular, for Hospital Beatriz Ângelo, the recognition of this right would represent an estimated impact of € 3.3 million for 2018.

The economic benefit to the Portuguese State of the public private partnership of Hospital Beatriz Ângelo is clear from the comparative analysis of the operational costs per standardized patient of this unit at national level and in particular in the context of the ARSLVT, where it operates.

However, in order for the sustainability of the model and its benefits to the State not to be exhausted in a short-term perspective, it implies that the partnership necessarily involves a balance of benefits between the State and the private operator, as well as an adequate risk sharing, which must necessarily take into account risk control capabilities criteria and on a bona fide basis, as well as fairness of treatment in the context of the National Health Service.

CONSOLIDATED BALANCE SHEET

(Million Euro)

	2017 Dec	2018 Dec
Fixed assets	420.6	520.0
Working capital	28.6	26.7
Net debt	241.8	297.5
Net debt / EBITDA	4.5	5.4

In 2018, Luz Saúde consolidated CAPEX was €83.1 million, of which €57.7 million corresponded to expansion CAPEX, whether in geographic expansion, with the opening of Hospital da Luz Vila Real and with the investment in progress in increasing the capacity of Hospital da Luz Lisboa. The remainder €25.4 million corresponded to replacement and technological upgrade CAPEX, distributed across the Group's facilities, with emphasis on the continued investment in the area of imaging diagnostic.

With this investment, total fixed assets amounted to € 520.0 million at the end of the reporting period, explained by the company's strategy of detaining most of its assets, with a significant real estate portfolio, which includes both healthcare units and the land where the said units are located.

By the end of 2018, Luz Saúde consolidated net debt reached €297.5 million, representing a €55.7 million increase from 2017 EOY value, mainly driven by investments in expansion. This increase combined with the evolution of EBITDA levels led to an increase of Net debt / EBITDA to 5.4 times, comparing to 4.5 in 2017 EOY.

02.3. Main risks and uncertainties for Luz Saúde

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

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

Financial risks

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

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

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

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

Credit risk

Credit risk results from the possibility of financial losses arising from a debtor's default on the contractual obligations established with the Group in the scope of its activity.
The Group's exposure to credit risk is essentially related to the receivables arising from the operating activity and the monetary funds managed within the scope of the Group's treasury activity.

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

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

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

Liquidity risk

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

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

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

Market risk

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

All the financing lines contracted by the company are remunerated based on Euribor rates plus a spread.

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

The instruments contracted taking into account the level of financial debt that the Group has at December 31, 2018, and considering the level of efficiency expected (given the expected future positive evolution of interest rates in the European Union), it is reasonable to say that approximately 49.2% of the financial debt of the Group as at December 31, 2018 is exposed to the fixed interest rate (2017: 60.8%).

Economic Risks

Economic environment

Luz Saúde's income comes from activities located in Portugal. As a result, operating results are, and are expected to remain, significantly affected by financial, economic and political developments in Portugal, or directly or indirectly affecting Portugal.

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

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

Competition

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

In addition, in recent years the health sector in Portugal has witnessed a consolidation movement as health care providers seek greater operational efficiency as a result of the contraction of the economy and the adverse behavior of the financial markets which is expected to continue.

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

Operational Risks

Clinical Risk

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

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

Information Security and Information Systems

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

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

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

Tecnologic innovation

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

Investment in research and development is a strategic focus of Luz Saúde and a way to mitigate the risk of diminishing demand.

In 2016, Luz Saúde created GLSMed Learning Health (GLSLH), a company focused on training, research and innovation in the areas of health care delivery and management, in addition to developing partnerships with universities in a retention perspective for talent and obtaining new cooperation agreements. GLSLH

also supports startups in the health area by promoting the development of innovative products and services.

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

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

Business relationships

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

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

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

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

Talent Management

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

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

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

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

02.4 Environmental information

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

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

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

In 2018, during the course of business, the Group did not incur significant environmental costs. No environmental liabilities have been recorded in the financial statements, nor has any environmental contingency been disclosed given Management's belief that, on that date, there are no obligations or contingencies arising from past events with significant material costs for the company.

02.5 2019 outlook

In 2019, Luz Saúde will maintain its focus on leveraging the high demand for its services in the private health care segment, specifically in response to the high growth of health insurance, by continuously improving the utilization of installed capacity, asset turnover and, consequently, overall profitability.

At the same time, the company will continue its expansion plans, namely the doubling of the installed capacity of Hospital da Luz Lisboa, with the gradual opening of the new capacity in 2019 second half.

The expansion of Hospital da Luz Lisboa (the largest private hospital in Portugal) represents an evolutionary leap in Luz Saúde's value creation path and is one of the Group's greatest challenges. This unit will be a landmark in the health market due to its size (165 offices, 16 operating rooms, 351 beds and one of the country's most complete and advanced imaging equipment offer) and its innovative approach based on the principles of value based medicine.

In addition, Luz Saúde will be focused in the ramp-up of recently acquired units (Hospital da Luz Coimbra) and of units with organic expansion (capacity increase and service portfolio expansion in Hospital da Luz Oeiras and opening of Hospital da Luz Vila Real), in order to potentiate their growth and improve their profitability. Regarding Hospital da Luz Coimbra, Luz Saúde's focus will be on the development of its operational activity, as well as on the articulation with the other units, which will consolidate Luz Saúde Group's position in the Center region. Finally, Luz Saúde will continue to be active in materializing consolidation opportunities in the domestic market.

On the public healthcare segment, the Group will be focused on maintaining the high standards of quality and clinical effectiveness of the services provided to its patients and on efficiency enhancement initiatives, in order to improve Hospital Beatriz Ângelo's profitability levels.

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

02.6 Profit allocation proposal

For the year ended on 31 December 2018, there was a net consolidated profit of €13,763,818 and a net profit in the individual accounts of €22,632,505.58.

In accordance with the applicable accounting standards, the Company recognized in the accounts for the year, a value of €525,000 as an estimate for profit distribution to employees and Executive Directors of the company.

In this context and under the provisions set out by law and bylaws, the Board of Directors proposes that the 2018 net profit in the total amount of €22,632,505.58, determined based on the individual financial statements, be allocated as follows:

(i) Legal Reserve: €1,131,625.28
(ii) Free Reserve: €21,500,880.30

In addition to the above mentioned, it is proposed the distribution to LUZ SAÚDE employees and Executive Directors, a maximum amount of € 525,000 (an amount that, given the applied accounting rules, is already reflected in the individual net profit for the financial year ended on 31 December 2018) and the Remuneration Committee shall determine the amount to be allocated to Executive Directors.

02.7 Authorizations Granted for Transactions between the Company and its Directors

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

02.8 Annex to the Consolidated Annual Report

Information on shareholdings of members of the management and supervisory bodies in the company's share capital as of 31 December 2018

Luz Saúde, SA hereby discloses, pursuant to article 447(5) of the Portuguese Companies Code, the detail about shareholdings in the company held by members of the management and supervisory bodies, as at 31 December 2018.

Members of the management and supervisory bodies	Shareholdings as at 1 January 2018	Additions during the period	Decreases during the period	Shareholdings as at 31 December 2018
Isabel Maria Pereira Aníbal Vaz	50,000	-	-	50,000
João Paulo da Cunha Leite de Abreu Novais	40,000	-	-	40,000
Tomás Leitão Branquinho da Fonseca	40,000	-	-	40,000
Ivo Joaquim Antão	40,000	-	-	40,000

STATUTORY AUDITORS

The Statutory Auditors, Ernst & Young Audit & Associados - SROC, S.A., have no shareholding as at 31 December 2018, having made no transactions with any Luz Saúde, SA securities.

LIST OF TRANSACTIONS OF SENIOR OFFICERS AND CLOSELY RELATED PERSONS THEREWITH

Luz Saúde, SA hereby discloses, in accordance with Article 14(7) of CMVM Regulation 5/2008, that no transactions were made by company managers during the period between 31 December 2017 and 31 December 2018.

LIST OF QUALIFIED SHAREHOLDERS AS AT 31 DECEMBER 2018

The Company's share capital and voting rights as at 31 December 2018 included the following qualified shareholdings of at least 2% of Luz Saúde's share capital, calculated according to article 20 of the Portuguese Securities Code:

List of qualified shareholders (as at 31.12.2018)	Number of Shares	Capital (%)	Voting rights (%)
Fidelidade – Companhia de Seguros, S.A.	48,110,315	50.36	50.36
Fosun International Limited	46,815,704	49.00	49.00

INFORMATION ABOUT OWN SHARES

During the period between 31 December 2017 and 31 December 2018 there were no transactions with Luz Saúde shares

On 31 December 2018, there were no own shares of Luz Saúde, S.A. share capital.

STATEMENT UNDER THE TERMS OF ARTICLE 246, PARAGRAPH 1, C), OF THE SECURITIES CODE

In accordance with Article 246, paragraph 1, c) of the Securities Code, the Board of Directors of Luz Saúde, SA, whose name is listed below, declare that, to their knowledge:

a) The 2018 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, financial position and results, as well as those of the companies included in its consolidation perimeter;
b) The management report faithfully portrays the important events occurred in 2018 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following year.

Lisbon, 6 May 2019

(Jorge Manuel Batista Magalhães Correia)
(Isabel Maria Pereira Aníbal Vaz)
(Chen Qiyu)
(Yili Kevin Xie)
(Wei Zhang)
(Ivo Joaquim Antão)
(João Paulo da Cunha Leite de Abreu Novais)
(Rogério Miguel Antunes Campos Henriques)
(Tomás Leitão Branquinho da Fonseca)


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02

03 CONSOLIDATED FINANCIAL STATEMENTS

03
Consolidated Financial Statements

(free translation from the original version in portuguese)

Consolidated statement of comprehensive income for the year ended 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Income and gains			
Revenue from services rendered	4/5	542,978,251	481,924,599
Other operating income	6	1,873,718	1,894,147
Finance income		154,563	80,563
Total income and gains		**545,006,532**	**483,899,309**
Expenses and losses			
Inventories consumed and sold	7	(86,867,477)	(76,009,755)
Costs of services and materials	8	(249,201,620)	(217,692,984)
Personnel expenses	9	(149,111,501)	(132,128,536)
Depreciation and amortization	13/14	(28,757,280)	(25,703,004)
Other operating expenses	10	(2,487,854)	(3,262,444)
Provisions, net of reversals	22	(811,764)	(294,367)
Impairment of receivables, net of reversals	16	(1,581,062)	(686,298)
Finance costs	11	(8,831,762)	(7,146,198)
Total expenses and losses		**(527,650,320)**	**(462,923,586)**
Profit before income tax		**17,356,212**	**20,975,723**
Income tax expense	12	(3,423,059)	(3,711,052)
Profit for the year		**13,933,153**	**17,264,671**
Other comprehensive income:			
Items that maybe reclassified to results:			
Cash flow hedges, net of tax	26	(273,119)	1,078,228
Other comprehensive income for the year		**(273,119)**	**1,078,228**
Comprehensive income for the year		**13,660,034**	**18,342,899**
Profit attributable to:			
Equity holders of the parent		13,763,818	17,013,998
Non-controlling interests	21	169,335	250,673
Comprehensive income attributable to:			
Equity holders of the parent		13,490,699	18,092,226
Non-controlling interests	21	169,335	250,673
Basic earnings per share	**28**	**0.144**	**0.178**
Diluted earnings per share	**28**	**0.144**	**0.178**

Notes are an integral part of these consolidated financial statements

Consolidated balance sheet as at 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Assets			
Non-current assets			
Property, plant and equipment	13	366,229,044	294,142,028
Intangible assets	14	152,817,511	125,484,486
Investments in associates	15	952,090	27,063,481
Other receivables	17	3,537,603	1,007,272
Deferred tax assets	12	5,901,602	1,267,038
Total non-current assets		**529,437,850**	**448,964,305**
Current assets			
Inventories	18	12,375,818	11,538,902
Trade and other receivables	16	154,594,607	140,936,264
Current income tax receivable	12	2,446,695	-
Cash and cash equivalents	19	59,895,072	57,778,921
Total current assets		**229,312,192**	**210,254,087**
Total assets		**758,750,042**	**659,218,392**
Shareholders' Equity			
Equity and reserves			
Share capital		95,542,254	95,542,254
Share premium		61,795,793	61,795,793
Reserves and retained earnings		89,604,463	76,181,659
Total equity attributable to equity holders of the parent	**20**	**246,942,510**	**233,519,706**
Shareholders' equity attributable to non-controlling interests	21	2,032,690	1,857,794
Total shareholders' equity		**248,975,200**	**235,377,500**
Liabilities			
Non-current liabilities			
Provisions	22	11,697,402	10,080,600
Borrowings	25	245,261,014	240,598,056
Derivative financial instruments	26	3,417,493	3,109,947
Finance lease liabilities	25	45,199,272	27,477,884
Total non-current liabilities		**305,575,181**	**281,266,487**
Current liabilities			
Trade payables	23	57,600,870	42,440,136
Other payables	23	75,138,108	64,928,547
Borrowings and bank overdrafts	25	54,851,845	23,290,974
Current income tax payable	12	-	358,009
Finance lease liabilities	25	8,660,732	5,064,896
Deferred income and other current liabilities	24	7,948,106	6,491,843
Total current liabilities		**204,199,661**	**142,574,405**
Total liabilities		**509,774,842**	**423,840,892**
Total shareholders' equity and liabilities		**758,750,042**	**659,218,392**

Notes are an integral part of these consolidated financial statements

Consolidated statement of cash flow for the year ended 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Operating activities			
Receipts from customers		536,542,897	493,974,409
Payments to suppliers		(325,536,477)	(292,860,157)
Payments to employees		(84,464,833)	(73,993,661)
Cash flow generated from operations		**126,541,587**	**127,120,591**
Income tax paid	12	(7,932,036)	(3,594,659)
Other receipts/(payments) related with operating activities		(61,353,132)	(62,787,351)
Net cash flow generated from operating activities		**57,256,419**	**60,738,581**
Investing activities			
Proceeds from:			
Sale of property, plant and equipment		71,557	160,505
Investments in associates	15	-	90,000
Investment grants		215,123	49,000
Interest received		163,643	33,648
Payments related with:			
Purchase of property, plant and equipment		(67,311,712)	(37,392,623)
Purchase of intangible assets		(2,918,783)	(998,832)
Investments in associates	15	-	(26,105,000)
Acquisition of subsidiary	32	(92,335)	(10,022,053)
Net cash flow used in investing activities		**(69,872,507)**	**(74,185,355)**
Financing activities			
Proceeds from:			
Proceeds from borrowings		624,392,400	697,579,067
Payments related with:			
Repayment of borrowings		(594,183,419)	(653,180,170)
Repayment of financial lease liabilities		(7,323,412)	(6,380,703)
Interest and other similar expenses paid	11	(8,585,662)	(8,095,321)
Net cash flow from financing activities		**14,299,907**	**29,922,873**
Change in cash and cash equivalents		**1,683,819**	**16,476,099**
Changes in group perimeter	32	432,332	(184,012)
Cash and cash equivalents at the beginning of the year	**19**	**57,778,921**	**41,486,834**
Cash and cash equivalents at the end of the year	**19**	**59,895,072**	**57,778,921**

Notes are an integral part of these consolidated financial statements

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2018

In euros

	Share capital	Treasury shares	Share premium	Reserves and retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2017	**95,542,254**	**(656,388)**	**61,795,793**	**58,745,821**	**215,427,480**	**1,619,692**	**217,047,172**
Transactions with owners under capacity as owners							
Acquisition of a subsidiary	-	-	-	-	-	(12,571)	(12,571)
Share-based payments							
Vesting of shares granted	-	656,388	-	(656,388)	-	-	-
Total direct change in shareholders' equity	**-**	**656,388**	**-**	**(656,388)**	**-**	**(12,571)**	**(12,571)**
Profit for the year	-	-	-	17,013,998	17,013,998	250,673	17,264,671
Other comprehensive income for the year (note 26)	-	-	-	1,078,228	1,078,228	-	1,078,228
Balance as at 31 December 2017	**95,542,254**	**-**	**61,795,793**	**76,181,659**	**233,519,706**	**1,857,794**	**235,377,500**
Balance as at 1 January 2018	**95,542,254**	**-**	**61,795,793**	**76,181,659**	**233,519,706**	**1,857,794**	**235,377,500**
Transactions with owners under capacity as owners							
Acquisition of non-controlling interests of a subsidiary (note 1.2 and 21)	-	-	-	(67,895)	(67,895)	5,561	(62,334)
Total direct change in shareholders' equity	**-**	**-**	**-**	**(67,895)**	**(67,895)**	**5,561**	**(62,334)**
Profit for the year	-	-	-	13,763,818	13,763,818	169,335	13,933,153
Other comprehensive income for the year (note 26)	-	-	-	(273,119)	(273,119)	-	(273,119)
Balance as at 31 December 2018	**95,542,254**	**-**	**61,795,793**	**89,604,463**	**246,942,510**	**2,032,690**	**248,975,200**

Notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements
(Amounts expressed in Euros)

1. General information on the activities of the group and reporting entity

Luz Saúde, SA (hereinafter LUZ SAÚDE, or "Company" and together with its subsidiaries named as "Group") is a limited liability company, with registered office in Lisbon, Rua Carlos Alberto Mota Pinto 17 – 9º floor, being the parent company of LUZ SAÚDE Group, the Group is made-up of companies that operate exclusively in the provision of healthcare, including the management of acute hospitals, outpatient clinics, residential hospitals, senior residences with services and a National Health System ("NHS") hospital under public private partnerships ("PPPs").

LUZ SAÚDE has been listed on the Lisbon Stock Exchange ("BVL") from February 11, 2014 until November 28, 2018. On this date, pursuant to article 29, paragraph 1, of the Portuguese Securities Code ("CVM") and following the publication of the favorable decision by the Portuguese Securities Market Commission ("CMVM") the loss of the quality of public company deliberated in the Shareholders' General Meeting, has become effective.

LUZ SAÚDE is controlled by Fosun International Holding Ltd through Fidelidade - Companhia de Seguros, SA (note 23).

The Group's activity throughout 2018, its financial position and economic performance were affected by the following events:

(i) acquisition of control over the Idealmed Group, which operates the Hospital da Luz Coimbra (formerly Idealmed UHC – Unidade Hospitalar de Coimbra) and four outpatient clinics in the center of Coimbra, Figueira da Foz, Pombal and Cantanhede;
(ii) expansion of the Hospital da Luz Lisboa;
(iii) completion of the construction and opening of a new unit in Vila Real (Hospital da Luz - Vila Real) in September 2018.

On 6 May 2018, the Board of Directors approved and authorized the disclosure of these financial statements.

1.1. Group composition and changes

1.1.1. Group composition as at 31 December 2018

As at 31 December 2018 the entities fully consolidated are:

	Registered office	Percentage of share capital held [1]		Segment
		31-Dec-18	31-Dec-17	
Parent company:				
Luz Saúde, SA	Lisbon	-	-	Corporate Center
Subsidiaries:				
BMC - British Hospital Management Care, SA ("BMC") [4]	Lisbon	-	90.41%	Private
British Hospital Lisbon XXI, SA ("BH") [4]	Lisbon	-	100.00%	Private
Capital Criativo Health Care Investments, SA ("CCHCI") [4]	Lisbon	-	100.00%	Private
Capital Criativo Health Care Investments II, SA ("CCHCI II") [5]	Lisbon	80.00%	10.00%	Private
Casas da Cidade - Residências Sénior de Carnaxide, SA ("CASAS CARNAXIDE")	Oeiras	100.00%	100.00%	Other activities
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100.00%	100.00%	Other activities
CLIRIA - Hospital Privado de Aveiro, SA ("CLIRIA")	Aveiro	93.45%	93.45%	Private
CRB - Clube Residencial da Boavista, SA ("CRB")	Oporto	100.00%	100.00%	Private
GLSMED Learning Health, SA ("GLSLH")	Lisbon	100.00%	100.00%	Other activities
GLSMED Trade, SA ("GLST")	Lisbon	100.00%	100.00%	Other activities
HME - Gestão Hospitalar, SA ("HME")	Évora	100.00%	100.00%	Private
Hospital da Arrábida - Gaia, SA ("HAG")	V. N. Gaia	100.00%	100.00%	Private
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100.00%	100.00%	Private
Hospital da Luz - Coimbra, SA ("HLC") [5]	Coimbra	80.00%	-	Private
Hospital da Luz - Guimarães, SA ("HLG")	Guimarães	100.00%	100.00%	Private
Hospital da Luz - Oeiras, SA ("HLO")	Oeiras	100.00%	100.00%	Private
Hospital da Luz, SA ("HLL")	Lisbon	100.00%	100.00%	Private
Hospital Residencial do Mar, SA ("HRM")	Loures	75.00%	75.00%	Private
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100.00%	100.00%	Private
Idealmed Ponte Galante, SA ("IPG") [5]	Figueira da Foz	80.00%	-	Private
Imacentro – Clínica de Imagiologia Médica do Centro, SA ("IMA") [5]	Coimbra	80.00%	-	Private
Instituto de Radiologia Dr. Idálio de Oliveira - Centro de Radiologia Médica, SA ("IRIO")	Lisbon	100.00%	100.00%	Private
Luz Saúde - Serviços, ACE ("ACE") [2]	Lisbon	100.00%	100.00%	Corporate Center
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	Lisbon	100.00%	100.00%	Mix [3]
Microcular - Centro Microcirurgia Ocular, Laser e Diagnóstico, SA ("CMO") [4]	Lisbon	-	100.00%	Private
NID - Núcleo de Imagem Diagnóstica, Lda ("NID")	Funchal	81.35%	81.35%	Private
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75.00%	75.00%	Private
SCH - Sociedade de Clínica Hospitalar, SA ("SCH")	Funchal	81.35%	81.35%	Private
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	99.99%	99.99%	Public
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100.00%	100.00%	Private
Vila Lusitano - Unidades de Saúde, SA ("VLUSITANO")	Lisbon	75.00%	75.00%	Private

(1) the percentage of share capital held includes the direct and indirect holding of Luz Saúde in the subsidiaries.
(2) Luz Saúde – Serviços, ACE, has no share capital, and aggregates twelve companies of the Group. The percentage disclosed refers to the voting rights held by the Group.
(3) Luz Saúde – Unidades de Saúde e de Apoio à Terceira idade, SA is part of the segments: Private and Other activities.
(4) Merged company by incorporation into HLL
(5) Luz Saúde, SA holds an purchase option for the remaining 20% of the company's shares, as such, for consolidation purposes, it was considered that the Group's interest in these companies is 100%

As at 31 December 2018 the associated companies are:

	Registered office	Percentage of share capital held	
Associated companies:		**31-Dec-18**	**31-Dec-17**
GENOMED - Diagnósticos de Medicina Molecular, SA ("GENOMED")	Lisbon	37.50%	37.50%
HL - Sociedade Gestora do Edifício, SA	Oeiras	10.00%	10.00%

1.1.2. Changes in the consolidation perimeter

In the year ended December 31, 2018 and 2017, operations were carried out that changed the Group's composition, to include in the consolidation perimeter businesses acquired by the Group from the date in which the control is acquired:

1.1.2.1. Acquisition of control of Idealmed Group in March 2018

On March 27, 2018, following the communication from the Competition Authority to the non-opposition of the operation, LUZ SAÚDE acquired control of a group of companies (increasing its share from 10% to 80%), designated by Grupo Idealmed (a group formed by the companies Capital Criativo Health Care Investments II, SA, Idealmed III - Serviços de Saúde, SA, Imacentro - Clínica de Imagiologia Médica do Centro, SA, and Idealmed Ponte Galante, SA), which includes Hospital of Luz Coimbra (formerly Idealmed UHC – Unidade Hospitalar de Coimbra) and four clinics for ambulatory care in the center of Coimbra, Figueira da Foz, Pombal and Cantanhede (note 32). On the same date, LUZ SAÚDE celebrated a contract with a call option for the remaining 20% of CCHCI II shares.

1.1.2.2. Acquisition of 9.59% of British Hospital Management Care, SA in May 2018

In May 2018 were acquired from non-controlling interests, shares representing 9.59% of BMC capital, and from this date the Group held a 100% interest in this entity. At a later date, this company was merged by incorporation into Hospital da Luz, SA.

1.1.2.3. Acquisition of 81.35% if S.C.H. Sociedade Clínica Hospitalar, SA in March 2017

In March 2017, LUZ SAÚDE acquired 81.35% of S.C.H. Sociedade Clínica Hospitalar, SA which owned 100% of the company Núcleo de Imagem Diagnóstica, Lda (note 32.2).

1.1.2.4. Acquisition of British Hospital Group in July 2017

In July 2017, LUZ SAÚDE acquired the entire share capital and voting rights of Capital Criativo Health Care Investments, SA, British Hospital - Lisbon XXI, SA, Microcular – Centro Microcirurgia Ocular, Laser e Diagnóstico, SA, and 90,41% of the share capital and voting rights of British Hospital Management Care, SA (all together "British Hospital Group" or "GBH") (note 32.3). These companies were merged by incorporation into the company Hospital da Luz, SA in 2018.

2. Basis of presentation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (note 1.1.1) based on historical cost, in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU) as at 31 December 2018, modified by the application of the fair value of the derivative financial instruments and financial assets recognized at fair value through profit or loss. These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

The financial statements are expressed in Euros.

Until 31 December 2005, inclusive, LUZ SAÚDE's consolidated financial statements were prepared according to the generally accepted accounting principles used in Portugal. Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 which was transposed into Portuguese law under Decree-Law 35/2005 of 17 February, the Group's consolidated financial statements could be prepared according to IFRS as of the 2006 financial year. Therefore, the Board of Directors decided to prepare the consolidated financial statements as of 1 January 2006 according to IFRS as adopted by the European Union.

Preparing the consolidated financial statements according to IFRS requires the Group to make judgments, estimates and assumptions that affect how accounting policies are applied and the amounts presented as income, expenses, assets and liabilities. Changes to these assumptions or differences with respect to the actual reality may have an impact on current estimates and judgments (note 3). The main accounting policies used in the preparation of these consolidated financial statements are presented in note 35.

2.1. Comparability

The comparability of the consolidated financial statements is influenced by changes in the Group's consolidation perimeter throughout 2018 and 2017, since (i) the operations of the entities that joined the Group during 2018 are only considered as from the date of acquisition of control by the Group, and (ii) the entities that joined the Group in 2017, present 12 months of operations in 2018 that compare with a partial period in 2017 in terms of the presentation of the consolidated statement of comprehensive income and consolidated statement of cash flows.

2.2. New standards, amendments or interpretations

During the year of 2018, accounting standards and interpretations were approved and published in the Official Journal of the European Union ("OJ"). These apply to subsequent financial years, although its early adoption is permitted. The standards and amendments adopted by the Group in preparing its consolidated financial statements, as well as the standards not early adopted are summarized below.

2.2.1. New standards, amendments or interpretations applicable to financial years beginning on or after 1 January 2018

Following endorsement by the European Union ("EU"), the Group adopted (when applicable) the following standards, revisions, amendments and improvements to the Standards and Interpretations as of 1 January 2018:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2014	IFRS 15 – Revenue from Contracts with Customers	1 January 2018
July 2014	IFRS 9 – Financial Instruments	1 January 2018
April 2016	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
September 2016	IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts (amendments)	1 January 2018
June 2016	IFRS 2: Classification and Measurement of Share-Based Payment Transactions (amendments)	1 January 2018
December 2016	Annual improvements to IFRS standarts 2014-2016 cycle	1 January 2018
December 2016	IFRIC 22: Foreign Currency Transactions and Advance Consideration and (new)	1 January 2018
December 2016	IAS 40: Transfer of Investment Property (amendments)	1 January 2018

2.2.1.1. IFRS 15 Revenue from Contract with Costumers

The new standard IFRS 15 Revenue from Contracts with Customers establishes that the recognition of revenue from contracts entered into with clients must be carried out in accordance with a five-step model, and it must be recognized at the amount that the Group expects to receive from the client in exchange for the goods or services provided.

The analysis made to the impact of the adoption of the mentioned legislation, it was concluded that the revenue recognition model followed was already in line with the one recommended in IFRS 15, since:

• medical acts, whether performed on a different basis (consultations, examinations, treatments) or jointly with other complementary medical acts (surgeries, births, treatments), are treated and recognized independently (ie act by act), with the recognition of revenue at the specific moment in time when, the assumed performance obligations are completed;
• services rendered on a continuous basis over time (surgical internment, non-surgical internment, stays in senior residences, provision of emergency services in the case of the Public-Private Partnership ("PPP"), among others) are recognized on a temporary basis, because the client receives and consumes the benefits of the service at the same time line.

2.2.1.2. IFRS 9 Financial Instruments

IFRS 9 has impact in three different areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The Company analyzed the impact of adopting this standard and

there were no significant impacts on the Company's balance sheet.

The main impacts of adopting this standard refer to the need to record impairment losses in accordance with an impairment model based on "expected losses", which replaces the previous model based on "incurred losses". Thus, it is no longer necessary for the loss event to occur so that an impairment is recognized.

The standard also provides the possibility of applying the simplified method for financial assets that meet the specified requirements. In this case, the impairment loss is measured at the initial time and during the asset period for an amount equal to the loss expected during the life of the asset.

From the application of the impairment requirements under IFRS 9, as of January 1, 2018, there were no significant impact to the consolidated financial statements, considering the policy of impairment recording already followed by the Group.

The adoption of these standards, interpretations and amendments to the standards did not have a significant impact on the consolidated financial statements.

2.2.2. New standards, amendments and interpretations issued by the IASB, endorsed by the European Union (EU), and applicable to the financial years beginning after 1 January 2018

On 31 December 2018, the following improvements to the Standards and Interpretations issued by the IASB had already been endorsed by the EU. However, their application only becomes mandatory for the financial years beginning after 1 January 2018.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
January 2016	IFRS 16 - Leases (new)	1 January 2019
October 2017	IFRS 9: Prepayment Features with Negative Compensation (amendments)	1 January 2019
June 2017	IFRIC 23 Uncertainty over income tax treatments (new)	1 January 2019

The Group did not make an early adoption of the mentioned amendments, and except for the adoption of IFRS 16 - Lease contracts, no significant impacts on the consolidated financial statements arising from their adoption are anticipated.

2.2.2.1. IFRS 16 Leases

IFRS 16 Leases eliminates the classification of leases between operating or financial leases for lessees by introducing a single accounting model, similar to the current model that is used for financial leases by lessees, replacing IAS 17 - Leases and their interpretative guidelines.

This model provides for the recognition in the lessee's balance sheet of the assets and liabilities related to all leases with a period of more than 12 months and that do not have a low value, recording a depreciation and interest expense separately in the statement of comprehensive income.

The application of the standard is mandatory for years beginning on or after January 1, 2019

At the reporting date, the Group identified non-cancellable operating lease contracts in amount of €45 to €50 million. Of these, contracts between €500 thousand and €1,500 thousand relate to contracts with a duration of less than 12 months or with a reduced value, which will continue to be recognized in profit or loss on a regular basis. For the remaining contracts, the Group expects to recognize, in the transition to IFRS 16, assets and liabilities for the right of use, between €25 and €30 million.

As a result of the adoption of this standard, the Group expects that the pre-tax result of the initial year of adoption of this standard will be negatively influenced by a range between €500 thousand and €1,250 thousand. Similarly, cash flows from operating and financing activities will be positively and negatively influenced, respectively, by an amount in the range of €4 to €6 million.

The actual impacts of adopting the standard on January 1, 2019 may differ from those estimated due to the fact that:

- the Group is still finalizing the testing and evaluation of the controls of its new information systems; and
- the new accounting policies are subject to change until the Group presents the first consolidated financial statements that include the date of the initial application.

2.2.3. New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union by 31 December 2018

On 31 December 2018, the following standards, revisions, amendments and improvements to the Standards and Interpretations, issued by the IASB were still pending approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2017	IFRS 17 Insurance contracts (new)	1 January 2021
October 2017	IAS 28: Long-term interests in associates and joint ventures (amendments)	1 January 2019
December 2017	Annual improvements to IFRS standards for the 2015-2017 cycle	1 January 2019
February 2018	IAS 19: Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
March 2018	References to the Conceptual Framework in IFRS Standards (amendments)	1 January 2020
October 2018	IFRS 3: Business Combination (amendments)	1 January 2020
October 2018	IAS 1 and IAS 8: Definition of material (amendments)	1 January 2020

The Group has not early adopted the mentioned amendments, and the adoption is not expected to have a material impact on the consolidated financial statements of the Group.

3. Significant estimates and judgments used in preparing the consolidated financial statements

IFRS establish a number of accounting options and require the Board of Directors to make the necessary judgments, estimates and decide the most suitable accounting option according to the Group's operations. The main accounting estimates and judgments used by the Group when applying accounting policies are presented in this note not only for their disclosure, but to improve the understanding of how their application affects LUZ SAÚDE's reported financial position and results, and have as reference date the reporting date.

Considering that in many situations there are alternatives to the accounting policies adopted by the Board of Directors, the amounts recognized in the consolidated financial statements reported by LUZ SAÚDE could have been different had a different policy been chosen. The Board of Directors believes the choices made are appropriate and the consolidated financial statements adequately present the Group's consolidated financial position, consolidated results and consolidated cash flows of its operations in all material respects.

The options presented are only for a better understanding of the consolidated financial statements and are not intended to suggest that other options or estimates would be more appropriate.

3.1. Property, plant and equipment and intangible assets - estimated useful lives

Depreciations and amortizations are calculated on the acquisition cost on a straight-line basis, as of the month the asset becomes available for use. The depreciation and amortization rates applied reflect the best estimate of useful life (notes 35.2.1 and 35.2.2). Residual asset values and the respective useful lives are revised and adjusted when deemed necessary.

3.2. Impairment on trade and other receivables

Impairment losses on doubtful receivables are based on the Group's assessment of the probability of recovering the balances of accounts receivable (note 16) and on the results of the provision for expected credit losses for loans of an operational nature. Both the evaluation process and the provisioning model for expected credit losses vary according to the time of default, the debtor's credit history, the nature of its activity and the deterioration of the debtors' credit situation. If the debtors' financial conditions deteriorate, impairment losses may be higher than expected (note 33.1).

3.3. Provisions

The Group exercises considerable judgement in measuring and recognizing provisions. Judgment is indispensable to assess the probability of a successful outcome for certain pending litigation. Provisions are accrued when the Group considers an unfavorable outcome in pending litigation to be likely and thereby a reasonably estimated outflow of funds is expected. Due to uncertainties inherent to 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 processes becomes available. The provisions established by the Group relate essentially to tax and contractual penalties resulting from contracts entered into by the Group (note 29). Revisions of these estimated losses may affect future earnings (note 22).

3.4. Income tax and deferred tax

Certain interpretations and estimates must be made in order to determine the amount of income tax liability and deferred taxation. There are a number of transactions and calculations for which the determination of the final amount of income tax to be paid is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of income taxes, both current and deferred, to be recognized in the period, of which we highlight:

• the recognition of deferred tax assets only to the extent that it is expected to generate future taxable income capable of absorbing deductible temporary differences. As of December 31, 2018, the Group has tax losses amounting to €8,100 thousand (2017: €6,900 thousand) for which no deferred tax assets were recognized.
• recognition of deferred tax assets in respect of tax credits arising from research and development projects developed internally under SIFIDE. Given that the tax credit value of each year is only known in the following year, the Group estimates the tax credit values based on the efforts made in the year and the historical approval rates. As of December 31, 2018, the amount recorded based on an estimated value amounts to approximately €750 thousand.

The Tax Authorities are entitled to review the Group's calculation of taxable income for a period of four to ten years, if there are tax losses carried forward (five years for Social Security). Corrections may therefore be made to taxable income, mainly due to different interpretations of tax laws. The Board of Directors believes, however, there will be no significant corrections to the income taxes reported in the consolidated financial statements. Note 29 presents the situations that are in dispute with the Tax Authorities.

3.5. Goodwill

The Group tests on an annual basis impairment of goodwill recognized as an intangible asset. For this purpose, the Group estimates the recoverable amount of cash-generating units to which goodwill is allocated. The recoverable amount is calculated based on the value in use, which results from 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 LUZ SAÚDE's Board of Directors, significant impairment losses may need to be recognized (note 14).

3.6. Management agreement for Loures Hospital

As described in note 35.2.7, the management agreement for Loures Hospital establishes that the invoicing of medical acts rendered is performed monthly for an amount equivalent to 1/12 of 90% of the annual amount agreed. The remainder amounts are invoiced in the following financial year, following the conclusion by the parties of the validation procedure thereof.

At the reporting date, a portion of the services rendered by this business unit have not yet been invoiced and are pending the conclusion of the validation process thereof by the contracting entity.

As at 31 December 2018, and although the payment defined in the management contract have been performed, there are values related to services rendered in the years from 2012 to 2017, that are under validation by Regional Health Authority of Lisbon and Vale do Tejo ("ARS-LVT").

In this context, notwithstanding the uncertainty this matter entails, the Board of Directors assumed the best estimate for the amounts recorded in the respective books and accounting records and believes that the closing of accounts with the Regional Health Authority of Lisbon and Vale do Tejo ("ARS-LVT") for the period of 2012 to 2017, and the conclusion of the validation processes for the financial year ended 31 December 2018, will not have a material impact on the financial statements (note 16.2). Of the total amounts recorded as income as of December 31, 2018, approximately €7,980 thousand refer to amounts for the period from 2012 to 2017 which are still being ratified by ARS-LVT.

3.7. Variable remuneration

LUZ SAÚDE Group recognizes on a monthly basis an accrued expense for bonuses and other variable remuneration, considering the objectives agreed with employees, the achievement of said objectives and the Group's business performance. The variable remuneration of the Board of Directors is determined by the Remuneration Committee based on the appraisal of the previous year performance. The cost estimated for the period is recorded as a liability under 'Other payables' , and is prepared based on the best estimate of management considering the performance of the current year, being the final amount known in the following year.

The amount recorded by the Group as of December 31, 2018 to cover this liability amounts to €5,057 thousand (2017: €5,712 thousand).

3.8. Accrual for professional fees

The Group estimates and recognizes on a monthly basis a liability for professional fees to be paid to the persons that do not have a permanent labor contract with the Group. This liability is estimated based on the historic of the amounts paid monthly, the agreements established with the professionals and the amount of services provided by them. The validation and final calculation of the amounts to be paid occurs in a period after the date of approval of these financial statements, therefore differences could exist between the liability estimated and the final amounts payable (note 23).The estimate for professional fees payable on December 31, 2018 amounts to €28.4 million (2017: €25 million).

3.9. Revenue valuation

LUZ SAÚDE recognizes revenue based on the register of the medical services performed. The valuation of the medical acts considered is estimated based on the price lists agreed with the customers, being the final amount of the revenue billed after the acceptance by the client, event that for a part of the services rendered only occurs in the period subsequent to the reporting date. The amount of revenue to be invoiced on December 31, 2018 amounts to €42,092 thousand (2017: €37,286 thousand) (note 16.2).

3.10. Determination of the value of acquisition of business concentrations

In some acquisitions of subsidiaries, the acquisition values agreed with the sellers are subject to adjustments and corrections arising from the future performance of the business and confirmation of the assumptions used in determining the acquisition values.

Given that the Group has a maximum period of 12 months to the final determination of the amounts to be considered for the purposes of determining the acquisition value and measurement of the fair value of the assets and liabilities acquired, it may happen that for some situations, the outcome only should occur after that date, and the Group should therefore prepare the best estimate of their outcome at the end of the 12-month period after the purchase.

The estimates formulated by the Group may have significant deviations for the final amounts determined.

4. Segment reporting

The Group's main activities are grouped into the following business segments:

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

The private healthcare segment in 2018 includes the following business units:

- Twelve hospitals focused on differentiated acute care, namely surgery, inpatient treatments and specialized diagnostics, which complement each other. They also have strong credentials in primary non-acute healthcare on an outpatient basis. Further activities entail the promotion and protection of health, through check-up exams and other preventive measures.

- Thirteen outpatient units focused on non-acute primary care, including external consultations for a wide array of medical and surgical specialities, complementary diagnostic and therapeutic procedures (namely for imaging and laboratory testing) and 24-hour medical assistance. One of these units is able to perform all types of surgical procedures on an outpatient basis.

- Two residential hospitals, specialized in healthcare services that involve rehabilitation, medical or post-operative convalescence, neuro-stimulation, general support for dementia (in particular for Alzheimer's disease), continued care, palliative and geriatric care on a Day-Centre or Inpatient basis.

The Public healthcare segment includes Hospital Beatriz Ângelo (HBA) in Loures, managed by the subsidiary SGHL under a Partnership with the State, being included in the National Health Service. The partnership agreement has a 10-year duration as of the date in which the hospital opened for business (February 2012). This unit works to the population of the areas of Loures, Odivelas, Mafra and Sobral de Monte Agraço.

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

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

The Executive Committee of LUZ SAÚDE monitors the Group's operations based on the business segments, using as main KPI's the total revenue and EBITDA by business segment.

The financial results and income tax are not analyzed in terms of business segment, because they are dependent on the decisions made at the Group level.

The results for the year ended on 31 December 2018 and 2017 of the various business segments is as follows:

December 2018

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating Income						
External clients	435,226,280	101,788,561	5,738,393	-	225,017	542,978,251
Intersegment	653,567	-	11,649,408	20,212,399	(32,515,374)	-
Other operating income and gains	1,472,427	425,529	170,962	226,314	(421,514)	1,873,718
Total operating income	**437,352,274**	**102,214,090**	**17,558,763**	**20,438,713**	**(32,711,871)**	**544,851,969**
Operating expenses	(401,777,089)	(108,271,289)	(18,746,492)	(22,735,559)	32,711,871	(518,818,558)
Operating result by segment	**35,575,185**	**(6,057,199)**	**(1,187,729)**	**(2,296,846)**	**-**	**26,033,411**
Finance costs						(8,831,762)
Finance income						154,563
Financial results						**(8,677,199)**
Profit before income tax						**17,356,212**
Income tax expense						(3,423,059)
Profit/(loss) attributable to non-controlling interests	177,749	(8,414)	-	-	-	169,335
Profit attributable to equity holders of the parent						**13,763,818**

December 2017

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Operating Income						
External clients	379,662,431	96,720,144	5,326,564	-	215,460	481,924,599
Intersegment	1,964,299	-	9,635,293	17,041,886	(28,641,478)	-
Other operating income and gains	1,284,768	545,878	137,052	258,577	(332,128)	1,894,147
Total operating income	**382,911,498**	**97,266,022**	**15,098,909**	**17,300,463**	**(28,758,146)**	**483,818,746**
Operating expenses	(344,324,782)	(104,023,703)	(15,618,857)	(20,568,192)	28,758,146	(455,777,388)
Operating result by segment	**38,586,716**	**(6,757,681)**	**(519,948)**	**(3,267,729)**	**-**	**28,041,358**
Finance costs						(7,146,198)
Finance income						80,563
Financial results						**(7,065,635)**
Profit before income tax						**20,975,723**
Income tax expense						(3,711,052)
Profit/(loss) attributable to non -controlling interests	253,527	(2,854)	-	-	-	250,673
Profit attributable to equity holders of the parent						**17,013,998**

With respect to the size of the Group's main clients, only two represent more than 30% of the operating income of the respective segment. In the private healthcare segment, ADSE (Direção-Geral de Proteção Social aos Trabalhadores em Funções Pública) represents approximately 30% of the segment's operating income. This figure includes co-payments made directly by clients. In the public healthcare segment, the Contracting Public Entity represents 99% of the segment's operating income.

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

Other information

December 2018

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortization	23,372,596	3,319,704	984,832	1,080,148	-	28,757,280
Investment in property, plant and equipment	98,261,752	1,040,626	464,594	782,247	-	100,549,219
Investment in intangible assets	26,595,191	-	-	2,016,786	-	28,611,977

December 2017

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Depreciation and amortisation	20,644,573	3,350,721	957,491	750,219	-	25,703,004
Investment in property, plant and equipment	56,712,761	535,480	93,750	514,101	-	57,856,092
Investment in intangible assets	12,282,934	31,698	2,750	1,250,638	-	13,568,020

The breakdown of assets and liabilities by business segment and respective reconciliation with the consolidated figures as at 31 December 2018 and 2017 can be presented as follows:

December 2018

	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	326,012,900	3,016,427	35,581,021	1,618,712	(16)	366,229,044
Intangible assets	146,362,164	29,019	19,551	6,405,340	1,437	152,817,511
Inventories, trade and other receivables	148,987,485	29,333,422	2,866,088	33,539,662	(41,777,137)	172,949,520
Other assets	42,780,804	9,253,097	1,459,775	466,452,189	(454,149,191)	65,796,674
Investments in associates and joint-ventures	-	-	-	957,293	-	957,293
Total consolidated assets						**758,750,042**
Liabilities						
Trade and other payables	136,622,041	22,369,008	8,972,046	22,699,854	(49,975,865)	140,687,084
Other liabilities	327,582,778	31,565,215	2,799,075	276,477,521	(269,336,831)	369,087,758
Total consolidated liabilities						**509,774,842**

December 2017	Private healthcare	Public healthcare	Other activities	Corporate center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	251,047,789	5,322,123	36,557,335	1,214,781	-	294,142,028
Intangible assets	121,131,503	56,931	44,715	4,251,337	-	125,484,486
Inventories, trade and other receivables	131,268,195	31,109,003	4,141,545	24,801,517	(37,837,822)	153,482,438
Other assets	52,236,774	7,507,320	429,115	453,998,213	(455,125,463)	59,045,959
Investments in associates	-	-	-	27,063,481	-	27,063,481
Total consolidated assets						**659,218,392**
Liabilities						
Trade and other payables	93,061,653	21,885,474	8,428,195	24,375,138	(33,889,934)	113,860,526
Other liabilities	248,925,494	38,016,896	2,307,831	248,829,860	(228,099,715)	309,980,366
Total consolidated liabilities						**423,840,892**

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

5. Revenue from services rendered

	31-Dec-18	31-Dec-17
Revenue per activity		
Hospitals and outpatient clinics	423,751,282	368,095,803
NHS hospitals	101,788,561	96,720,144
Residential hospitals	10,914,064	11,476,486
Senior residences with services	5,045,315	4,280,355
Other services	1,479,029	1,351,811
	542,978,251	**481,924,599**
Revenue based on the moment of rendering of the service		
At a specific moment in time	454,599,204	398,455,736
Over time	88,379,047	83,468,863
	542,978,251	**481,924,599**

Sections 3.6 and 3.9 of these consolidated financial statements include information on the main uncertainties and judgments related to the revenue recognition in the Group's operations.

The increase in the categories of Hospitals and outpatient clinics includes the effects of inclusion (i) of health units operated by the Idealmed Group as of March 2018 (note 32.1), (ii) the full year effect of the operations of the subsidiaries SCH and NID (9 months in 2017) and the units comprising the British Hospital Group (5 months in 2017) (note 32.2 and 32.3) acquired in 2017 and (iii) the general increase in activity compared to the same period of the previous year.

Other services includes mainly the amounts related to the operation of the car parks and commercial spaces of the Group's units.

6. Other income

	31-Dec-18	31-Dec-17
Discounts for prompt payment	394,676	622,963
Clinical trials	344,835	508,960
Public investment grants	303,431	162,801
Other operating income and gains	830,776	599,423
	1,873,718	**1,894,147**

7. Inventories consumed and sold

	31-Dec-18	31-Dec-17
Inventories on 1 January	11,538,902	9,828,795
Purchases	87,641,827	77,444,960
Consumption adjustments (consumed materials)	(161,869)	(101,748)
Inventory adjustments	(286,547)	(637,625)
Business acquisition (note 32.1)	510,982	1,014,275
Inventories on 31 December	(12,375,818)	(11,538,902)
Inventories consumed and sold in the year	**86,867,477**	**76,009,755**

8. Costs of services and materials

	31-Dec-18	31-Dec-17
Subcontracts	113,623,575	97,454,793
Professional fees	76,401,219	68,890,932
Specialized work	16,053,888	12,533,237
Maintenance and repair	10,355,806	9,385,958
Rent and leases	10,099,648	9,009,558
Electricity	6,899,495	5,953,407
Security services	2,857,893	2,644,270
Fuel and other fluids	1,785,062	1,433,557
Communication	1,752,695	1,676,378
Travel and accommodation	1,629,337	1,858,627
Advertising	1,590,247	1,839,569
Insurance	1,332,637	1,258,841
Materials	1,157,866	1,089,736
Water	986,970	1,011,714
Cleaning services	563,980	414,081
Other materials and services consumed	2,111,302	1,238,326
	249,201,620	**217,692,984**

The increase in the cost of services and materials is due to (i) the inclusion in the consolidation perimeter of the Idealmed Group's business units, (ii) the full year effect of the activity of the units acquired in 2017, SCH Sociedade Clínica Hospitalar, SA, Núcleo de Imagem Diagnóstica and the units of the British Hospital Group (note 1.1.2), and (iii) the general increase in activity over the same period

Professional fees and subcontracts items include mainly the amounts paid to health professionals in the Group's units. The increase in these captions is related to an increase in the Group's activity.

Specialised work refers mainly to the outsourcing of external consultants, being most of them related with IT systems, while maintenance and repair costs refer to the main maintenance agreements.

9. Personnel expenses

	31-Dec-18	31-Dec-17
Corporate body remunerations	2,694,072	3,580,056
Personnel wages and salaries	116,384,262	102,512,080
Social security expenses	25,107,000	22,208,147
Indemnities	429,230	341,842
Insurance	2,331,669	1,796,430
Other personnel expenses	2,165,268	1,689,981
	149,111,501	**132,128,536**

The average number of Group employees during the year ended 31 December 2018 was 6,693 (2017: 6,009).

Remuneration paid to the Group's corporate bodies of the companies were as follows:

	31-Dec-18	31-Dec-17
Board of the General Shareholders Meeting	25,500	25,500
Supervisory Bodies	51,000	51,000
Board of Directors	2,576,322	3,398,556
Consultancy Board	41,250	115,000
	2,694,072	**3,590,056**

The decrease in the remuneration of the corporate bodies is mainly due to the adjustment of the variable remuneration that occurred in 2018.

The remuneration of the Statutory Auditor contracted in respect of the year of 2018 can be presented as follows:

	31-Dec-18	31-Dec-17
Annual audit and interim review	402,668	371,940
Other assurance services	40,500	40,500
Audit services besides annual audit and interim review	1,250	16,200
	444,418	**428,640**

10. Other operating expenses

	31-Dec-18	31-Dec-17
Taxes	945,239	813,664
Losses on property, plant and equipment	407,915	177,322
Levies	221,867	194,335
Contractual Penalties	135,387	1,440,272
Donations	124,573	188,831
Inventory losses	46,582	51,844
Early settlement discounts granted	18,481	30,889
Other operating expenses	587,810	365,287
	2,487,854	**3,262,444**

The caption Taxes includes mainly the expenses with real estate municipal tax ("IMI") and duties and fares inherent to the activity of the Group.

The caption of contractual penalties includes the reconciliation payments of the subsidiary SGHL. These amounts were expensed in prior years and their acceptance in the year results in the simultaneous recognition of an expense for contractual penalties and a reversal of provisions (note 22).

11. Finance expenses

	31-Dec-18	31-Dec-17
Interest expenses	6,311,777	5,128,145
Expenses from derivatives	1,659,600	1,299,649
Other financial expenses	860,385	718,404
	8,831,762	**7,146,198**

The detail of the Interest expenses item can be presented as follows:

	31-Dec-18	31-Dec-17
Commercial paper	3,999,253	3,811,584
Finance leases	1,575,256	803,466
Bank loans	737,268	513,095
	6,311,777	**5,128,145**

The increase in the interest expense with financial leases is mainly explained by the operations of HLC that became part of the Group in March 2018.

The caption other financial expenses includes mainly the expenses with commissions in respect of the credit lines of the Group.

12. Income tax

The majority of the entities included in LUZ SAÚDE Group are taxed according to the special regime for the taxation of groups companies (RETGS), which covers all entities in which the parent company of the Group participates, directly or indirectly, in at least 75% of their share capital and, provided that they comply with the requirements set forth in the Corporate Income Tax Code (CIRC). Companies included in the RETGS calculate and recognize income tax as if they were taxed on a stand-alone basis. Current income tax liabilities are recognized as due to the dominant company of the tax group, which is responsible for the global settlement and self-assessment of the income tax.

Until December 31, 2017, the Group companies were included in the Tax Group led by Longrun Portugal, SGPS, SA, however, as a result of a change in the shareholder structure that occurred in January 2018, the companies no longer met the criteria to be included in the mentioned Group. As a result of this change, LUZ SAÚDE has established of a new Tax Group beginning on January 1, 2018.

Subsidiaries which are not included in the Group's special tax regime, are taxed on a stand-alone basis, based on their respective taxable income and current tax rates.

12.1. Income tax on the income statement

The detail of income tax as at 31 December 2018 and 2017 is presented below:

	31-Dec-18	31-Dec-17
Current tax	4,797,622	4,167,559
Deferred tax	(1,374,563)	(456,507)
Income tax in the income statement	**3,423,059**	**3,711,052**

Note 3.4 to these financial statements includes information on the main uncertainties and judgments related to the income tax charge on the Group's operations.

12.2. Reconciliation of the effective rate of income tax

Reconciliation of corporate income tax rate can be presented as follows:

	31-Dec-18	31-Dec-17
Profit for the year	13,933,153	17,264,671
Income tax expense	(3,423,059)	(3,711,052)
Profit before income tax	**17,356,212**	**20,975,723**
Group income tax rate	21.00%	21.00%
	3,644,805	**4,404,902**
Municipal and state surcharge	1,492,909	1,558,545
Incentives for the company's recapitalization	253,256	(1,519,538)
Tax losses for which no deferred tax has been recognized	215,731	1,265,708
SIFIDE incentive	(1,137,819)	(1,127,738)
Tax benefits	(1,226,160)	(1,083,501)
Autonomous taxes	405,901	494,389
Tax from previous years	(265,808)	(214,928)
Goodwill amortization	(168,284)	(168,263)
Non-deductible expenses	111,708	101,476
Other effects	96,820	-
	3,423,059	**3,711,052**

12.3. Reconciliation of current tax in the income statement with the tax on the balance sheet

	31-Dec-18	31-Dec-17
Current tax on the statement of comprehensive income	4,797,622	4,167,559
Current tax payment Longrun	-	(3,382,139)
Tax advance payments and withholding tax	(7,244,317)	(427,411)
Current income tax on the balance sheet	**(2,446,695)**	**358,009**

12.4. Detail of deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2018 and 2017 can be analyzed as follows:

	31-Dec-17	Charged/ (credited) to income statement	Other	31-Dec-18
Deferred tax assets				
Valuation of property, plant and equipment	1,187,369	713,345	(579,242)	1,321,472
Provisions and impairment losses	3,051,663	998,092	246,492	4,296,247
Tax losses carried forward	680,209	1,031,328	-	1,711,537
Derivatives (note 26)	572,863	-	72,602	645,465
Other	1,969,950	(1,552,487)	2,940,907	3,358,370
	7,462,054	**1,190,278**	**2,680,759**	**11,333,091**
Deferred tax liabilities				
Valuation of property, plant and equipment	(5,858,490)	362,979	579,242	(4,916,269)
Goodwill	(336,526)	(178,694)	-	(515,220)
	(6,195,016)	**184,285**	**579,242**	**(5,431,489)**
Deferred tax asset/(liability)	**1,267,038**	**1,374,563**	**3,260,001**	**5,901,602**

	31-Dec-17	Charged/ (credited) to income statement	Other	31-Dec-18
Deferred tax assets				
Valuation of property, plant and equipment	1,185,187	(181,242)	183,424	1,187,369
Provisions and impairment losses	3,480,883	(648,520)	219,300	3,051,663
Tax losses carried forward	962,325	(282,116)	-	680,209
Derivatives (note 24)	859,483	(286,620)	-	572,863
Other	486,973	2,073,076	(590,099)	1,969,950
	6,974,851	**674,578**	**(187,375)**	**7,462,054**
Deferred tax liabilities				
Valuation of property, plant and equipment	(5,808,682)	(49,808)	-	(5,858,490)
Goodwill	(168,263)	(168,263)	-	(336,526)
	(5,976,945)	**(218,071)**	**-**	**(6,195,016)**
Deferred tax asset/(liability)	**997,906**	**456,507**	**(187,375)**	**1,267,038**

The caption "Other" includes mainly the effect of the tax incentive in respect of companies' recapitalization, as consequence of the operations of share capital increase in some of the Group subsidiaries.

12.5. Tax losses

As of December 31, 2018, the Group has reportable tax losses for which no deferred tax asset was recognized in the amount of €8,100 thousand (2017: €6,900 thousand). These tax losses were generated essentially by the subsidiaries that are outside the Tax Group.

13. Property, plant and equipment

	Land and buildings	Basic and transport equipment	Office equipment	Other	Assets in progress	Total
Acquisition cost						
Balance as at 1 January 2017	302,672,288	178,725,955	11,882,359	5,333,484	35,073,673	533,687,759
Additions	495,720	14,585,960	654,670	303,441	35,957,096	51,996,887
Disposals and write-offs	-	(1,481,930)	(12,130)	(1,862)	-	(1,495,922)
Adjustments	(52,511)	(72,070)	(59,932)	(2,314)	(967,178)	(1,154,005)
Transfer and adjustments	3,979,439	207,119	1,443	4,024	(4,192,025)	-
Business acquisition (note 32.3)	3,532,050	1,364,944	57,250	2,880	902,081	5,859,205
Balance as at 31 December 2017	**310,626,986**	**193,329,978**	**12,523,660**	**5,639,653**	**66,773,647**	**588,893,924**
	-	-	-	-	-	-
Balance as at 1 January 2018	310,626,986	193,329,978	12,523,660	5,639,653	66,773,647	588,893,924
Additions	3,080,514	15,972,380	563,886	375,161	60,334,775	80,326,716
Disposals and write-offs	(322,777)	(539,159)	(22,607)	(4,534)	(321)	(889,398)
Adjustments	(440,672)	(6,141,829)	(259,685)	127,145	-	(6,715,041)
Transfer and adjustments	35,613,460	2,611,717	(1,248,317)	(189,260)	(36,787,600)	-
Business acquisition (note 32.2)	17,321,426	2,475,406	46,679	25,267	-	19,868,778
Balance as at 31 December 2018	**365,878,937**	**207,708,493**	**11,603,616**	**5,973,432**	**90,320,501**	**681,484,979**
Accumulated depreciation						
Balance as at 1 January 2017	106,174,261	144,562,837	10,382,878	4,451,792	-	265,571,768
Depreciation for the financial year	11,648,040	11,993,331	751,457	409,931	-	24,802,759
Disposals and write-offs	23,862	(1,294,145)	(2,890)	(1,862)	-	(1,275,035)
Adjustments	(104,339)	39,383	(44,994)	(84,192)	-	(194,142)
Transfer and adjustments	-	(768)	768	-	-	-
Balance as at 31 December 2017	**117,741,824**	**155,300,638**	**11,087,219**	**4,775,669**	**-**	**288,905,350**
Balance as at 1 January 2018	117,741,824	155,300,638	11,087,219	4,775,669	-	288,905,350
Depreciation for the financial year	13,823,910	12,675,391	695,136	288,616	-	27,483,053
Disposals and write-offs	(26)	(330,883)	(3,046)	(11,018)	-	(344,973)
Adjustments	(440,672)	(6,141,829)	(259,685)	127,145	-	(6,715,041)
Transfer and adjustments	(540)	1,722,064	(1,321,490)	(400,034)	-	-
Balance as at 31 December 2019	**131,124,496**	**163,225,381**	**10,198,134**	**4,780,378**	**-**	**309,328,389**
				-		
Impairment losses						
Balance as at 1 January 2017	4,973,098	-	-	-	-	4,973,098
Business acquisition	873,448	-	-	-	-	873,448
Balance as at 31 December 2017	**5,846,546**	**-**	**-**	**-**	**-**	**5,846,546**
Balance as at 1 January 2018	5,846,546	-	-	-	-	5,846,546
Additions	81,000	-	-	-	-	81,000
Balance as at 31 December 2018	**5,927,546**	**-**	**-**	**-**	**-**	**5,927,546**
Net book value						
As at 31 December 2017	**187,038,616**	**38,029,340**	**1,436,441**	**863,984**	**66,773,647**	**294,142,028**
As at 31 December 2018	**228,826,895**	**44,483,112**	**1,405,482**	**1,193,054**	**90,320,501**	**366,229,044**

The Group's investment during 2018 amounted to approximately €100.2 million (2017: €57 million), of which €57.7 million for the expansion of Hospital da Luz in Lisbon, the construction and equipment of the Hospital da Luz in Vila Real and €19.9 million related to the acquisition of Idealmed Group, the remaining amount was invested essentially in the acquisition of medical equipment for the various Group units.

At December 31, assets in progress mainly include the investment made in the expansion of the Hospital da Luz in Lisbon and the construction works on the building of the Funchal and Torres de Lisboa units.

During 2018, financial charges were capitalized in the amount of €1,313 thousand in respect to assets under construction (2017: €1,008 thousand). For the purpose of financial charges capitalization, the Group's average financing rate for medium- and long-term operations is 3% (2017: 3%).

13.2. Property, Plant and Equipment as guarantee

Some of the Group's assets, with an approximate net book value at December 31, 2018 of €163.9 million (2017: €169 million), are given as guarantee to financial institutions as collateral of the Group's financing lines (note 30).

Additionally, the amounts of property, plant and equipment that are under lease contracts can be presented as follows:

	31-Dec-18			31-Dec-17
	Acquisition value	Accumulated Depreciation	Net Value	Net Value
Buildings	22,278,519	2,795,330	19,483,189	4,275,043
Basic Equipment	60,810,274	33,380,033	27,430,241	23,430,844
Office Equipment	2,419,662	2,229,160	190,502	163,279
Transportation Equipment	71,922	68,955	2,967	6,528
Other Assets	101,758	7,966	93,792	10,245
	85,682,135	**38,481,444**	**47,200,691**	**27,885,939**

13.3. Impairment losses on property, plant and equipment

The impairment losses can be detailed as follows:

	31-Dec-18	31-Dec-17
Former Hotel Tivoli – Porto	2,904,259	2,904,259
Plot of land no. 28 on Av. Marechal Teixeira Rebelo in Lisbon	2,068,839	2,068,839
Santa Catarina clinic in Funchal (note 32.2)	873,448	873,448
Building at Rua João Machado in Coimbra	81,000	-
	5,927,546	**5,846,546**

14. Intangible assets

14.1. Changes in intangible assets

	Goodwill	Software	Property rights	In progress	Total
Acquisition costs					
Balance as at 1 January 2017	110,506,459	9,724,002	86,549	931,716	121,248,726
Additions	-	895,852	-	624,747	1,520,599
Adjustments	-	-	-	(284,914)	(284,914)
Transfers	-	677,300	-	(677,300)	-
Business acquisition (nota 32.2)	11,846,709	200,712	-	-	12,047,421
Balance as at 31 December 2017	**122,353,168**	**11,497,866**	**86,549**	**594,249**	**134,531,832**
Balance as at 1 January 2018	122,353,168	11,497,866	86,549	594,249	134,531,832
Additions	-	180,748	-	2,208,224	2,388,972
Transfers	-	721,081	-	(721,081)	-
Business acquisition (nota 32.2)	26,220,366	2,639	-	-	26,223,005
Balance as at 31 December 2018	**148,573,534**	**12,402,334**	**86,549**	**2,081,392**	**163,143,809**
Accumulated amortization					
Balance as at 1 January 2017	-	8,115,055	32,046	-	8,147,101
Amortizations of the financial year	-	879,174	21,071	-	900,245
Balance as at 31 December 2017	**-**	**8,994,229**	**53,117**	**-**	**9,047,346**
Balance as at 1 January 2018	-	8,994,229	53,117	-	9,047,346
Amortizations of the financial year	-	1,247,094	27,133	-	1,274,227
Adjustments	-	4,725	-	-	4,725
Balance as at 31 December 2018	**-**	**10,246,048**	**80,250**	**-**	**10,326,298**
Net book value					
As at 31 December 2017	**122,353,168**	**2,503,637**	**33,432**	**594,249**	**125,484,486**
As at 31 December 2018	**148,573,534**	**2,156,286**	**6,299**	**2,081,392**	**152,817,511**

Goodwill results from the acquisition of new healthcare business.

During the year ended December 31, 2018, the Group entered into a business combination, which enabled it to obtain control over a number of health units operating in the central region of Portugal (Coimbra, Figueira da Foz, Pombal and Cantanhede) denominated Grupo Idealmed This operation was responsible for the increase in goodwill of €26.2 million (note 32.1)

During the year ended December 31, 2017, an increase in goodwill of €11.8 million (note 32.2 and 32.3) was recorded as a result of the acquisition of the businesses of the health units located in Madeira and the British Hospital Group.

14.2. Goodwill

The goodwill in the consolidated balance sheet is as follows:

	Goodwill	
	31-Dec-18	**31-Dec-17**
HAG	446,141	446,141
CLIRIA	3,611,318	3,611,318
HME	14,103	14,103
HOSPOR	89,944,136	89,944,136
IRIO	479,789	479,789
HLG	16,025,075	16,025,075
SCH (goodwill - note 32.2)	3,126,025	3,126,025
GBH (goodwill - note 32.3)	8,720,684	8,720,684
GIDEALMED (preliminary goodwill - note 32.1)	26,220,366	-
Impairment loss	(14,103)	(14,103)
Total goodwill recognized	**148,573,534**	**122,353,168**

Notes 3.5 and 3.10 to these financial statements describe the main uncertainties and judgments related the goodwill at the reporting date.

14.3. Goodwill impairment

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

For the purpose of the tests, performed during the fourth quarter of 2018 and 2017, the Group defined a set of assumptions to determine the recoverable amount of the investments made. The main assumptions were as follows:

Year	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
2018	DCF	5 years	4.79%	1.8%
2017	DCF	5 years	4.66%	1.8%

The following should be noted:

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

The impairment tests performed were subject to a sensitivity analysis, namely to the following key assumptions: (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.

As a result of this impairment testing, the Group concluded that as at 31 December 2018 there were no impairment losses, and there were no indication in 2019 that lead to the existence of impairment on Goodwill.

15. Investments in associates

15.1. Changes in investments in associates

	31-Dec-18	31-Dec-17
Financial investments		
Balance as at 1 January	27,063,481	1,007,433
Charged/(credited) to the income statement:		
Equity method	(6,391)	41,048
	(6,391)	**41,048**
Other effects		
Additions	-	26,105,000
Decreases	(26,105,000)	(90,000)
Balance as at 31 December	**952,090**	**27,063,481**

The decrease during the year refers to the acquisition of control over the subsidiary Capital Criativo Health Care Investments II, SA, in March 2018.

The increase occurred in 2017, refers to the acquisition of 10% of the shares in Capital Criativo Health Care Investments II, SA and to the loans and equity loans performed to this subsidiary.

Decrease in 2017 refers to the reimbursement of equity loans by the associate "HL – Sociedade Gestora do Edifício, SA".

15.2. Detail of investments in associates

			31-Dec-18			
	Registered offices	% of share capital	Shares	Equity loans	Total	31-Dec-17
GENOMED	Lisbon	37.5%	340,293	-	340,293	346,684
HL-SGE	Oeiras	10.0%	14,400	597,397	611,797	611,797
CCHCI II	Lisbon	10.0%	-	-	-	26,105,000
			354,693	**597,397**	**952,090**	**27,063,481**

15.3. Summary of financial information of the main associates

The summarized unaudited financial information on the main subsidiaries can be presented as follows:

	GENOMED	HL-SGE
Summarised net assets		
Current assets	1,581,474	85,983,428
Current liabilities	(643,507)	(445,828)
Current net assets/(liabilities)	**937,967**	**85,537,600**
Non-current assets	189,340	3,865,832
Non-current liabilities	(414,120)	(84,052,751)
Net assets/(liabilities)	**713,187**	**5,350,681**
Summarised results		
Total revenue	1,344,208	2,790,315
Profit before income tax	(17,043)	2,125,794
Income tax expenses	-	(492,935)
Net profit	**(17,043)**	**1,632,859**
Summarised cash flows		
Operating cash flow	57,860	8,960,650
Investment cash flow	(54,222)	-
Financing cash flow	(110,657)	(7,885,904)
Change in cash and cash equivalents	**(107,019)**	**1,074,746**

16. Trade and other receivables

	31-Dec-18	31-Dec-17
Trade receivables		
Trade receivables	83,555,724	80,907,223
Accrued income for services rendered	42,092,756	37,286,156
Trade receivables - related parties (note 31)	12,416,937	10,808,618
Doubtful trade receivables	11,988,005	9,676,593
Impairment of trade receivables	(14,831,287)	(11,489,413)
	135,222,135	**127,189,177**
Other accounts receivables - current		
Other accrued income	7,393,994	4,930,672
State and other public entities	3,415,237	2,440,712
Advances to suppliers	1,143,878	1,996,544
Other debtors	7,831,540	2,336,638
Impairment of other receivables	(5,185,680)	(1,658,321)
Deferred expenses	4,773,503	3,700,842
	19,372,472	**13,747,087**
	154,594,607	**140,936,264**

Considering the short maturities associated to these balances, their carrying value is deemed to be a reasonable estimate of the respective fair value.

Notes 3.2, 3.6 and 3.9 to these consolidated financial statements include information on the main uncertainties and judgments related to trade receivables and other accounts receivable with reference to the reporting date.

16.1. Trade receivables

The increase in the trade receivables essentially results from the inclusion of the Idealmed Group in the consolidation perimeter.

The Group uses factoring without recourse operations to anticipate the financial cash flow associated with some of the accounts receivable. Factoring without recourse transfers to third parties the rights and risks to financial assets (namely credit risk and the risk of default from 180 days), allowing the Group to derecognize these assets. At December 31, 2018, the amounts derecognized under factoring without recourse agreements amount to approximately €35.2 million (2017: €28.3 million).

16.2. Accrued income

	31-Dec-18	31-Dec-17
Clinical services to be invoiced	18,405,959	16,249,883
Income to be recognized under HBA management contract	23,686,797	21,036,273
Total accrued income for services rendered	**42,092,756**	**37,286,156**
Other accrued income	7,393,994	4,930,672
	49,486,750	**42,216,828**

Clinical services to be invoiced refer to services provided that will be billed in future periods.

Income to be recognized under HBA management agreement, refers to the difference between the annual production performed and the amounts invoiced on monthly basis (1/12 of 90% of the annual amount agreed), in the current year, and the amounts under discussion with the contracting entity from previous years.

16.3. State and other public entities

	31-Dec-18	31-Dec-17
Value Added Tax (VAT)	2,364,896	1,390,371
Corporate Income Tax (CIT)	1,050,341	1,050,341
	3,415,237	**2,440,712**

CIT receivable balance relates to a payment made under the Special Regime for Tax Regularization (RERD) (this receivable is fully provided in the heading impairment of other receivables). There is an ongoing court litigation with the Tax Authority regarding this balance (note 29).

16.4. Impairment of receivables

Changes in "Impairment of receivables" caption in the years ended 31 December 2018 and 2017 can be presented as follows:

	31-Dec-18		
	Trade receivables	**Other receivables**	**31-Dec-17**
Balance of Impairment of trade and other receivables as at 1 January	**11,489,413**	**1,658,321**	**9,994,489**
Charged/(credited) to the income statement:			
Additional impairment	1,609,580	619,413	1,103,222
Unused amounts reversed	(647,931)	-	(416,924)
	961,649	**619,413**	**686,298**
Other:			
Businesses acquisitions	2,380,224	2,774,386	2,443,266
Other	1	133,560	23,681
Balance of Impairment of trade and other receivables as at 31 December	**14,831,287**	**5,185,680**	**13,147,734**

The amounts related to businesses acquisitions refer to the impact of the entry into the Group's perimeter of new units acquired in 2018 and 2017 (note 32).

17. Other non-current assets

This caption includes the amounts paid in advance for long-term contracts that are recognized in the income statement over the period of the contract, as well as the amounts paid for the Work Compensation Fund ("FCT").

18. Inventories

	31-Dec-18	31-Dec-17
Drugs	5,292,418	4,353,039
Clinical consumables	6,684,910	6,492,145
Others	398,490	693,718
	12,375,818	**11,538,902**

Inventories consist mainly of drugs and clinical consumables used by the Group's various clinical units in their rendering of clinical services.

19. Cash and cash equivalents

	31-Dec-18	31-Dec-17
Cash	327,900	192,407
Bank deposits	59,384,689	57,283,097
Cash equivalents	182,483	303,417
	59,895,072	**57,778,921**

Considering the short maturities associated to these financial instruments, their carrying value is deemed to be a reasonable estimate of the respective fair value.

20. Share capital, reserves and retained earnings

20.1. Capital

The company's share capital is comprised of 95,542,254 ordinary registered shares with a nominal value of €1 (31 December 2017: 95,542,254 shares).

20.2. Treasury shares

Under the share-based payment plan, in 2017 was delivered the last installment of treasury shares:

	Amount	
	31-Dec-18	31-Dec-17
Balance as at 1 January	**-**	**170,000**
Shares vested in respect of the shares based plan	-	(170,000)
Balance as at 31 December	**-**	**-**

20.3. Reserves and retained earnings

As at 31 December 2018 and 2017 the amount in reserves and retained earnings (which include also the comprehensive income for the year) can be presented as follows:

	31-Dec-18	31-Dec-17
Non-distributable reserves		
Legal reserve	3,112,409	2,590,667
Other reserves	57,362,840	46,793,352
Retained earnings	15,638,515	8,705,414
Comprehensive income for the year	13,490,699	18,092,226
	89,604,463	**76,181,659**

20.3.1. Non-distributable reserves

The non-distributable reserves include essentially the legal reserve created by allocation of net profits from the parent company until the 2017 financial year.

20.3.2. Other reserves

Other reserves relate to unrestricted reserves created by the allocation of profits from the parent company from previous years.

20.3.2.1. Appropriation of results

According to the proposal presented and approved at the General Meeting held on May 25, 2018, the individual results LUZ SAÚDE, for the year 2017, had the following application:

	2017 Year-end	2016 Year-end
Legal reserve	521,742	336,478
Unrestricted reserves	9,913,100	6,393,069
Statutory profit allocation	**10,434,842**	**6,729,547**

20.3.3. Retained earnings

The caption Retained earnings, includes the results obtained by the group in prior years, less the amount of share premiums used to cover losses, which are not available for immediate distribution to shareholders.

21. Non-controling interests

21.1. Change in non-controling interests

	31-Dec-18	31-Dec-17
Balance as at 1 January	**1,857,794**	**1,619,692**
Charged/(credited) to the income statement:	169,335	250,673
Other effects		
Acquisition of non-controlling interests	5,561	(12,571)
	5,561	**(12,571)**
Balance as at 31 December	**2,032,690**	**1,857,794**

In 2018 the acquisition of non-controlling interests refers to the subsidiary BMC (see note 1.1). In 2017, the acquisition of non-controlling interests refers to the business combinations, as explained in note 32.

21.2. Detail of non-controling interests

	31-Dec-18	31-Dec-17
CLIRIA	838,537	773,497
RML	1,172,503	1,072,330
SGHL	(24,070)	(21,364)
SCH	45,719	31,687
BMC	-	1,644
	2,032,690	**1,857,794**

22. Provisions

The changes in provisions caption during the years ended 31 December 2018 and 2017 were as follows:

	Litigation	Tax disputes	Liabilities with non-consolidated associates	Contractual penalties	Other risks	Total
Provisions						
Balance as at 1 January 2017	64,656	2,998,103	399,999	3,952,591	1,011,734	8,427,083
Charged/(credited) to the income statement:						
Additional	-	-	-	1,000,502	827,131	1,827,633
Unused amounts reversed	-	-	-	(1,524,236)	(9,030)	(1,533,266)
	-	**-**	**-**	**(523,734)**	**818,101**	**294,367**
Other:						
Acquisition of control in SCH	-	-	-	-	796,071	796,071
Acquisition of control in GBH	-	144,000	-	-	419,079	563,079
	-	**144,000**	**-**	**-**	**1,215,150**	**1,359,150**
Balance as at 31 December 2017	**64,656**	**3,142,103**	**399,999**	**3,428,857**	**3,044,985**	**10,080,600**
Balance as at 1 January 2018	64,656	3,142,103	399,999	3,428,857	3,044,985	10,080,600
Charged/(credited) to the income statement:						
Additional	-	26,000	-	297,689	488,075	811,764
	-	**26,000**	**-**	**297,689**	**488,075**	**811,764**
Other:						
Utilization	-	-	-	-	(694,962)	(694,962)
Acquisition of control in GIDEALMED	-	1,500,000	-	-		1,500,000
Other	75,583	1,016,348	1	-	(1,091,932)	-
	75,583	**2,516,348**	**1**	**-**	**(1,786,894)**	**805,038**
Balance as at 31 December 2018	**140,239**	**5,684,451**	**400,000**	**3,726,546**	**1,746,166**	**11,697,402**

Note 3.3 to these consolidated financial statements includes information on the main uncertainties and judgments related to the provisions with reference to the reporting date.

The provision for tax disputes is intended to address the disputes with the Tax Authority, described in note 29.

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

In 2017 the subsidiary SGHL, accepted contractual penalties imposed by the contracting entity in previous years. Therefore in 2018, the Group recognized in the income statement under the item other operating expenses and losses (note 10) an expense of €1,441 thousand, while reversing the recorded provision in previous years.

23. Trade and other payables

	31-Dec-18	31-Dec-17
Current trade payables		
Trade payable	41,990,525	36,616,295
Trade payable - related entities (note 31)	15,280	187,458
Fixed asset suppliers	15,595,065	5,636,383
Trade payables total	**57,600,870**	**42,440,136**
Other payables		
Accrued expenses		
Professional fees payable	28,389,547	25,047,468
Personnel related expenses	25,803,176	24,116,655
Accrued expenses ROUs	1,404,253	1,303,212
Other accrued expenses	10,114,830	7,773,753
Interest payable	168,297	171,890
	65,880,103	**58,412,978**
Other payables		
State and other public entities	5,249,310	4,768,160
Other payables	4,008,695	1,747,409
	9,258,005	**6,515,569**
Other payables total	**75,138,108**	**64,928,547**
Total of Trade payables and Other payables	**132,738,978**	**107,368,683**

Considering the maturities associated to the balances presented above, their carrying value is deemed to be a reasonable estimate of the respective fair value.

Notes 3.7 and 3.8 to these consolidated financial statements include information on the main uncertainties and judgments related to the Accounts payable with reference to the reporting date.

23.1. Accrued expenses

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

The caption Personnel related expenses includes, in addition to responsibility for employees' holiday entitlements and holiday allowance, the variable remuneration estimate.

Accrued expenses related to ROUs result from the recognition of costs associated with lifetime rights of use agreements (ROU) in the senior residences and residential hospitals of the Group.

23.2. State and other public entities

	31-Dec-18	31-Dec-17
Social security contributions	2,894,894	2,632,984
Personal income tax	2,196,314	2,063,724
Value added tax (VAT)	158,102	71,452
	5,249,310	**4,768,160**

24. Deferred income and other current liabilities

	31-Dec-18	31-Dec-17
Deferred income ROUs	4,185,104	3,464,784
Advances from clients	3,663,135	2,918,776
Other deferred income	99,867	108,283
	7,948,106	**6,491,843**

Lifetime rights of use (ROUs) are mainly related to the business of Senior Residences with services. The proceeds of sale of those rights to clients are initially recorded under deferred income and are regularly recognized as income during the expected lifetime of each client.

25. Interest-bearing liabilities

	31-Dec-18			31-Dec-17		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Factoring	7,406,691	-	7,406,691	2,411,875	-	2,411,875
Commercial paper	27,446,977	158,866,327	186,313,304	11,311,773	187,864,491	199,176,264
Bank loan	4,234,703	16,000,001	20,234,704	4,333,294	20,480,768	24,814,062
Finance lease	8,660,732	45,199,272	53,860,004	5,064,896	27,477,884	32,542,780
Other loans	500,000	-	500,000	500,000	-	500,000
Total secured liabilities	**48,249,103**	**220,065,600**	**268,314,703**	**23,621,838**	**235,823,143**	**259,444,981**
Unsecured						
Commercial paper	7,598,022	49,447,606	57,045,628	3,998,004	20,068,912	24,066,916
Bank loan	6,147,970	20,947,080	27,095,050	228,133	12,183,885	12,412,018
Other loans	1,517,482	-	1,517,482	507,895	-	507,895
Total unsecured liabilities	**15,263,474**	**70,394,686**	**85,658,160**	**4,734,032**	**32,252,797**	**36,986,829**
Interest-bearing liabilities	**63,512,577**	**290,460,286**	**353,972,863**	**28,355,870**	**268,075,940**	**296,431,810**
Cash and cash equivalents			59,895,072			57,778,921
Interest-bearing net debt			**294,077,791**			**238,652,889**

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

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

25.1. Guarantees

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

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

Financing lines are guaranteed with the following collaterals:

- Factoring: includes the balance of factoring with recourse contracts and the default risk component of up to 180 days of customer credits transferred to third parties under the factoring without recourse agreements that the Group has with financial entities. This balance has as collateral the value of the invoices assigned under the contracts;
- Commercial paper and bank loans: the commercial paper and bank loans lines presented are secured by mortgages on some of the Group's real estate properties. The values of the collateral are higher than the amounts of the contracted lines;
- Financial leasing: financial leasing contracts are guaranteed, as the ownership of the leased asset belongs to the lessee.

25.2. Financial covenants

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

- Net interest-bearing debt / EBITDA
- Shareholder equity ratio

As of December 31, 2018, the Group complied with all covenants agreed with financial institutions.

25.3. Factoring

In addition to the factoring with recourse contracts, includes the amounts related to trade receivables assigned to factoring without recourse which at 31 December 2018, according to the Group's estimates, did not meet the criteria for derecognition of the consolidated financial position of the Group.

25.4. Commercial paper

The commercial paper financing lines available to the Group are as follows:

Start date	End date	Underwrite	Line value on 31-Dec-18	Amount used on 31-Dec-18	Amount used on 31-Dec-17
10-02-11	26-04-25	Yes	150,000,000	150,000,000	150,000,000
22-12-14	17-03-22	No	20,000,000	7,500,000	4,000,000
12-08-14	30-09-22	Yes	30,000,000	24,000,000	30,000,000
15-03-16	15-03-21	Yes	5,000,000	5,000,000	5,000,000
18-05-16	18-05-21	Yes	35,000,000	29,000,000	15,000,000
04-08-17	04-02-25	Yes	25,000,000	12,500,000	14,500,000
22-12-17	26-06-21	Yes	5,000,000	5,000,000	5,000,000
10-08-18	10-02-20	Yes	10,500,000	10,500,000	-
			280,500,000	**243,500,000**	**223,500,000**
		Interest accrued		(141,068)	(256,820)
				243,358,932	**223,243,180**

Commercial paper programs that don't include an underwriting provision are registered under current liabilities, although it is expected that the arranging and dealing bank will be able to obtain the necessary funds through their distribution channels.

Commercial paper programs are classified as non-current when have a maturity of 12 months after the reporting date, and the Group has the ability to unilaterally renew the current emissions until the maturity of the programs and they have guarantee of underwriting subscription by the organizer. Thus although the outstanding instalments as at the reporting date have a maturity less than 12 months, they are classified as non-current for presentation purposes in the consolidated balance sheet.

25.5. Bank loans

The main lines of bank loans that the Group has are:

Start date	End date	Amount used on 31-Dec-18	Amount used on 31-Dec-17
04-06-09	12-12-22	8,000,000	10,000,000
06-09-05	19-09-20	2,625,000	3,500,000
29-12-09	30-12-21	2,500,000	-
11-02-16	24-11-30	2,026,369	2,155,198
09-10-17	09-10-22	8,930,962	10,000,000
23-11-18	23-11-23	10,000,000	-
31-10-17	31-10-25	9,672,524	11,000,000
		43,754,855	**36,655,198**
Fixed interest and other lines of lower value		3.574.899	570.882
		47,329,754	**37,226,080**

In addition, the Group has two credit lines in the form of bank overdrafts in the amount of €15 million, which on December 31, 2018 (2017: €5,000 thousand) were used at €1,010 thousand.

25.6. Finance lease liabilities

The Group enter into financial leasing contracts, as a preferential financing instrument for investments in surgical clinical equipment, the contracts usually have a duration between 4 and 8 years, and usually the Group has the option to purchase the assets at its residual value which are un a range from 0 to 10% of the acquisition value.

Liabilities for finance leases have the following maturities:

	31-Dec-18			31-Dec-17		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Finance lease liabilities						
Less than one year	9,303,778	643,046	8,660,732	5,575,115	510,219	5,064,896
Between one and five years	33,229,852	5,903,841	27,326,011	25,033,309	1,631,392	23,401,917
More than 5 years	27,587,763	9,714,502	17,873,261	4,284,310	208,343	4,075,967
	70,121,393	**16,261,389**	**53,860,004**	**34,892,734**	**2,349,954**	**32,542,780**

26. Derivative financial instruments

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

The derivative financial instruments contracted for hedging purposes of interest rate changes in respect of credit lines are considered effective in terms of cash flow hedge.

The fair value of derivate financial instruments can be presented as follows:

	31-Dec-18	31-Dec-17
Interest rate swap contracts - cash flow hedges	3,417,493	3,109,947
Interest rate swap contracts - held for trading	-	-
Total	**3,417,493**	**3,109,947**
Non-current		
Interest rate swap contracts - cash flow hedges	(3,417,493)	(3,109,947)
Interest rate swap contracts - held for trading	-	-
Current	**-**	**-**

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

Instrument covered	Notional	Start date	Maturity	Fair value on 31-Dec-18	Fair value on 31-Dec-17
Commercial paper	150,000,000	26-10-16	26-04-25	3,084,010	2,727,039
Commercial paper	24,000,000	30-09-16	30-09-22	333,483	382,908
				3,417,493	**3,109,947**

Trading derivatives are classified in current assets or liabilities according to their fair value at the reporting date.

The fair value of the hedging derivative is classified in non-current assets or non-current liabilities when the maturity of the hedge target operation is more than 12 months of the reporting date and as current assets or current liabilities if the maturity of the hedge target operation is less than 12 months of the reporting date.

The notional of the interest rate swap contracts outstanding at December 31, 2018 amounted to €174 million (2017: €180 million) which are considered as cash flow hedge. These contracts have originated the recognition of a change in fair value in Equity of the Group in 2018 in respect of the effective part of the hedging derivatives, of some €346 thousand negative (2017: €1,365 thousand). The portion considered as inefficient in term of hedging was recognized in the consolidated statement of comprehensive income. Approximately €1,659 thousand refers to interests incurred (2017: €1,300 thousand). In the year the amounts presented in the consolidated statement of comprehensive income, are net of tax.

27. Operating leases

As at 31 December 2018 and 2017, the Group had liabilities under operating leases related to vehicles, buildings and equipment, which contained penalty clauses in case of cancellation. The total amounts of future payments are as follows:

	31-Dec-18	31-Dec-17
Less than one year	3,214,706	4,047,200
Between one and five years	10,917,091	13,022,953
More than 5 years	32,553,376	38,837,762
	46,685,174	**55,907,915**

28. Earnings per share

	31-Dec-18	31-Dec-17
Income attributable to equity holders of the parent	13,763,818	17,013,998
Average number of shares	95,542,254	95,539,596
Basic earnings per share	**0.144**	**0.178**

The average number of shares as at 31 December 2018 and 2017 is as follows:

	31-Dec-18	31-Dec-17
Shares issued at the beginning of the year	95,542,254	95,542,254
Effect of shares issuance during the year	-	-
Average number of paid-up shares	95,542,254	95,542,254
Effect of treasury shares	-	(2,658)
Average number of shares during the year	**95,542,254**	**95,539,596**

As at 31 December 2018 and 2017, the Group has no financial instruments with a diluting effect. The basic earnings per share are therefore equal to the diluted earnings per share.

29. Disputes and contingent liabilities

29.1. Disputes

29.1.1. Commercial litigation

- In December 2018, several units of the Group received a communication from their client ADSE regarding the need to regularize part of the billing made and paid, related to services provided in 2015 and 2016, for a total amount of €13.6 million. The Group supported by its legal advisors understands that the regularizations communicated by the client are not justified and as such they are not due and therefore the present consolidated financial statements do not consider the possible impact that the described situation could have. The Group, together with its legal advisors, responded to the communication received.

- In the context of the acquisition of the shares representing the share capital stock of the subsidiary Hospital da Luz Coimbra, SA (formerly Idealmed III - Serviços de Saúde, SA), a contract was signed between this subsidiary and Idealmed - Hospital, in which it was agreed that Hospital da Luz Coimbra, SA was entitled to use of the property and equipment assigned to the hospital on the date of the contract. On December 10, 2018, this contract was resolved by Idealmed - Hospital Unit of Coimbra, SA, and a compensation was requested for the resolution of the contract. The Group and its legal advisors understand that this contractual resolution is unlawful and lacks a valid legal basis, and that contract should continue in force, having already transmitted this position to Idealmed - Unidade Hospitalar de Coimbra, SA. The Hospital da Luz Coimbra, SA continues to comply with the obligations set forth in the contract and will continue to execute the agreement on the agreed terms.

29.1.2. Operational litigation

- The Group through its subsidiaries is party to medical liability lawsuits arising from events during the course of providing medical services in the amount of €9.5 million. The compensation damages that may arise from most of the lawsuits in dispute are covered by the civil liability insurance contracted by the Group, and, as such, Management understands that from these situations there should be no matters of material loss for the Group.

29.1.3. Tax litigation

- In the item Other accounts receivable (note 16), is recorded a receivable balance of €1,050 thousand in the item State and other public entities, in respect of a payment made under the Special Regime for Tax Regularization (RERD), related with a correction of corporate income tax received from the Tax Authorities in relation to the acceptance as tax expense of interests supported by the subsidiary Hospor in 2007.

The Board of Directors, with the support of its tax and legal advisers, believes it has acted in accordance with the tax laws and maintains the claims filed against this correction by the Tax Authority, and therefore not waiving its legitimate right to appeal and maintaining the expectation of full recovery of the amount paid. Nevertheless, the amount paid in advance is fully provisioned.

- In a separate lawsuit, the Tax Authority ("AT") questioned the deductibility of financial charges in the amount of €11,130 thousand relating to the period from 2008 to 2011 arising from financing of the subsidiary HOSPOR. Management understands there are reasons as that support the treatment followed by the company and as such filed a challenge.

In 2016, the Court of First Instance decision on this dispute, was favorable to Luz Saúde, however this decision was appealed by the Tax Authorities and is currently pending before the Supreme Administrative Court.

As a result of the position of the Tax Authority, and in view of the proposed corrections, additional tax asses-

sments were received in 2016 and 2017 in the amounts of €1,121 thousand and €2,028 thousand, respectively. The Group presented the necessary bank guarantees to continue to contest the corrections made by the Tax Authority.

- Following an inspection by the Tax Authority, the calculation of the tax benefits in term of job creation by two of the Group companies for the years 2013 and 2014 was questioned, and the Tax Authority identified corrections to the taxable income of €305 thousand and €530 thousand, respectively. Management, based on the opinion of its legal and tax advisors, understands that the calculation carried out is in accordance with the requirements of the law and as such it has contested the corrections made by the Tax Authority, the Group opted to provide a bank guarantee, in relation to the notifications received.

- In January 2017 the Hospital of Luz Coimbra (formerly Idealmed III - Serviços de Saúde, SA) was notified of the result of a Tax Inspection on VAT, carried out by AT for operations from April 2014 to June of 2016, which resulted in corrections to the tax deducted in the approximate amount of €2,009 thousands. The corrections promoted by AT to the amount of VAT deducted are based on the line of argument that Hospital da Luz Coimbra did not validly waive the exemption from VAT on those services because they had entered into agreements with the National Health Service. Although management, with support of its tax and legal advisers, believes that the procedures followed are right and as such has provided the necessary bank guarantee and lodged a complaint against such corrections, the Group chose to estimate the losses associated with a possible unfavorable outcome for the Group.

- In November 2018, following an inspection process promoted by the Tax Authority ("AT"), the Company was notified of a set of corrections in Value Added Tax (VAT), totaling €1,135 thousand, relating to operations from the period from July 2016 to December 2017, relating to the part of the VAT deducted in medical services provided under agreements entered into with the National Health Service. Although the Board of Directors, with the support of its tax advisers and legal counselors consider that exist valid arguments that support the treatment followed and as such plans to lodge a complaint against these settlements, in the same way as corrections promoted by AT in previous periods, the Group chose to estimate the losses associated with a possible unfavorable outcome for the Group.

29.2. Contingent liabilities

In the Company's Shareholders General Meeting held on 22 January 2014 and taking into account the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the Group's business development, an award of €850,000 to the latter was approved in recognition of professional services rendered to the Group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the Company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due as a result of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the Company, whatever the cause and the moment of termination thereof.

30. Responsibilities for guarantees provided

As at 31 December 2018, the break-down of guarantees granted to third parties is as follows:

Company	Beneficiary	Amount
Luz Saúde, SA	AT	2,568,176
Hospital da Luz - Coimbra, SA	AT	2,507,558
USATI e CASAS	CML	1,500,000
CCHCI	CEDIAGNO	1,500,000
Luz Saúde, SA	AT	1,414,839
HME	SCMÉVORA	300,000
HOSPOR	Município de Vila Real	250.000
Luz Saúde, SA	AT	239,958
SURGICARE	Município de Oeiras	118.320
IMC	IAPMEI, IP	111,804
Others inferior to €100,000	-	215,344
		10,726,000

In addition, there are real guarantees (mortgages and mortgage promises) in favor of financial institutions, as collateral to financing lines contracted, which as of December 31, 2018 had the following amounts in use:

Real Estate Property	Amount
Hospital da Luz Lisboa	150,000,000
Hospital da Luz Setúbal and Hospital da Luz Póvoa do Varzim	24,000,000
Hospital da Luz Arrábida and Hospital da Luz Amadora	12,500,000
Hospital da Luz Arrábida	8,000,000
Hospital da Luz Oeiras	9,625,000
Hospital do Mar	2,625,000
	206,750,000

31. Related parties

On October 15, 2014, Fosun International Holdings Ltd, through Fidelidade - Companhia de Seguros, SA, acquired control of LUZ SAÚDE.

Fidelidade - Companhia de Seguros, SA is held at 84.986% by Longrun Portugal, SGPS, SA, which is 100% owned by Millennium Gain Limited, based on Hong Kong. Millennium Gain Limitedis 100% owned by Fosun Financial Holdings Limited (Hong Kong), which is 100% owned by Fosun International Limited, a company listed on the Hong Kong Capital Market (00656.HK). Fosun International Limited is held at 71.77% by Fosun Holdings Limited, which is owned by Fosun International Holdings, Ltd., whose ultimate beneficial owner is Mr. Guo Guangchang. In January 2018, as a result of an operation carried out between Fidelidade - Companhia de Seguros, SA and Fosun International Ltd, Fosun International Ltd now holds 49% of the capital and voting rights of LUZ SAUDE, with Fidelidade - Companhia de Seguros, SA reduced its ownership to 49.7881%.

Therefore, the following tables present a summary of the balances and transactions with Fosun Group:

Fosun Group

	31-Dec-18		31-Dec-17	
	Assets	Liabilities	Assets	Liabilities
Shareholders				
Fidelidade - Companhia de Seguros, SA	6,444,859	15,280	4,161,776	187,458
Other related parties				
Multicare - Seguros de Saúde, SA	5,972,078	-	5,303,778	-
Longrun (Portugal) SGPS, SA	-	-	1,343,685	-
	12,416,937	**15,280**	**10,809,239**	**187,458**

Fosun Group

	31-Dec-18		31-Dec-17	
	Income	Expenses	Income	Expenses
Shareholders				
Fidelidade - Companhia de Seguros, SA	19,458,714	512,840	13,999,195	-
Other related parties				
Multicare - Seguros de Saúde, SA	44,026,453	-	38,155,263	-
	63,485,167	**512,840**	**52,154,458**	**-**

The amounts reported as income are primarily related to healthcare services provided by LUZ SAÚDE units, namely to insurance companies, at arm's length.

The amounts reported as expenses are related to the normal business of the respective entities and are related to insurance used by LUZ SAÚDE and its subsidiaries, which are acquired at normal market prices and conditions.

Remuneration paid to corporate bodies is detailed in note 9.

32. Acquisition of subsidiaries

32.1. Business acquisition of Idealmed group

On March 2018, following the communication from the Competition Authority, LUZ SAÚDE acquired control of the Idealmed Group (a group formed by the companies: Capital Criativo Health Care Investments II, SA, Idealmed III, Serviços de Saúde, SA, Imacentro - Clínica de Imagiologia Médica do Centro, SA and Idealmed Ponte Galante, SA), which operates the Idealmed UHC - Coimbra Hospital Unit and four clinics for outpatient care in the city of Coimbra, Figueira da Foz, Pombal and Cantanhede. The assets and liabilities recognized as a result of the acquisition are as follows:

Trade and other receivables	13,341,616
Inventories	510,982
Property, plant and equipment	19,868,778
Investments in associates	47,410
Intangible assets	2,639
Cash and bank balances	432,332
Trade and other payables	(7,435,722)
Borrowings and bank overdrafts	(14,652,264)
Finance lease liabilities	(18,596,137)
Provisions	(1,750,000)
Identifiable assets and liabilities	**(8,230,366)**
Goodwill	**26,220,366**
Acquisition cost	**17,990,000**

Compared with the amounts disclosed in the interim financial statements for June 2018, the acquisition value was adjusted to €17,990 thousand.

The goodwill calculated is attributable to the market position of the businesses acquired and the staff. The goodwill calculated will not be deductible for tax purposes.

32.1.1. Contribution in terms of revenue and net profit

This operation, between March 31, 2018 and December 31, 2018, had a positive contribute to the Revenue from services rendered of about €18,846 thousand and a negative contribution to the Group's net income of approximately €1,713 thousand.

If the acquisition had occurred on January 1, 2018, the consolidated pro forma revenue and net income for the year ended December 31, 2018 would be €548,904 thousand and €14,109 thousand, respectively.

32.2. Business acquisition in Madeira (SCH)

On 13 March 2017, LUZ SAÚDE acquired 81.35% of the share capital and voting rights of S.C.H. - Sociedade Clínica Hospitalar, SA, which owns and operates Santa Catarina Hospital, located in Funchal, and a polyclinic in Caniço, private health units operating in the market of the Autonomous Region of Madeira.

The assets and liabilities recognized as a result of the acquisition are as follows:

Trade and other receivables	899,006
Inventories	365,929
Property, plant and equipment	3,832,374
Deferred tax assets	276,780
Intangible assets	1,065
Trade and other payables	(1,938,653)
Borrowings and bank overdrafts	(1,185,857)
Finance lease liabilities	(1,497,212)
Provisions	(796,071)
Identifiable assets and liabilities	**(42,639)**
Non-controling interests (note 21)	7,952
	(34,687)
Goodwill	**3,126,025**
Acquisition cost	**3,091,338**

Loans and overdrafts at the date of acquisition included bank overdrafts in the amount of €304,959 which, for the purposes of the statement of cash flows, were considered as part of cash and cash equivalents.

The goodwill calculated is attributable to the market position of the businesses acquired and the staff. The goodwill calculated will not be deductible for tax purposes.

32.2.1. Contribution in terms of revenue and net profit

The amount of revenue included in the consolidated income statement for the year ended 31 December 2017 amounted to €7,191 thousand, including net income of €216 thousand.

If the acquisition had occurred on January 1, 2017, the consolidated pro forma revenue and net income for the year ended 31 December 2017 would be €483,425 thousand and €17,227 thousand, respectively.

32.3. Acquisition of the British Hospital Group (GBH)

On 31 July 2017, LUZ SAÚDE acquired 100% of the share capital and voting rights of CCHCI - Capital Criativo Health Care Investments, SA, which owns the British Hospital Group ("GBH"), BMC - British Hospital Management Care, SA, British Hospital Lisbon XXI, SA and Microcular - Centro Microcirurgia Ocular, Laser e Diagnóstico, SA, private health units operating in the Lisbon metropolitan area.

The assets and liabilities recognized as a result of the acquisition are as follows:

Cash and bank balances	120,947
Trade and other receivables	8,640,115
Inventories	648,346
Property, plant and equipment	1,153,383
Deferred tax assets	125,944
Intangible assets	199,647
Trade and other payables	(11,634,305)
Provisions	(563,079)
Finance lease liabilities	(252,919)
Identifiable assets and liabilities	**(1,561,921)**
Investments in associates and joint ventures	4,619
Assets and liabilities acquired	**(1,557,302)**
Goodwill	**8,720,684**
Acquisition cost	**7,163,382**

The acquisition value is fully paid.

The goodwill calculated is attributable to the subsidiaries' market position, the number of employees and operational synergies with the Group. The goodwill calculated will not be deductible for tax purposes.

32.3.1. Contribution in terms of revenue and net income

The amount of revenue included in the consolidated income statement for the year ended 31 December 2017 amounted to €8,340 thousand, including a loss of €2 thousand.

If the acquisition had occurred on 1 January 2017, the consolidated pro forma pro forma income and net income for the year ended December 31, 2017 would be €495,060 thousand and €17,362 thousand, respectively.

33. Financial risk management

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

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

33.1. Credit risk

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

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

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

	31-Dec-18	31-Dec-17
Trade receivables and accrued income	142,616,129	132,119,849
Cash and cash equivalents	59,567,172	57,586,514
Other receivables	7,831,540	2,336,638
	210,014,841	**192,043,001**

33.1.1. Trade receivables and accrued income

The monitoring of credit risk of the operations, is performed based on the supervision of the debtor's portfolios and their outstanding balances on an on-going basis. In addition to this approach, methods and tools used for risk assessment and control of client acceptance, establishment of credit limits, and implementation of debt collection procedures and cycles.

The credit risk profile is monitored regularly by the Operations and Finance Department of each subsidiary, namely with respect to changes in credit exposure and monitoring default losses, being the Group's consolidated credit risk profile monitored by the Finance and Audit department.

Compliance with approved credit levels is also reviewed regularly at each business unit level.The Group defined a credit procedure under which each new client is individually assessed from a credit risk standpoint prior to being accepted as a client. This review includes an analysis of external information and, whenever possible, third party references about the entity.

Impairment of trade receivables are estimated according to estimated losses to the portfolio, based on an analysis of each outstanding balance at the time of assessment and the expected loss calculation matrix.

As at 31 December 2018 and 2017, consolidated trade receivable and accrued income balance was detailed as follows:

	31-Dec-18	31-Dec-17
Trade receivables and accrued income		
Private healthcare	110,571,120	96,394,382
Public healthcare	27,359,030	28,843,607
Other segments and eliminations	4,685,979	6,881,860
	142,616,129	**132,119,849**

33.1.1.1. Private healthcare segment

The ageing of trade receivable and accrued income for the private healthcare segment, as of the respective invoice date, was as detailed below:

	31-Dec-18	31-Dec-17
Trade receivable and accrued income ageing in the healthcare private segment		
0-3 months	64,314,892	67,593,331
3-6 months	20,046,718	19,739,899
6-12 months	17,244,988	7,199,375
12-24 months	9,643,325	4,064,655
> 24 months	11,310,055	6,052,802
	122,559,978	**104,650,062**
Accumulated impairment	(11,988,858)	(8,255,680)
	110,571,120	**96,394,382**

33.1.1.2. Public healthcare

In accordance with the payment system in force at Hospital Beatriz Ângelo, each month, the State ("ARS-LVT") pays 90% of 1/12 of the agreed annual production value (regardless of the actual production value reached). The adjustment amount (which may include the remaining 10%, plus any additional production above the agreed amount, given that there are areas where the production limit can be surpassed, such as emergency medical care and hospitalization) is settled over the course of the following financial year.

The amounts receivable from ARSLVT under this operation are recorded in the captions Accrued income and Trade Receivables in the amounts of €23,687 thousand and €768 thousand, respectively (2017: €21,036 thousand and €4,614 thousand, respectively), pending the completion of the respective validation process.

33.1.2. Cash and cash equivalent

The breakdown of the balance of cash and cash equivalents, according to the credit risk quality of the financial institutions where assets were deposited on 31 December 2018, can be presented as follows (taking as based on Moody's rating observable in the market):

	31-Dec-18	31-Dec-17
Rating		
A2	197,681	-
Baa2	7,491,173	405,688
Baa3	21,604,598	23,648,304
Ba1	1,934,001	6,111,782
Ba3	18,956,075	-
B1	-	16,245,827
B3	358,345	206,164
Caa2	8,621,593	-
Caa3	-	10,449,400
Other	403,706	519,349
	59,567,172	**57,586,514**

As principle, the Group tries to maintain an alignment between the financial institutions in which deposits its cash equivalents, and the financial institutions with used credit lines to finance the operations, in order to create a natural hedge to prevent the risk of a potential credit event that may occur at the level of the entity where the funds are deposited. Thus, if we consider the net position of the assets and liabilities of the Group with bank entities, the risk of realization of assets amounts to €112 thousand (2017: €612 thousand).

33.2. Liquidity risk

Liquidity risk arises from the possible inability to finance the Group's assets or to satisfy contractual undertakings when due. Liquidity management is centralized in the Finance and Audit department of the Group, and seeks to maintain an adequate amount of funds to meet the Group's short-term, medium and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that enable the Group to identify occasional cash shortages and activate mechanisms intended to cover them.

To finance its business, the Group has the credit lines referred to in note 25.

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

	31-Dec-18					31-Dec-17
	Finance leases	Bank Loans	Commercial paper	Other liabilities (*)	Total	Total
Under 12 months	8,660,732	10,382,673	35,044,999	142,163,151	196,251,555	136,190,845
12 to 24 months	8,546,034	10,762,820	37,914,664	-	57,223,518	40,338,547
24 to 36 months	8,146,289	9,382,504	66,332,942	-	83,861,735	41,148,516
36 to 48 months	6,472,180	11,086,954	29,266,327	-	46,825,461	59,184,399
49 to 60 months	4,161,508	1,543,204	25,550,000	-	31,254,712	42,892,459
Over 60 months	17,873,261	4,171,599	49,250,000	-	71,294,860	84,512,019
	53,860,004	**47,329,754**	**243,358,932**	**142,163,151**	**486,711,841**	**404,266,785**

(*) Excludes non-financial liabilities and customer advances

33.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or developments in the capital markets, may affect the Group's results and financial position. Because the Group is not exposed to foreign exchange or capital market risks, the goals of its market risk management policies focus mainly on monitoring changes in interest rates that affect interest-bearing liabilities with floating interest rates.

All credit lines contracted by the Group are exposed to floating interest rates, given by the market index contracted plus a spread. In previous years and in order to balance the exposure to changes in interest rates, the Group has contracted hedging instruments to address the cash flow risk, in order to fix the interest rates of some of the credit lines that are in place.

With these instruments the level of financial debt that the Group has on 31 December 2018 and considering the effectiveness that these instruments may have (considering a positive evolution for future interest rates in the European Union), the Group will have about 49.2% (2017: 60.8%) of its financial debt exposed to fixed interest rate.

Considering that the Group's result is exposed to variations in market interest rates, and for illustrative purposes only, an immediate increase or decrease of 0.5% in the reference rates, considering all other constant variables, would impact net income before tax by approximately €900 thousand (2017: €595 thousand).

34. Financial instruments by category

As at 31 December 2018	Amortised cost	Fair value of assets / liabilities	Other financial liabilities	Non-financial assets / liabilities	Total
Assets					
Other non current assets	-	-	-	525,900,247	525,900,247
Trade and other receivables	137,867,995	-	-	12,870,221	150,738,216
Accrued income	7,393,994	-	-	-	7,393,994
Other current assets	-	-	-	14,822,513	14,822,513
Cash and cash equivalents	59,895,072	-	-	-	59,895,072
	205,157,061	**-**	**-**	**553,592,981**	**758,750,042**
Liabilities					
Other non current liabilities	-	-	-	11,697,402	11,697,402
Borrowings	-	-	300,112,859	-	300,112,859
Financial lease liabilities	-	-	53,147,378	-	53,147,378
Trade and other payables	-	-	127,489,668	5,249,310	132,738,978
Derivative financial instruments	-	3,417,493	-	-	3,417,493
Deferred income and other current liabilities	-	-	-	-	-
	-	**3,417,493**	**480,749,905**	**16,946,712**	**501,114,110**

As at 31 December 2017	Amortised cost	Fair value of assets / liabilities	Other financial liabilities	Non-financial assets / liabilities	Total
Assets					
Other non current assets	-	-	-	447,957,033	447,957,033
Trade and other receivables	128,025,013	-	-	8,987,851	137,012,864
Accrued income	4,930,672	-	-	-	4,930,672
Other current assets	-	-	-	11,538,902	11,538,902
Cash and cash equivalents	57,778,921	-	-	-	57,778,921
	190,734,606	**-**	**-**	**468,483,786**	**659,218,392**
Liabilities					
Other non current liabilities	-	-	-	10,080,600	10,080,600
Borrowings	-	-	263,889,030	-	263,889,030
Financial lease liabilities	-	-	32,542,780	-	32,542,780
Trade and other payables	-	-	102,708,806	7,686,936	110,395,742
Derivative financial instruments	-	3,109,947	-	-	3,109,947
Deferred income and other current liabilities	-	-	3,464,784	358,009	3,822,793
	-	**3,109,947**	**402,605,400**	**18,125,545**	**423,840,892**

The hierarchy for the purpose of determining fair value should have the following levels and measurement bases:

- Level 1 – inputs based in quoted prices in active markets for identical assets or liabilities that the entity can access at the reporting date;
- Level 2 – inputs based in other than quoted market prices included within Level 1 that are observable in the market;
- Level 3 - valuation models, whose main inputs are not observable in the market.

The only financial instruments carried at fair value are disclosed in note 26, with the fair value of these instruments has been determined by banking entities based on observable inputs on the market and used in models and techniques generally accepted valuation (Level 2).

35. Accounting policies

35.1. Basis of consolidation

The consolidated financial statements presented herein reflect the assets, liabilities, equity, results and cash flows of LUZ SAÚDE and its subsidiaries, and the results attributable to the Group from investments in associated companies.

The accounting policies have been applied consistently by all Group companies for all periods covered by this consolidated financial statements.

35.1.1. Subsidiaries

Subsidiaries are all entities over which the group has control. Control is considered when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, despite its interest in the shareholders equity of the subsidiary is less than 50%.

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

Under the full consolidation method, Group companies assets, liabilities, income, expenses and cash flows are consolidated, while intra-group transactions, balances, unrealized gains on transactions and dividends distributed between Group companies are eliminated in the consolidation process. Unrealized losses are also eliminated, unless the transaction shows signs of impairment of the asset thereunder.

Equity and net income of the companies included in the consolidation corresponding to the participation of third parties are disclosed, respectively, in the separate consolidated balance sheet in equity and in the consolidated statement of comprehensive income under the item "Non-controlling interests".

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

For business combinations achieved in stages (step acquisition) in which control is obtained, the associate company is included in the consolidation by the full method, and the fair value of the financial interest previously held by the Group, is considered as part of the acquisition price. The difference between the book value in the associate and its fair value is recognized in results on the date that control is achieved. In a partial

sale in which control over a subsidiary is lost, any remaining interest is remeasured at fair market value on the date of the sale and any gain or loss resulting from that revaluation is recognized under results.

Acquisition-related costs are expensed as incurred.

Non-controlling interests are presented by the share in the fair value of the assets and liabilities identified. Cumulative losses are attributed to non-controlling interests in accordance with their share of interest in the subsidiary, which may result in the recognition of negative figures for non-controlling interests.

35.1.2. Associate companies

Companies over which the Group has the power to significantly influence financial and operating policies are classified as associate companies, even in the absence of a controlling interest therein. Normally is assumed that the Group has significant influence when it has the power to exercise more than 20% of the voting rights of the associated company. Even when voting rights are less than 20%, the Group may have significant influence by participating in the associated company's management or by being an executive member of its board of directors.

Financial investments in associate companies are consolidated using the equity method from the moment the Group gains significant influence until that influence ceases to exist. Under the equity method, financial investments in associate companies are recognised in the consolidated statement of financial position at cost and are adjusted thereafter to recognise the Group's share of the associate results. This adjustment is recognized in the consolidated profit and loss. In addition, the financial investments may also be adjusted through the recognition of impairment losses.

Dividends attributed by the associate entities are recorded as a decrease in the carrying value of the financial investments, at the time they are attributed.

When the amount of accumulated losses incurred by an associate company and attributable to the Group is equal to or exceeds the carrying value of the investment and any other medium and long-term interests in that associate company, the equity method is no longer applied, unless the Group has a legal or constructive obligation to recognize those losses or has made payments on behalf of the associate company.

35.1.3. Investments in joint ventures

A joint venture consists of a contractual agreement in which two or more entities (participants) undertake an economic activity under joint control. Joint control only exists if the relevant financial and operating decisions regarding the business require unanimous approval of all participants. A jointly controlled entity is a joint venture that incorporates the activity of a jointly controlled business.

The financial statements of the jointly controlled entities are prepared with reference to the same reporting date as the Group's consolidated financial statements. Unrealized gains in transactions between the Group and these entities are eliminated in the proportion to the Group's share in the jointly controlled entities. In addition, investments in jointly controlled entities may be adjusted through the recognition of impairment losses. Whenever there are indications of asset impairment, an assessment is carried out. If an impairment loss is found, it is reported as a loss in the consolidated statement of comprehensive income. Adjustments are made to the financial statements of the entity 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 cost and are subsequently adjusted by the amount corresponding to their share of the jointly controlled companies' results, and by variations in their equity under the caption "Retained earnings and reserves". The classification of financial investments in jointly controlled companies is based on shareholder agreements that show and regulate joint control.

35.1.4. Goodwill

Goodwill from acquisitions made up to 1 January 2005 is recorded as an intangible asset in the consolidated

balance sheet at the carrying value measured on the date of transition to IFRS according to the previous accounting policies, as considered in IFRS 1, adopted by the Group on the date of transition to IFRS.

The Group records acquisitions of subsidiaries and associated companies that occurred after 1 January 2005 using the acquisition method.

Goodwill represents the excess of the consideration transferred and the fair value of the Group's share in the identifiable assets and liabilities acquired (note 14). When the acquisition cost is less than the net assets of the entity acquired (negative goodwill), the difference is recognised as a gain in the consolidated income statement.

Goodwill is reported under assets at its cost and is not amortised. For investments in associated companies, goodwill is included in the carrying value determined by the equity method.

The recoverable amount of goodwill is revised annually in the last quarter of each financial year, regardless of signs of impairment. Any impairment loss identified is recognised in the consolidated statement of comprehensive income.

In testing goodwill for impairment, 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 amount of the cash-generating units to which the goodwill is allocated is determined based on the value in use of the assets. This is calculated using discounted cash flow methodologies that take into account market conditions, time value and business risks. The discount rate used in discounting cash flows reflects the pre-tax Weighted Average Cost of Capital (WACC) of the LUZ SAÚDE Group for the business segment to which the cash-generating unit belongs.

35.1.5. Balances and transactions eliminated in the consolidation

Intra-group balances, transactions and cash-flows, as well as any unrealized gains and losses resulting from those transactions are eliminated when preparing the consolidated financial statements. The unrealized gains and losses of transactions with associated companies and jointly controlled entities are eliminated in proportion to the Group's interests therein.

35.2. Significant accounting policies

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

35.2.1. Property, plant and equipment

35.2.1.1. Recognition and valuation

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

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

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

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

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

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

35.2.1.2. Depreciation

Land is not depreciated. Depreciation of the remaining Property, plant and equipment is calculated using the straight-line method, from the month the assets become available for use. The depreciation rates used reflect, on average, the estimated useful lives of the assets:

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

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

35.2.2. Intangible assets

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

Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the agreement. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment (note 14).

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

Group companies test their property, plant equipment and intangible assets for impairment whenever an event or change occurs that indicates that the carrying value of an asset may not be recoverable. Should such indicators exist, the Group determines the recoverable amount of the asset in order to determine the possible extent of the impairment loss. When it is impossible to determine the recoverable amount of a given asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

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

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

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

35.2.4. Financial assets and liabilities

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

As financial assets, the Group presents in the Consolidated Balance Sheet the items "Trade receivables", "Other receivables" and "Cash and cash equivalents". The Group's financial liabilities are presented under "Trade payables", "Borrowings", "Finance lease liabilities", "Other payables" and "Derivative financial instruments".

Financial assets are initially recognized at their fair value plus transaction costs, except for financial assets at fair value through profit and loss, in which case these transaction costs are directly recognized in the consolidated profit and loss.

Financial assets are derecognized when: (i) the Group's contractual rights to receive their future cash flows expire, (ii) the Group has substantially transferred all the risks and benefits related to their ownership, or (iii) the Group has transferred control of the assets, although it retains a non-substantial part of the risks and benefits associated with their ownership.

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

35.2.4.1. Trade and other receivables

Trade and other receivables classified as current assets have no implicit interest and are presented using the amortized cost method. This is estimated to be equal to the carrying value, less any related impairment losses, which are calculated based on two assumptions: the seniority of the receivable and the debtor's credit profile. If collection is expected within one year or less after the date of Consolidated Balance Sheet, the receivable is classified as a current asset. Otherwise, it is classified as a non-current asset.

Impairment losses are recorded against results in accordance with the expectation of default or when there

is objective evidence that the Group will not receive all of the amounts owed and are subsequently reversed by results if there is a reduction in the estimated loss amount, in a later period.

Trade and Other receivables classified as non-current assets are measured at their amortized cost, determined in accordance with the effective interest rate method. When there is an expectation of default or evidence that they are impaired, the corresponding loss is recorded in profit or loss.

35.2.4.2. Cash and cash equivalents

The amounts included in the caption "Cash and cash equivalents" represent cash, bank deposits, term deposits and others, that mature in or in less than three months and are immediately available, with an insignificant risk of change in value.

For the purposes of the consolidated cash flow statement, the cash and cash equivalents comprise the amounts recorded in the consolidated balance sheet with a maturity of less than three months from the date of its contracting / acquisition, including cash and cash equivalents in credit institutions .

35.2.4.3. Bank loans

Loans are recognized under liabilities at their cost or amortized cost. Amortized cost is calculated according to the effective interest rate method. They are classified as current or non-current liabilities, depending on their maturity date. If the loan matures within one year after the reporting date, it is classified as a current liability; if it matures one year after the reporting date or the renewal of the loan is contractually secured for more than 12 months after the reporting date, it is classified as a non-current liability. The liabilities are derecognized when the contractual obligations cease to exist, namely at the time of repayment.

Financial costs are calculated according to the effective interest rate method and are recorded on an accrual basis in the consolidated profit and loss. Financial costs due, but unpaid as at the reporting date are disclosed under "Other payables".

35.2.4.4. Trade and Other payables

"Trade and other payables" are liabilities related to goods or services acquired by the Group during the normal course of its business. If the payment falls due in one year or less after the reporting date, they are classified as current liabilities; otherwise, they are classified as non-current liabilities.

Balances from "Trade and other payables", which are considered current liabilities, are measured at their amortised cost, which is estimated to be identical to their carrying value, i.e. at cost.

35.2.4.5. Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, which is presumed to be equal to its acquisition cost on that date, and are subsequently re-measured at their fair value, being the gains or losses generated in the remeasurement recognized in the profit and loss, except for derivatives designated as a cash flow hedging instruments.

The fair value of derivative financial instruments is the market value of the instrument, when available, or determined by external entities based on valuations methods generally accepted in the market.

The Group uses financial instruments to hedge the interest rate risk from its financing activity. The derivative that don't qualify for hedging in accordance with IAS 39 are registered as trading instruments.

A hedging relationship exists when:

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument related to a forecast transaction is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

35.2.5. Leases

LUZ SAÚDE classifies lease operations as finance leases or operating leases, with prevalence to substance over legal form, pursuant to the criteria set out in IAS 17 – Leases. Operations in which the risks and benefits inherent to ownership of an asset are transferred to a lessee are classified as finance leases. All other leasing operations are classified as operating leases.

35.2.5.1. Operating leases

Payments made under operating lease agreements are recorded as expenses in the periods to which they pertain (note 27).

35.2.5.2. Finance leases

Finance lease agreements are recognized on their starting date, under both assets and liabilities, at the cost of acquisition of the leased property, which is equivalent to the present value of outstanding lease payments. Lease payments are made up of (i) interest charges, which are debited in the consolidated statement of comprehensive income and (ii) the financial amortization of outstanding principal, which is deducted from liabilities. Interest charges are recognized as expenses over the lease period in order to obtain a constant periodic interest rate on the remaining balance of the liability in each period.

35.2.6. Inventories

Inventories include subsidiary materials and consumables and are valued at the lower of the acquisition cost and the net realizable value. The acquisition cost includes expenses incurred up to storage of the inventory. Cost of inventory consumed is determined using the weighted average cost.

The net realizable value is the estimated sales price less estimated costs to sell.

If the net realizable value is lower than the acquisition cost, the difference is reported under "Other operating expenses" in the statement of comprehensive income.

35.2.7. Revenue

Revenue is recognized whenever it is probable that the Group will obtain economic benefits that can be reliably estimated, being measured by the fair value of the instalments received or receivables, net of discounts given and any taxes. The revenue associated with the transaction is recognized with reference to its stage of completion as at the reporting date.

Revenue from activities carried out in the private healthcare segment, is recognized based on the services rendered during that period, valued at the prices of those services as set out in a defined price list, regardless of the actual invoice date.

In the case of activities carried out in the public healthcare segment (under the PPP), revenue is recognized in accordance with the services provided valued by the contractual prices agreed with the Contracting Public Entity. Under the agreement, invoicing is monthly for an amount equivalent to 1/12 of 90% of the annual amount agreed for each year. There is an adjustment invoice for services actually provided, 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" on an accrual basis (33.2.8 below).

Revenue from senior residences is recognized based on lifetime rights of use (ROUs). This recognition is

made according to the characteristics of each type of agreement:

- In lifetime ROUs with no conveyance rights, or with the right to only one conveyance, the value of the agreement is initially recognized as deferred income. Once the member moves into the Club, the revenue is recognized for a period that takes into account the age of the member (or of the assignor, if allowed) on the entry date, and the average life expectancy taken from the GRF95 actuarial tables;

- In lifetime ROUs with unlimited conveyance rights, the agreement value is immediately recognized as income and an accrued expense for the unit's portion of the total cost of the buildings is recorded as a sales cost. The accrued expense is later recognized as revenue in the same period as the depreciation of the corresponding property, plant and equipment.

35.2.8. Accrual basis

The Group companies recognize their revenue and expenses on an accrual basis. Therefore, revenue and expenses are recognized when generated regardless of when they are collected or paid. Differences between the amounts collected and paid and the corresponding expenses and revenue are reported in the statement of financial position under the captions "Other receivables" or "Other payables", respectively.

35.2.9. Finance income and costs

Finance income includes interest and financial discounts obtained from third parties and are recognized in the period in which they occur. Dividends are recognized from the moment in which the investee company assumes the commitment to distribute them.

Finance costs include interest expenses and other banking expense, being recognized in the financial period in which they occur.

35.2.10. Income tax

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

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved.

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

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

LUZ SAÚDE falls under the special tax regime for corporate groups, which covers all the companies in which the parent company of the tax group directly or indirectly holds at least 75% of the respective share capital (90% until 2013) and as long as these companies meet the requirements established in the Corporate Income Tax Code. The remaining subsidiaries that do not fall under the Group's special tax regime are taxed individually, according to their respective taxable income and applicable tax rates.

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surtax of up to a maximum of 1.5% of taxable profits, and a State surtax of 3% of taxable profits between €1.5 million and €7.5 million (€10 million in 2012) and 5% on taxable profits above €7.5 million and 7% on taxable profits above €35 million, applicable from 2014.

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

35.2.11. Provisions, contingent assets and contingent liabilities

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

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

The amount of provisions corresponds to the present value of the obligation. The financial effect of the discount is recorded as a finance cost under the caption "Finance costs" (note 11).

Provisions are revised on the reporting date and are adjusted to reflect the best estimate on that date (note 22).

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

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

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

35.2.12. Segment reporting

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

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

35.2.13. Earnings per share

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

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

35.2.14. Dividend distribution

The distribution of dividends is recognized as a liability from the time they are approved by the company's General Shareholders Meeting until they are paid to shareholders.

35.2.15. Cash flow consolidated statement

The consolidated statement of cash flows is prepared using the direct method, by which cash inflows and outflows are reported relative to operating, investment and financing activities.

35.2.16. Subsequent events

Events that occur between the closing date and the date in which the consolidated financial statements are approved by the Board of Directors, which provide additional information about conditions that existed as 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 financial reporting date are disclosed in the notes to the consolidated financial statements, if considered relevant.

35.2.17. Employee benefits

35.2.17.1. Liabilities with holidays, subsidies and bonuses

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

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

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

36. Subsequent events

There were no subsequent events relevant for reporting purposes between December 31, 2018 and the date of approval of these consolidated financial statements at a Board of Directors' meeting.

The Certified Accountant

Sónia Amoedo Matos

The Board of Directors

Jorge Manuel Batista Magalhães Correia

Isabel Maria Pereira Aníbal Vaz

Chen Qiyu

Yili Kevin Xie

Rogério Miguel Antunes Campos Henriques

Wei Zhang

Ivo Joaquim Antão

João Paulo da Cunha Leite de Abreu Novais

Tomás Leitão Branquinho da Fonseca

Report and Opinion on Luz Saúde Annual Report

(Free translation of a report originally issued in Portuguese)

Report

Dear Shareholders

Under Luz Saúde SA bylaws its supervision is entrusted to an Audit Board made up of three effective members and one alternate that are elected by the General Shareholder's Meeting and one Statutory Auditor or an Audit firm.

Therefore and as set out in article 420(1)(g) of the Portuguese Companies Code, the Audit Board hereby presents its Report on the supervision of Luz Saúde, S.A. (the "Company"), as well as its Opinion on Luz Saúde, SA Individual and Consolidated Financial Statements for the financial year ended on 31 December 2018.

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

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

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

Thereby it issues the following:

Opinion

The Audit Board is aware of the conclusions of the auditing procedures of the Individual and Consolidated Financial Statements for the 2018 financial year that include the individual and consolidated balance sheet as at 31 December 2018, the individual and consolidated statement of comprehensive income, the individual and consolidated statement of changes in equity, the individual and consolidated statement of cash flow and accompanying notes. The

Audit Board reviewed the Consolidated and Individual Statutory Audit Reports issued by the Statutory Auditor which contains no reserves. The Statutory Auditor report on the Consolidated Financial Statements includes an Emphasis of matter, that we considered.

Within the scope of the powers of the Audit Board, it is stated that, to the best of the Audit Board's knowledge, the Management Report and the Individual and Consolidated Financial Statements of the Company for the year ended 31 December 2018 were prepared in accordance with the applicable accounting standards, giving a true and fair view of the assets, the liabilities, and the financial position and results of Luz Saúde, SA and the companies included in the Consolidation scope. In addition, the Management Report faithfully reflects the evolution of the business, performance and position of the Company and of the Group, satisfies the applicable legal, accounting and statutory requirements and, whenever applicable, contains a description of the main risks and uncertainties faced.

In this terms, taking into account the diligences, opinions and information of the Board of Directors, the services of the Company, the Statutory Auditor and the External Auditor, the Audit Board is of the opinion that:

i) There is nothing to prevent the approval of the Management Report for the year 2018;

ii) There is nothing to prevent to the approval of the Individual Financial Statements and Consolidated Financial Statements for the year 2018;

iii) There is nothing to prevent the approval of the proposal for the application of results presented by the Board of Directors, namely taking into account the provisions of Article 32 of the Commercial Companies Code.

Lisbon, 9 May 2019

The Audit Board

João Carlos Tovar Jalles

(Chairman)

Clara José Cruz de Sequeira Viegas Penha Ventura

(Member)

António Luís Castanheira Silva Lopes

(Member)

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

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Luz Saúde, S.A. (the Group), which comprise the Consolidated Balance Sheet as at December 31, 2018 (which show a total of 758,750,042 euros and a total equity of 248,975,200 euros, including a consolidated net profit for the year attributable to the equity holders of the parent of 13,763,818 euros), the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Luz Saúde, S.A. as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

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

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

Emphasis of matter

We draw attention the fact that, as disclosed in note 29.1.1 of the notes to the consolidated financial statements, the consolidated financial statements of the Group as of December 31, 2018 do not consider the impact of the adjustments to part of the services rendered and received in the years 2015 and 2016, communicated in December 2018 by ADSE to several units of the Group, since it is the understanding of the Board of Directors, supported by its legal advisors, that these are neither justified nor due. Consequently, the maintenance of this understanding in the context of the preparation of the consolidated financial statements is dependent on the future success of the Group regarding the outcome of the ongoing and /or future proceedings related to this matter. Our opinion is not modified in respect of this matter.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

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

- assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

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

Lisbon, May 8, 2019

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

(Signed)

Rui Abel Serra Martins - ROC nº 1119
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HOSPITAL DA LUZ
LEARNING HEALTH
TRAINING, RESEARCH & INNOVATION CENTER

04
SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

04
Luz Saúde's sustainability and corporate social responsibility in 2018

04.1 Framework

The present sustainability and corporate social responsibility report covers activities carried out by the Luz Saúde Group in the period from 1 January to 31 December 2018. Information from previous years is provided so developments in sustainability can be better monitored.

For the 6th consecutive year, Luz Saúde has adopted an integrated reporting model by including relevant sustainability information in the Management Report and Annual Accounts. The reported information covers activities across the entire Luz Saúde Group.

This report addresses the legal requisites set out in Decree-Law no. 89/2017 of 28 July, which transposes Directive 2014/95/EU of the European Parliament and of the Council into the Portuguese legal system. It states that large undertakings and parent companies of a large group with public-interest status and an average number of employees in excess of 500, shall include a non-financial statement within the management report or a separate report on a yearly basis. This Directive makes it mandatory to report on environmental matters, social and employee-related matters, gender equality, non-discrimination, human rights, anti-corruption, bribery matters and diversity within the management and supervisory bodies.

European principles acknowledge the importance of maximising the value of corporate organisations, promoting innovation and integrating social, environmental, ethical and human rights concerns in management. They measure Social Responsibility by assessing the impact of organisations on their stakeholders (employees, customers and families, suppliers, community and shareholders). These principles define the following as key areas of intervention: acting with transparency, promoting training, education, innovation, raising awareness and encouraging good practices, supporting multi-stakeholder initiatives, cooperating with Member States and keeping the consumer informed. The United Nations Global Compact's Ten Principles have been adopted as a benchmark. They encourage organisations to responsibly intervene in four major areas: human rights, labour, environmental protection and the fight against corruption.

04.2 The Luz Saúde Group's commitment to Sustainability and Corporate Social Responsibility

The Luz Saúde Group's commitment to social responsibility - in line with the aforementioned reference framework - is based on the transparency of its activities, respect for the stipulated Mission, Vision and Values and development of an ethical and "positive capitalization" relationship with its stakeholders (employees, customers and families, suppliers, community and shareholders). It is also based on the ongoing promotion of innovation, while integrating social, environmental, ethical and human rights concerns, as well as pursuing policies that preserve environmental sustainability, namely energy efficiency, reducing CO2 emissions and the suitable sorting of waste.

In addition to compliance with the applicable laws and regulations, Codes of Conduct on matters of human rights, gender equality, non-discrimination, anti-corruption and bribery are in force at Hospital da Luz Lisboa and Hospital Beatriz Ângelo and should come into force at all other units by 2019. A Code of Ethics is also expected to come into force for all units in 2019.

Given the need to disclose consistent reliable information on corporate social responsibility, which also covers environmental sustainability, Luz Saúde has been selecting and collecting (non-financial) indicators that demonstrate its interactions with stakeholders. When necessary, this includes the existing "positive capitalisation". In some areas, GRI indicators (Global Report Initiative/version G3.1) have been used, when deemed appropriate to the undertaken activity.

The information below shows relationship indicators with Luz Saúde Group stakeholders, as regards environmental sustainability.

04.2.1 Employees

It is a complex and ongoing challenge to promote, among the Group's 13,756 employees (as at 31 December 2018), agile communication and a work culture based on multi-disciplinary teams, knowledge transfer and good practices among employees and units, while ensuring a stimulating and innovative work environment capable of fostering continuous improvement, while seeking to attract and retain the best professionals.

The table below shows the number of Luz Saúde Group employees divided by gender and by doctors, nurses and other group professionals (including, for instance, health technicians, auxiliary staff and administrative services).

	2018		2017	
Total no. of employees	**13,756**	**100%**	**12,492**	**100%**
Men	4,172	30%	3,864	31%
Women	9,584	70%	8,628	69%
No. of employees by professional group				
Doctors	4,633	34%	4,631	37%
Nurses	3,057	22%	2,507	20%
Other professionals	6,066	44%	5,354	43%

The increased variation in number of employees is very consistent with growth in Group operations. This growth is also consistent as regards gender and professional group. Luz Saúde would like to highlight that divide the gender at nearly 70% female employees and 30% male, is common in the healthcare industry. In this industry, there has traditionally been a greater predominance of female employees in certain roles (namely, nursing, auxiliary staff or reception and other supporting roles). In any case and from all standpoints, Luz Saúde, its directors and management teams are absolutely committed to equality and non-discrimination, by ensuring completely equal access to recruitment, selection processes, treatment and opportunities for both men and women.

Training and development

Training and developing our employees is one of the Group's strategic focuses. Each unit organises training for its employees on specific topics. In addition to this, the following table shows a summary of training offered by the Luz Saúde Group, intended for both in-house professionals and those outside the group. In 2018, this training was entirely offered by the Group company GLSMED Learning Health, Sociedade Anónima:

Seminars, conferences, symposiums, courses and workshops

	2018	2017
Number of training sessions		
(Symposiums, conferences, workshops, day events, other meetings)	299	239
Number of participants	7,517	6,746
Number of participants from outside the Luz Saúde Group	2,822 (38%)	3,682 (55%)
Training volume (hours)	51,363	56,447

In 2018, Hospital da Luz Learning Health continued to carry out TeAM courses, cardiopulmonary resuscitation training (CPR) and clinical events promoted by group units. It also launched new areas of training, such as the Be a Star Programme, GESEA and ERAS training, among others. Hospital da Luz Learning Health continued to focus on incorporating new teaching and training methodologies that promote effective learning and transfer to clinical practice.

In 2018, Hospital da Luz Learning Health invested in equipment in order to improve learning effectiveness, with a focus on increasing practical training and simulation.

Throughout the year, it held 299 events with the participation of 7,517 people (62% from the Luz Saúde Group), which amounts to a training volume greater than 50,000 hours. Of all participants, 43% were Doctors, 16% Nurses, 8% Health Technicians, 25% Administrative Staff and Managers and 9% were professionals from other categories. On average, events promoted by Hospital da Luz Learning Health were assessed very positively (nearly 4.4 on a scale of 0 to 5).

Internal communication and group culture

Corporate intranet and in-house events are instruments and opportunities to showcase projects, innovation, experiences, knowledge and good practices that promote Group culture and enhance trust with all stakeholders and, in particular, employees.

LUZlink, Luz Saúde's intranet which connects the group's private units with all its employees, strives to encourage teamwork and a culture of excellence and continuous outperformance.

Of note among the in-house events carried out in 2018 is the Annual Luz Saúde Conference attended by over 1000 employees.

With 200,000 copies distributed in 2018, the publications Informação Luz Saúde, including Informação Luz Saúde Beatriz Ângelo, also contributed to the abovementioned goals.

The Group's units' websites are also important, with 4.8 million visits in 2018.

Healthcare access for group employees

In 2018, employees, family members and respective parents continued to benefit from the Employee Healthcare Plan, which allows them to access the healthcare and services available in the various units under particularly advantageous conditions. This Plan is supplemented by health insurance that covers all employees with an employment contract.

Schooling support for children of employees

Luz Saúde maintained its commitment from previous years to grant a monetary subsidy to employees at the outset of the school year. This is intended to compensate for schooling expenses for their respective children.

04.2.2 Customers

The relationship with customers and families is driven by an ongoing effort to improve the care provided, based on effectiveness, integrity, trust and quality of service. We seek to establish and maintain long-term relationships, ensuring that at each step in life, both in health and sickness, suitable services, information and support are offered to patients, family members and caretakers.

04.2.2.1 Output, communication and customer portal indicators

In 2018, eight new units from the Hospital da Luz network were integrated in the Luz Saúde Group: a Clinic in Odivelas, a Clinic in Lagoas Park, a Hospital in Vila Real and, by way of acquisition of Idealmed, a Hospital in Coimbra and four Clinics (Cantanhede, Coimbra, Figueira da Foz and Pombal). The Group is thereby made up of a total of 30 units.

Output indicators

Operational indicators evolved as follows from 2017 to 2018:

	2018	2017
Outpatient consultations (thousands)	1,933	1,875
Urgent care (thousands) (1)	613	610
Surgeries and deliveries (thousands)	67.4	63
Imaging testing (thousands)	1,094	1,081

(1) The decrease in "Urgent Care" is essentially the result of a new criteria, which came into force in 2018, to determine what constitutes a medical act.

Communication and customer portal

For 2018, we highlight the following initiatives due to their positive impact on customer relationships:

- Information made available on the websites (making up a total of 4.8 million visits) and in the publication Informação Luz Saúde Beatriz Ângelo (with a total circulation of 200,000 thousand copies distributed in 2018).
- Making services and information more user-friendly through the Customer Portal and Hospital da Luz App.

The Customer Portal is an online area with reserved personal access, created so our customers can access their health information securely and confidentially. It also provides them with a set of online administrative services, such as scheduling consultations and tests, consulting their appointments and accessing certain test results. It is available in Portuguese and English and can be accessed via computer, mobile phone or tablet, as well as through the Hospital da Luz App.

In 2018, the Customer Portal was available in 12 Luz Saúde Group units (Hospital da Luz Lisboa, Hospital da Luz Arrábida, Hospital da Luz Setúbal, Hospital da Luz Clínica de Oeiras, Hospital da Luz Clínica da Amadora, Hospital da Luz Póvoa de Varzim, Hospital da Luz Clínica de Cerveira, Hospital da Luz Clínica do Porto, Hospital da Luz Clínica de Amarante; Hospital da Luz Torres de Lisboa, Hospital da Luz Clínica de Odivelas, Hospital da Luz Vila Real) and its expansion to other units (Hospital da Luz Aveiro, Hospital da Luz Guimarães and Hospital da Luz Coimbra) is planned for 2019, in addition to developing more features to support our customers in managing their health, such as the ability to admit themselves to the Hospital prior to their arrival.

04.2.2.2 Accreditations and certifications of services and units

Exhibiting certifications and accreditations of services and units, customer satisfaction assessments, compliance with Quality and Safety parameters, Luz Saúde unit participation and positioning in performance indices and ratings/indicators in the healthcare arena are all key to customer relationships. They are an on-going goal across the entire Group.

The following tables show a summary of the accreditations and certifications of services and units as at 31 December 2018.

Joint Commission International Accreditation and ISO Certifications

Unit /Benchmark	ISO 9001:2015	ISO 14001:2015	Joint Commission International (Accreditation)
HOSPITAL DA LUZ LISBOA			√
Pathological Anatomy Lab	√		
Nuclear Medicine	√		
Imaging and Lithotripsy	√		
HOSPITAL DA LUZ AVEIRO			
Imaging	√		
HOSPITAL DA LUZ CLÍNICA DE OIÃ			
Imaging	√		
HOSPITAL DA LUZ SETÚBAL			
Imaging	√		
HOSPITAL DA LUZ CLÍNICA DA AMADORA			
Imaging	√		
HOSPITAL DA LUZ OEIRAS			
Imaging	√		
HOSPITAL BEATRIZ ÂNGELO			√
Environmental Management System		√	
Pharmacy	√		
Imaging	√		
Nuclear Medicine	√		
Sterilisation Centre	√		
HOSPITAL DA LUZ TORRES DE LISBOA			
Providing Healthcare Services, Outpatient Consultations,Hospitalisation, Operating Ward and Complementary Diagnostic. Procedures and Treatment	√		
HOSPITAL DA LUZ GUIMARÃES			
Imaging	√		
Transfusion Medicine	√		
HOSPITAL DA LUZ ARRÁBIDA			
Imaging	√		
Gastroenterology	√		
Sterilisation Centre	√		
Transfusion Medicine	√		
HOSPITAL DA LUZ PÓVOA DE VARZIM			
Imaging	√		
Gastroenterology	√		
Sterilisation Centre	√		

Unit /Benchmark	ISO 9001:2015	ISO 14001:2015	Joint Commission International (Acreditação)
HOSPITAL DA LUZ CLÍNICA DO PORTO			
Gastroenterology	√		
Imaging	√		
HOSPITAL DA LUZ CLÍNICA DE AMARANTE			
Imaging	√		
Gastroenterology	√		
HOSPITAL DA LUZ CLÍNICA DE CERVEIRA			
Imaging	√		
Gastroenterology	√		
HOSPITAL DA LUZ COIMBRA (Imacentro Clínica de Imagiologia Médica do Centro)			
Imaging	√		

Other certifications and accreditations (national and international entities)

Unit /Benchmark	Clinical Lab Norms Portuguese Pharmacists Association	European Association of Nuclear Medicine (Accreditation)	European Association of Echocardiography (Accreditation)	European Institute of Oncology
HOSPITAL DA LUZ LISBOA				
Nuclear Medicine		√		
Cardiology			√	
Palliative Care				√
HOSPITAL DA LUZ PÓVOA DE VARZIM				
Clinical Lab Norms (PA)	√			

04.2.2.3 Quality and safety parameters, qualifying for performance indices/ratings/indicators

a) Assessment of customer satisfaction

Customer satisfaction is monitored through satisfaction surveys and assessing the customer's experience of In-patient care, Urgent care (UC), Complementary diagnostic and therapeutic procedures (CDTP), namely: Imaging, Gastroenterology, Molecular Medicine and the Pathological Anatomy Lab.

To assess the customer's experience and satisfaction with the Group's private units, the H-CAPHS (Hospital Consumer Assessment of Healthcare Providers and Systems) model is used. This model is an international reference and focuses on the customers' perception of the care provided by healthcare units and enables comparison among the group's units (internal benchmark) and, whenever possible, international units (international benchmark).

In Hospital Beatriz Ângelo, given it is under public-private partnership, the ECSI (European Customer Satisfaction Index) model was adopted. This enables results from the Assessment System for Perceived Quality and Patient Satisfaction in the National Health System's Hospitals (ECSI-Hospitals) to be included, not only overall, but also regionally. It also enables comparison with other internationally available satisfaction indicators that use an ECSI and ACSI (American Customer Satisfaction Index) compatible methodology.

With this assessment of customer satisfaction, the Luz Saúde Group intends to identify areas of strength and areas needing improvement, in order to monitor the evolution of customer needs and expectations.

The following table shows the weighted average of customer satisfaction with Luz Saúde units:

Hospitals and private clinics H Luz Lisboa, H Luz Oeiras, H Luz Clínica da Amadora, H Luz Arrábida, H Luz Setúbal, H Luz Póvoa de Varzim, H Luz Aveiro, H Luz Clínica de Oiã, H Luz Guimarães, H Luz Amarante, H Luz Clínica de Cerveira, H Luz Clínica do Porto, Hospital da Misericórdia de Évora	**Weighted average 2018**
In-patient care - % of customers with high overall satisfaction[1]	86%
Urgent care - % of customers with high overall satisfaction[1]	64%
CDTP Imaging - % of customers with high overall satisfaction[1]	65%
CDTP Nuclear Medicine - % of customers with high overall satisfaction[1]	70%
CDTP Gastroenterology - % of customers with high overall satisfaction[1]	79%
CDTP Pathological Anatomy - % of customers with high overall satisfaction[1]	66%

[1] Satisfaction was deemed to be high when the maximum points on the scale were given: 9, 10.

Public-private partnership hospitals (Hospital Beatriz Ângelo)	**Weighted average 2018**
In-patient care - % of customers with high overall satisfaction[2]	87%

[1] Satisfaction was deemed to be high when the maximum points on the scale were given: very positive.

b) Acknowledgement of Reference Centres in Luz Saúde units

Reference Centres are services recognised for offering the highest level of skill in providing quality healthcare, in clinical situations that require a concentration of highly differentiated technical and technological resources, knowledge and experience, due to the disease's low prevalence, the complexity of its diagnosis or treatment and/or high costs thereof. They are able to provide post-graduate training and scientific research in the respective medical areas.

Since 2016, the General Directorate of Health has officially recognised the Luz Saúde Group's Adult Oncology Reference Centre for Rectal Cancer at Hospital da Luz Lisboa and the Adult Oncology Reference Centres for Hepatobiliopancreatic Cancer and Rectal Cancer at Hospital Beatriz Ângelo.

In 2018, the Reference Centres began the accreditation process under the Health Ministry's Certification Model (ACSA model), in line with the National Healthcare Quality Strategy of the Healthcare Quality Department within the General Directorate of Health. They were driven by their goal to continue to be a "reference healthcare provider due to their practice of excellent medicine and innovation for highly specialised and complex care."

c) Luz Saúde unit participation in performance indices/ratings/indicators

Participation in accredited national and international indices and ratings enables comparisons among the Group's different units and national and international external units. In this regard, one or more group units participated in the following comparison systems: SINAS, ICHOM and ERAS.

• SINAS

The process of joining the National Assessment System for Health (SINAS) – a system to assess overall quality of healthcare providers developed by the Portuguese Health Regulation Authority (Entidade Reguladora da Saúde) (together with Joint Commission International)

continued in 2018, in the module dedicated to providers with in-patient care – SINAS@Hospitais where quality components are assessed:

a) Clinical Excellence;
b) Patient Safety;
c) Suitability and Comfort of the Facilities;
d) Customer Focus.

The assessment is based on a "rating system" and entails the regular presentation of each provider's results as compared to a "reference value", common to all providers and designed based on values provided by each.

At the end, each area assessed within each provider is categorised by its respective performance as compared to all other units that participate by reporting data: above average performance (3 stars), average performance (2 stars) and below average performance (1 star), thus showing the respective level of performance.

Monitoring performance of Patient Safety, Suitability and Comfort of the Facilities and Customer Focus is carried out via checklists prepared by the Portuguese Health Regulation Authority (enabling comparison with the national average).

In the following subparagraphs, we present the latest available results for several specialty areas in Luz Saúde.

a) Clinical Excellence

This component seeks to assess the quality of healthcare (assessing organizational compliance with guidelines and good practices), where the organizations' performance is assessed in several clinical areas, using a set of specific indicators for each of the areas under analysis. The following table shows the latest available results for several specialty areas in various Luz Saúde units.

Area under analysis	H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	Hospital Beatriz Ângelo
Orthopaedics	+++	+++	+++	+	+++	+
Gynaecology	+++	+++	+	–	–	–
Obstetrics	–	+	+	–	–	+
Paediatrics	–	–	–	–	–	+++
Neurology	+	–	–	–	–	–
Cardiology	+	–	–	–	–	–
Myocardium Revascularization Surgery	–	+	–	–	–	–
Valvular Surgery and Other Non-Coronary Cardiac Surgery	+	N/D	–	–	–	–
Vascular Surgery	+++	-	-	-	-	-
ICU	+	-	-	-	-	-
Colon Surgery	+++	+	–	–	–	+

Table 1 – Results published in September 2018, for the period from 01/07/2016 to 30/06/2017.

Simbologia SINAS		
+++	+	+
nível de qualidade III	*nível de qualidade II*	*nível de qualidade I*

b) Patient Safety

This component seeks to ensure quality healthcare and good outcomes, by striving to ensure a high level of customer safety:

Area under analysis	H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H. M. Évora	**National Average**
Safety Rating	0,99	declinou avaliação	declinou avaliação	0,96	0,99	0,86	0,97	declinou avaliação	**0,92**

Table 2 – Ratings and comparative % of LUZSAÚDE units and national average for 2017

c) Suitability and Comfort of the Facilities

This component seeks to assess the level of suitability for providing healthcare services of (non-medical) spaces and equipment in hospital facilities and the management and maintenance thereof. The concept of comfort encompasses what is considered to be "hospital accommodation", understood as the set of services that support the hospital's performance of its main functions:

Area under analysis	H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H.M. Évora	**National Average**
Rating for Suitability and Comfort of the Facilities	0,97	0,94	0,95	0,94	0,90	0,81	0,99	0,87	**0,88**

Table 3 – Ratings and comparative % of LUZSAÚDE units and national average for 2017

d) Customer Focus

This component seeks to objectively assess the degree to which healthcare services are geared towards the needs and expectations of the customers and those accompanying them:

Area under analysis	H. Luz Lisboa	H. Luz Arrábida	H. Luz Póvoa de Varzim	H. Luz Aveiro	H. Luz Setúbal	H. Luz Torres de Lisboa	H. Beatriz Ângelo	H.M. Évora	**National Average**
Rating of Customer Focus	0,99	0,85	0,94	0,92	0,93	0,84	1	0,93	**0,87**

Table 4 – Ratings and comparative % of LUZSAÚDE units and national average for 2017

- ***ICHOM (International Consortium for Health Outcomes Measurement)***

In 2016, the Luz Saúde Group began participating in two pilot projects to collect data for international benchmarks with ICHOM in Orthopaedics (hip and knee prosthesis) and Ophthalmology (cataract surgery); the studies are underway and the first results are forecast for 2019.

- ***ERAS® (Enhanced Recovery After Surgery):***

Hospital Beatriz Ângelo was part of the multidisciplinary ERAS® programme, intended to monitor outcomes from colon and rectal surgeries (since 2016) and pancreatic surgeries (since 2017), in order to ultimately diminish complications and improve surgical patient outcomes in those areas. In 2018, this unit began implementing the programme for liver and urology surgeries.

Currently, Hospital Beatriz Ângelo is the only healthcare organisation in Portugal accredited as a Centre for Excellence by the ERAS® Programme. In this regard, this organisation is skilled to train, advise and consult on implementing the ERAS® programme in other healthcare units. Therefore, in 2018 it finished training Hospital da Luz de Lisboa and Hospital Fernando da Fonseca and began training to implement the ERAS® programme in Hospital de Cascais and Centro Hospitalar e Universitário de Coimbra.

Since 2018, Hospital da Luz Lisboa has been part of the multidisciplinary ERAS® programme for colon and rectal surgeries, monitoring the results in this clinical area in order to flag deviations in clinical practice and thereby contribute toward reducing complications and improving outcomes for those patients.

04.2.3 Suppliers

The relationship with suppliers is seen as a partnership founded on ethics, trust, transparency and sustainability.

This relationship is governed by transparency and a commitment to exchange information, in order to permanently adjust the supply to demand and create effective long-term partnerships that are positive for both parties. These relationships surpass normal commercial ties to reach new levels of cooperation. They are initiatives that seek to meet common goals, namely training, innovation, research, screening, monitoring chronic illness, disclosure of best clinical practices.

Given the importance Suppliers have in its value chain, Luz Saúde pays special attention to Supplier selection and to those relationships. Furthermore, Luz Saúde monitors and assesses compliance with certain principles in its supplier chain, focusing its review on suppliers that pose a greater risk due to their volume and/or business impact. Those suppliers are always questioned on their policies and procedures in various areas.

Luz Saúde deems it indispensable that Group suppliers:
- Comply with the principles set out in the Luz Saúde Code of Ethics;
- Carry out a preliminary analysis based on market criteria and legal compliance with tax and social security norms;
- Comply with the legal requisites in force.

Ensuring quality within the value chain continues to be a focus within supplier relationships. This is done by outsourcing engaged services to certified providers (ISO standards or other more suitable standards) and is the case, by way of example, with clinical pathology labs, imuno-hemotherapy, laundry services, dry cleaning, hospital waste management, security, disinfection, catering and cleaning and patient transport.

04.2.4 Shareholders

A policy of transparency drives the relationship with shareholders, as does the sharing of relevant information and disclosure of results through suitable communication channels. Furthermore, Luz Saúde also complies with shareholder information duties, as set out in applicable laws and regulations.

04.2.5 Community

The Group's relationship with the Community is driven by openness, cooperation and placing the organisation's and staff's knowledge at the service of:

- the national and international scientific Community,
- the Healthcare Professional Community (including students),
- Professionals from differentiated areas that carry out their activity in the area of healthcare and that position themselves as innovative partners,
- (public, private and social) organisations from the geographic areas our units serve, with which we share strategies and goals. This is done in a spirit of mutual solidarity and assistance.

The Luz Saúde Group has always been concerned with preventing disease and promoting health in the populations we serve, so people live better, longer, happier, with more dignity and better cared for at the places chosen by them.

04.2.5.1 Coordination with the healthcare professional community

Openness and interaction with the Community of Healthcare Professionals is part of the Group's strategic positioning. This is carried out, in particular, through training events open to both in-house professionals and those outside the Group, as well as by welcoming medical residents and trainees.

a) Clinical events and training open to professionals from outside the Group

Through Hospital da Luz Learning Health (GLSMED Learning Health), the Group continues to pursue its open door policy for training events, welcoming in-house professionals as well as those from outside the Group. In 2018, there were 119 events open to professionals from outside the Group (mainly, doctors and nurses). The number of participants grew to 2,822, which is 38% of total event participants. This level of participation shows the high level of interest in this partnership and knowledge-sharing strategy.

b) Training reputation

The following medical specialities are recognised in the following hospitals:

- Hospital Beatriz Ângelo: Anaesthesiology, Pathological Anatomy, General Surgery, Nephrology, Gastroenterology, Gynaecology/Obstetrics, Internal Medicine, Urology, Neurology, Neuroradiology, Oncology, Orthopaedics, Medical Paediatrics, Psychiatry, Endocrinology and Pulmonology, Infectious Diseases, Ophthalmology and Radiology.
- Hospital da Luz Lisboa: Pathological Anatomy, Anaesthesiology, Internal Medicine, Molecular Medicine, Neurology and Oncology.
- Hospital da Luz Arrábida: Internal Medicine.

c) Medical Residents and Internships in Luz Saúde units

In 2018, a total of 149 residents were welcomed, with 121 Medical residents (81%) at Hospital Beatriz Ângelo alone.

	Luz Saúde Total	H. Beatriz Ângelo	H. Luz Lisboa	H. Luz Arrábida
2018	**149**	**121**	**25**	**3**
General Year	**18**	**18**	**0**	**0**
Specialty	**131**	**103**	**25**	**3**
2017	**144**	**116**	**25**	**3**

d) Internships

In 2018, 2,116 short and medium-term internships were offered (+3.4% than in the previous year), 60% for doctors, 23% for nurses and 17% for other professions (health technicians, psychologists and neuropsychologists, auxiliary staff and other professionals). Three units (Hospital Beatriz Ângelo, Hospital da Luz Lisboa and Hospital da Luz Arrábida) hosted 83% of the trainees, particularly Hospital Beatriz Ângelo with 62% of the total:

	Luz Saúde Total	H. Beatriz Ângelo	H Luz Lisboa	H Luz Arrábida	Other Units
2018	**2,116**	**1,317**	**357**	**86**	**356**
%Doctors	60%	75%	62%	5%	19%
%Nurses	23%	17%	22%	12%	50%
%Health Technicians	8%	5%	6%	33%	9%
%Others	9%	4%	10%	17%	22%
2017	**2,045**	**1,190**	**339**	**109**	**407**

04.2.5.2 Initiatives and partnerships in innovation, research and the scientific community

Investment in research and development is one of the Luz Saúde Group's strategic focuses. Since it was created in September 2015, the company GLSMED Learning Health, Sociedade Anónima has geared its operations toward training. It has gradually expanded to research and innovation in the areas of healthcare services and management.

We live in a time of exponential growth, both scientific and technological, with a profound impact on the operation of both organisations and society. We work differently. We use more technology, but also within new organisational models that are less vertical, more organic and that emphasize teamwork. All team members are held accountable and often have decision-making powers. We have more computing power in our back pockets than we had in our personal computers only 20 years ago. Most importantly, we are amidst the rapid growth of Artificial Intelligence, which increasingly permeates all activities and sectors. In the healthcare sector, some predict a complete disruption to our ways of working, with AI slowly invading all areas of activity. Humans will be relegated to handling "only" the human elements. It is paramount to prepare healthcare professionals for this future, which is already a part of our reality. They need training in new fields of knowledge that endow them with new skills throughout their professional lives. Lifelong learning has become essential in both technical and non-technical areas such as critical thinking, problem solving, scientific method, creativity, teamwork, communication, team management and leadership, etc.

In light of all these trends, Hospital da Luz Learning Health intends to set the bar in training and developing healthcare professionals, both within and outside the Luz Saúde Group. Its strategic priorities are as follows:
- Transform individuals into teams;
- Integrate talent and technology;
- Create a culture of change.

In order to attain its goals, Hospital da Luz Learning Health has created an activity plan for the 2018-2020 biennial. It is organized into 6 distinct areas shown below:

1) Stipulate training syllabi for all professional groups, including technical skills and human factors

Training syllabi have begun to be stipulated for all professional groups within the Luz Saúde Group. These both support and effect professional progression. Each training syllabus is organised by module. Individual performance indicators and impact on daily practice are measured, in order to enable the on-going improvement of training. We have also begun to develop certain modules, such as the Be a Star programme that gives customer service training to all relevant professionals, thereby improving communication and dispute management. The Be a Star programme was levered on creating and developing a pool of in-house instructors, whose skills evolve throughout a structured and demanding training syllabus.

2) Promote the use of simulation training to achieve high levels of learning effectiveness

The main physical resource of Hospital da Luz Learning Health will be a state of the art simulation centre that is being installed at Hospital da Luz Lisboa. In 2016, GLSMED Learning Health was awarded funding from Portugal 2020 to create this centre. This financing was used in 2018 to purchase various pieces of medical simulation equipment, among which the SimMan 3G + ASL 5000, a very powerful high-fidelity simulator used for advanced training in intensive care anaesthesiology. It is equipped with an advanced respiratory model to train procedures related with respiratory insufficiency, mechanical ventilation in critical patients, among others. We also purchased the Paediatric Hal, a high-fidelity paediatric simulator, which will be essential in developing critical paediatric cases, resuscitation procedures, etc. We will continue to make use of the financing throughout 2019 in order to open the Simulation Centre at the end of the 1st semester of 2019.

Another investment in clinical simulation has been the use of a simulated electronic clinical case software called UpSim. It was developed by UpHill, a start-up that we supported from the get go. This software has characteristics that set it apart from other market operators, namely its presentation of the cases and performance assessment. It is very useful not only in training doctors and nurses, but also in their on-boarding and assessment.

3) Incorporate digital and mobile tools to optimise learning opportunities

In 2018, we continued to develop the digital ecosystem that supports all aspects of training. We acquired several digital tools, such as e-learning platforms, webinars, synchronous and asynchronous surveys, among others. These were integrated in our central training management software, UpEvents. In this way, teaching methodologies remain flexible and learning is enhanced. We stipulated how the various tools should be applied, as well as how to develop e-leaning and b-learning training. We implemented the first e-learning course for the Luz Saúde Group Contact Centre on Answering the Telephone and several others are underway.

4) Continue to develop our units as teaching hospitals, using in-house knowledge and talent

In 2018, we continued to offer several clinical courses and events at Luz Saúde units. This contributed toward disseminating best practices and knowledge and to raising the visibility of our units and professionals. We also obtained training certifications and accreditations as an unequivocal sign of their quality. Herein, we created the Hospital da Luz Learning Health – Lisbon Endoscopy Centre, the 2nd training centre in Portugal certified by the European Academy of Gynaecological Surgery. Together with Hospital Beatriz Ângelo, we also developed the only ERAS training programme in Portugal to be certified by the ERAS Society. We continued to offer training in Cardiorespiratory Resuscitation certified by the European Resuscitation Council and by the Portuguese Resuscitation Council. All programmes were updated and a new BLS/AED course was created.

We also created new content for training courses that would be of interest to healthcare professionals, in particular the School of Study Coordinators. We developed this together with W4Research, a leading clinical trials company in Portugal.

We offered the first course certified by EACCME and we plan to make Hospital da Luz Learning Health a Trusted Provider by the end of 2019.

5) Promote research and innovation by stimulating creativity and critical thinking and contributing to the development of knowledge networks with academia and scientific institutions

2018 was a key year for structuring all in-house processes that support research and innovation within the Luz Saúde Group. We streamlined the application process for research projects and incorporated the new GPRD obligations. We created the Luz Saúde Research Guide, which details the entire development and application process for research proposals.

We forged various scientific partnerships with leading R&D institutions in Portugal, particularly an important partnership with Instituto Superior Técnico. Various FCT grants were awarded and various masters and PhD students were mentored in partnership.

As regards innovation, we continued to support various start-ups and participated in the 3rd edition of Protechting, an innovation programme created by Fidelidade, Fosun, Luz Saúde and H&A, in the areas of Insurtech, Healthtech and Fintech.

In-house at Luz Saúde, we launched the Luz Innovation Award (Prémio Luz Inovação). All group units participated by submitting nearly 500 ideas total in various areas of strategic interest to Luz Saúde. Nearly 70 ideas were selected and presented to Luz Saúde's Executive Committee and to the Heads of the respective departments. Winners received a monetary award and will help implement their ideas at Luz Saúde.

6) Promote an on-going impact assessment of training, research and innovation initiatives

It is crucial to gain an understanding of the practical impact of the various training, research and innovation initiatives, not only because financial returns in these areas only materialises in the very long run, but also in order to implement a virtuous cycle of continuous improvement. Therefore, an impact assessment on KPIs always underlies all of the above activities. The main goal for 2019 is to develop a structure that allows this assessment to be carried out on an on-going and consistent basis.

04.2.5.3 Coordination with other community organisations

The social responsibility initiatives of Luz Saúde units with Community organisations are essentially based on conveying information to prevent illness and corresponding risk factors, early detection of disease (screenings), promoting health, patient empowerment, health literacy, chronic illness and patient and caretaker support. They also dynamically focus on disease prevention and health information with younger demographics at schools. In this context, various initiatives have been held for the general public, where the experience of the units' professionals are put at the disposal of the Communities they serve. These initiatives are often done together with Community partners (namely, local government, schools, sports clubs and other businesses or non-profit organisations).

In 2018, the number of participants in these types of initiatives reached 4,300 people (+ 10% than in the previous year).

a) Screenings

Risk factors are identified and diseases are detected early through screenings, an important prevention measure. The majority of screenings take place at the units' initiative, but can also take place at the request of other community partners together with Luz Saúde. In 2018, Luz Saúde Group units hosted 4,356 screenings, of which 39% were cardiovascular screenings (blood sugar, blood pressure, cholesterol and body mass index); four units carried out 80% of the screenings: Hospital da Luz Póvoa do Varzim carried out the most (39%), followed by Hospital da Luz Guimarães (11%), Hospital da Luz Setúbal (10%) and Hospital Beatriz Ângelo (5%).

	Luz Saúde Total	H. Beatriz Ângelo	H. Luz Póvoa de Varzim	H. Luz Setúbal	H. Luz Guimarães	H.M. Évora	Other Units
Screenings in 2018	**4,356**	**224**	**2,335**	**456**	**486**	**189**	**666**
Cardiovascular	1,710	30	600	293	456	67	264
Dermatology	227	85		76			66
Diabetes	232	109				93	30
Other screenings	2,187	0	1,735	87	30	29	306
Screenings in 2017	**3,954**	**542**	**1,460**	**722**	**493**	**481**	**256**

b) Initiatives with the community

In 2018, Luz Saúde Group units and their professionals continued their previous work by promoting various initiatives with the community.

Parenting preparation initiatives

These initiatives include preparatory information for parents on the birth of their children and the initial period of the baby's life.

Initiatives for the school community

- **H. Luz Póvoa de Varzim:** The hospital maintained its Medical Auxiliary Staff training course at Escola Secundária Rocha Peixoto in Póvoa de Varzim; Luz Saúde is part of the General Council of Escola Secundária Eça de Queirós, also in Póvoa de Varzim, as a local community representative and maintained the institutional relationship therewith.
- **H. Luz Aveiro:** The hospital organised field trips to the hospital promoted together with the IEFP Training Centre, Escola Secundária de Albergaria and Universidade de Aveiro.
- **H. Luz Clínica da Amadora:** The hospital offered training in several fields, namely in Basic Life Support, to 9th grade students at Colégio Marista de Lisboa; Teenage Sexuality to 8th grade students at Escola Secundária de Carcavelos; Obesity prevention and healthy lifestyle habits with the slogan: "Sugar doesn't make life sweeter" for parents, teachers and students of Colégio Salesiano de Manique; Paediatric First Aid Course with Associação Novo Futuro; Basic Life Support Course for the children of unit employees.
- **Casas da Cidade Carnaxide:** They assessed quality of life and psychomotor abilities of the elderly with and without dementia under research run by the Psychomotor Rehabilitation Masters of the School of Human Motor Skills; They held an intergenerational gathering between residents and children from Colégio Raiz do Restelo.
- **Hospital da Misericórdia de Évora:** The hospital offered training protocols to Escola Profissional da Região Alentejo (EPRAL) and the Évora Employment Office. It hosted 6 trainees from the Professional Course for Auxiliary Health Technicians at its facilities, 4 from EPRAL and 2 from the Employment Office.
- **H. Luz Setúbal:** The hospital hosted initiatives to promote healthy lifestyle habits and contribute to the prevention of cardiovascular diseases together with St. Peter's School; It offered training to students from Colégio Centeio on how to ask for help in an emergency.

Initiatives with the general population

- **H. Luz Póvoa de Varzim** The hospital celebrated World Nurse Day by collecting 400 hygiene products for Casa do Regaço; It offered 9 workshops for parents-to-be and 5 free photo sessions for mothers; It designed an In-house Fire Emergency Plan together with the Firefighters of Póvoa de Varzim and hosted visits to hospitals and nursing homes within the 5th International Clown Gathering.
- **H. Luz Clínica da Amadora:** The hospital offered a Paediatric First Aid Course together with the Parish Council of Alcântara, of Estrela and of Carcavelos.
- **H. Luz Oeiras:** The Hospital was present at Oeiras Kids Fest, on the 1st, 2nd and 3rd of June. This event was part of the celebrations for World Children's Day at Parque dos Poetas. It is an open air event with a number of leisure and educational activities geared towards families and schools, such as workshops (namely on healthy diets, painting, dance), physical and leisure activities, traditional games, abseiling, bouncy

castles and Open Air Cinema, among others. Nearly 10,000 people participated and it was organised by the Municipality of Oeiras.

- **Hospital da Misericórdia de Évora:** The hospital organised a hike and free health screenings on 19 May. These were open to the general public as a way of commemorating the Month of the Heart; On 15 December, it held a Health Education session at the Évora Plaza Shopping Mall to mark Human Rights Day on 10 December, which will be commemorated with screenings for cardiovascular risk factors.
- **H. Luz Setúbal:** The hospital ran an awareness session and talk on cancer risk factors and the importance of screening for oncological diseases; On World Sleep Day, it held an awareness session and talk for sleep disorders, the behavioural changes they cause and diseases they may expose and exacerbate; It held an awareness session on diabetes at the Hospital together with the Municipality of Setúbal's Health Office.
- **Hospital Beatriz Ângelo:** The hospital held talks with parents on various topics such as "What children do not learn in kindergarten", "Tantrums in childhood or for the rest of children's lives!", "And what about when they don't sleep", among others; It held a presentation and awareness session on Mental Health in Childhood and Youth geared toward community Technicians together with the Municipality of Mafra; It held a community awareness session on Nutrition and Breast Cancer Prevention; It held a symposium on "World Diabetes" and the 5th Gathering of the Operational Coordinating Unit for Diabetes, which was open to the community; It held initiatives for families of psychiatric patients with professionals from the Psychiatric Department.
- **H. Mar Cuidados Especializados Gaia:** The hospital hosted clinical Pilates classes to rehabilitate and strengthen muscles.
- **H. Luz Lisboa:** The hospital held the "Blue Cap" Christmas Campaign to fund raise for Fundação Salvador; It held "Sport Cardiology Day" within the activity plan of the Portuguese Cardiology Society; It opened the palliative care unit to the general public for their awareness and clarification; It held a session open to the public, patients and families on World Cancer Day.
- **H. Luz Coimbra:** The hospital participated once again in the Teddy Bear Hospital with the participation of nearly 3,500 children. The Teddy Bear Hospital is an event run by the Medical Students of the Coimbra Academic Association (AAC), whose purpose is to demystify children's fear of white lab coats.
- **H. Luz Guimarães:** The hospital carried out various free activities within World Physiotherapy Day.

Initiatives to support sports

- **H. Luz Oeiras:** The hospital sponsored GDS Cascais by providing a team made-up of a doctor, a nurse and a physiotherapist for the organisation of rugby tournaments; In 2018, H. Luz Oeiras was present at three tournaments; It sponsored the Tagus Race, a 10k race that brought together nearly 10,000 athletes. Hospital doctors and nurses were present at this event and various Luz Saúde Group employees participated.
- **H. Luz Setúbal:** The hospital gave medical support to the race of Vitória Futebol Club de Setúbal, in December, by providing doctors, nurses and physiotherapists. Luz Saúde Group employees also participated; Hospital doctors also accompanied the Volkswagen Autoeuropa Race 2018 at the Autoeuropa Industrial Park facilities.
- **H. Luz Lisboa:** The hospital was a partner of the Official Medical Services of SL Benfica. For the 5th year running, it ensured clinical assistance at the Benfica race; It gave clinical assistance to athletes and the public for the 4th consecutive year at the Millennium Estoril Open.
- **H. Luz Coimbra:** The hospital forged a strategic healthcare partnership with AAC/OAF, which allows the club to reinforce the medical services available to the football team; It was also the main sponsor of AAC's Senior Hockey Team and the Senior Rugby Team for the 2018/2019 season.

Other initiatives with the community

Luz Saúde's active participation in Caretaker Support is related to its strategic concern with accompanying the patient and family across all stages of life, illness and dependency, thereby contributing to better caretaking for persons that are transitionally or permanently dependent, while acknowledging the importance of the Caretaker's role therein and giving him/her better access to useful information that aids them in this role.

We highlight the collaboration with ADVITA - Associação para o Desenvolvimento de Novas Iniciativas para a Vida in producing and promoting 12 films and 7 brochures written to inform, self-train and train Caretakers, namely family members and informal helpers.

These materials deal with the basic skills of caretakers, in a clear and accessible language. The goal is to apply scientific knowledge to day-to-day caregiving. The Caretaker Support films can be seen in their entirety and for free on the ADVITA website at www.advita.pt, on Youtube and Vimeo; To easily inform both patients and family members, they are also available on the televisions in Hospital da Luz Lisboa bedrooms.

04.3 Environmental Sustainability

The Luz Saúde Group continues to pursue its strategy of sustainable environmental development, energy efficiency, saving resources and fighting waste. It seeks to minimize the negative environmental impact of energy and gas consumption (to reduce CO2 emissions), water consumption and hospital waste management.

Concerns with sustainability have arisen right from the design and construction stage or with the purchase of buildings where units are housed and with their respective energy certification.

Effective practices to assess, monitor and fight waste, to reduce consumption of gas, power and water and to properly manage hospital waste have been implemented, while raising employee awareness of environmental sustainability.

Over the last three years, the Group acquired eight private healthcare units, where, after carrying out the necessary works, it has gradually implemented its principles of environmental sustainability.

The table below shows GRI (EN) indicators, which have been deemed appropriate to Luz Saúde's characteristics.

GRI Indicators (EN) regarding the whole of Luz Saúde units and output indicators

Environmental sustainability indicators		2018	2017	Var.
EN 3	Power consumption (m^3)			
	Propane gas	4 201	3 027	38.8%
	Natural gas	2 255 675	1 763 093	27.9%
EN 4	Electrical power consumption (kwh)	50 063 978	44 902 023	11.5%
EN 15 and 16	Direct and indirect CO2 emissions (ton)	26 050	19 475	33.8%
EN 8	Water consumption (m^3)	345 501	328 750	5.1%
EN 22	Hospital waste (ton)			
	Hazardous	970	935	3.7%
	Non-hazardous	2 296	3 054	-24.8%
	Total waste	3 266	3 989	-18.1%
Output indicators				
	Outpatient consultations (thousands)	1 933	1 875	3.1%
	Urgent care (thousands)	613	610	0.5%
	Surgeries and deliveries (thousands)	67	63	7.0%
	Imaging testing (thousands)	1 094	1 081	1.3%
	no. of beds	1 595	1 650	-14.2%
	no. of units	30	24	25.0%

04.3.1 Energy Certification of Buildings

Energy certification began in 2008 with the internal preparation of Luz Saúde project and maintenance manuals.

Save for the two units recently acquired in Madeira, Hospital do Mar Cuidados Especializados de Gaia and the Hospital da Luz clinics in the central region of the country (Cantanhede, Pombal, Coimbra and Figueira da Foz) for which the certification process is underway, the remaining units are certified:

A	B	C	D
H. Luz Lisboa	H. Luz Arrábida	H. Luz Clínica do Porto	H. Luz Clínica de Amarante H. Luz Clínica Cerveira
Casas da Cidade Residências Sénior Lisboa	H. Luz Clínica de Águeda	H. Luz Aveiro H. Luz Póvoa de Varzim	
	H. Luz Coimbra	H. Luz Oeiras	
	H. Mar Cuidados Especializados Lisboa	H. Luz Clínica da Amadora	
	Hospital Beatriz Ângelo	H. Luz Setúbal	
	Casas da Cidade Residências Sénior Carnaxide	Hospital da Misericórdia de Évora	
	H. Luz Torres de Lisboa (Tower E)	H. Luz Torres de Lisboa (Tower F)	H. Luz Torres de Lisboa (Towers B e D)
	H. Luz Clínica de Odivelas	H. Luz Guimarães	
		H. Luz Clínica de Oiã	

04.3.2 Environmental certification (ISO 14001)

Hospital Beatriz Ângelo, the largest of Luz Saúde's hospital units, which is managed as a public-private partnership (PPP), has had ISO 14001 Environmental Certification since 2013.

04.3.3 Gas, Power Consumption and corresponding CO2 emissions

a) Gas Consumption (GRI EN3 Indicator)

Measures to fight waste, reduce gas consumption and replace propane gas with natural gas have been adopted in all units. We highlight the following: installation of pre-heating systems for domestic hot water (DHW), use of renewable energy via solar panels and thermal panels that feed the DHW systems and Chillers (air conditioning), recovery of DHW from Chillers and use of Centralized Technical Management systems suitable to each building's operational profile.

Natural Gas, that currently represents 99.8% of total gas consumption, increased 27.9% in 2018. (44% in the private units and 14% at Hospital Beatriz Ângelo).

b) Electrical Power Consumption

We have been making a concerted effort in all units to implement monitoring measures, via local controls or via Centralised Technical Management (CTM) and to fight waste, both in terms of lighting and air conditioning, among which: timed lighting circuits, namely in passageways and parking lots; replacing incandescent, fluorescent or halogen bulbs with better performing bulbs; timed recirculation pumps for both domestic hot water (DHW) and in Chiller circuits (HVAC); timed operation of HVAC system components, such as Chillers and Air Treatment Units (ATU), for air-conditioning.

Variation in electrical power consumption was 11.5% across the Group (15.2% in the private units and 2.8% at Hospital Beatriz Ângelo).

c) CO2 emissions as a result of gas and power consumption

CO2 emissions are calculated by applying a "processing coefficient" to gas and power consumption (in m3). Although the coefficient for gas consumption is constant, the "processing coefficient" for power is provided by EDP annually and varies according to EDP's own consumption in producing power each year.

In 2018, Group CO2 emissions increased 33.8% (40.6% in the private units and 20.5% at Hospital Beatriz Ângelo).

04.3.4. Water Consumption

We have been making a concerted effort in all units to implement monitoring measures, fight waste and reduce water consumption, namely by applying flow reducers in taps, optimizing hours in which DHW and Chiller (HVAC) pumps operate and controlling leaks in consumption, fire and irrigation plumbing. In previous years we drilled and dug boreholes in some units (mainly for irrigation), with significant savings in water.

In 2018, water consumption varied 5.1% (4.8% in the private units and 5.6% at Hospital Beatriz Ângelo).

04.3.5. Waste production and management

Some types of waste generated in healthcare units may pose a risk to the safety of patients, employees and society in general.

The management of hospital waste is a complex matter given the different types of waste (types I, II and III, IV), as well as the high amounts involved; this management is carried out in all Luz Saúde units together with an organization certified therefor, in compliance with the standards and directives applicable to the different categories of waste produced. Each unit develops active policies to reduce waste and adequately and carefully sort and package waste in parallel and together with the certified organisation.

As concerns amounts of waste, waste in Group I and II is deemed non-hazardous; and waste from Group III (dangerous hospital waste) and Group IV (specific hospital waste) is deemed hazardous.

In 2018, the evolution in hospital waste produced was as follows:

- Variation in production of overall waste across the Group was -18% (-33% in the private units and +3% at Hospital Beatriz Ângelo).
- Variation in "hazardous" waste production was 4% across the Group (2.0% in the private units and 7.0% at Hospital Beatriz Ângelo).
- Variation in "non-hazardous" waste production was -25% across the Group (-44% in the private units and +2% at Hospital Beatriz Ângelo).


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05
INDIVIDUAL FINANCIAL STATEMENTS

05
Individual Financial Statements

(free translation from the original version in portuguese)

Balance sheet as at 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Assets			
Non-current assets			
Property, plant and equipment	10	1,002,081	571,484
Intangible assets	11	2,922,526	1,295,500
Investments in associates	12	471,215,991	433,977,818
Other financial assets		6,296	4,034
Deferred tax assets	9	3,028,391	2,917,502
Total non-current assets		**478,175,285**	**438,766,338**
Current assets			
Trade receivables	13	3,087,575	4,296,461
Other receivables	13	26,612,206	20,358,587
Current income tax receivable	9	2,325,904	-
Cash and cash equivalents	14	12,390,848	9,494,450
Total current assets		**44,416,533**	**34,149,498**
Total assets		**522,591,818**	**472,915,836**
Equity			
Equity and reserves			
Share capital		95,542,254	95,542,254
Share premium		61,795,793	61,795,793
Reserves and retained earnings		80,346,596	57,987,209
Total equity	**15**	**237,684,643**	**215,325,256**
Liabilities			
Non-current liabilities			
Provisions	20	767,663	767,663
Borrowings	17	231,663,643	230,617,436
Derivative financial instruments	18	3,417,493	3,109,947
Total non-current liabilities		**235,848,799**	**234,495,046**
Current liabilities			
Trade payables	16	1,708,840	1,970,568
Other payables	16	6,179,258	7,471,215
Borrowings and bank overdrafts	17	41,170,278	13,542,304
Current income tax payable	9	-	111,447
Total current liabilities		**49,058,376**	**23,095,534**
Total liabilities		**284,907,175**	**257,590,580**
Total equity and liabilities		**522,591,818**	**472,915,836**

The accompanying notes are an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Income and gains			
Revenue from services rendered	4	2,323,159	2,374,154
Other operating income		12,600	52,680
Finance income	5	31,691,550	36,156,584
Total income and gains		**34,027,309**	**38,583,418**
Expenses and losses			
Costs of services and materials	7	(1,755,708)	(2,974,481)
Personnel expenses	8	(1,027,883)	(1,839,329)
Depreciation and amortization	10 / 11	(639,887)	(401,775)
Other operating expenses		(206,355)	(99,909)
Net impairment of receivables	13	(37,500)	(40,000)
Net Impairment of investments in subsidiaries	12	-	(16,004,827)
Finance costs	6	(7,442,439)	(6,705,787)
Total expenses and losses		**(11,109,772)**	**(28,066,108)**
Profit before income tax		**22,917,537**	**10,517,310**
Income tax expense	9	(285,031)	(82,468)
Profit for the year		**22,632,506**	**10,434,842**
Other comprehensive income			
Items that maybe reclassified to profit or loss			
Cash flow hedges, net of tax	18	(273,119)	1,078,229
Other comprehensive income for the year		**(273,119)**	**1,078,229**
Comprehensive income for the year		**22,359,387**	**11,513,071**

The accompanying notes are an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2018

In euros

	Notes	31-Dec-18	31-Dec-17
Operating activities			
Receipts from customers		10,809,905	10,490,265
Payments to suppliers		(10,909,666)	(11,433,613)
Payments to employees		(1,031,348)	(1,087,261)
Cash flow used in operations		**(1,131,109)**	**(2,030,609)**
Income tax paid		(513,577)	1,100,052
Other receipts/(payments) related with operating activities		(2,251,497)	(2,169,600)
Net cash flow from operating activities		**(3,896,183)**	**(3,100,157)**
Investing activities			
Proceeds from:			
Investments in subsidiaries and associates	12.3	19,995	90,000
Loans to subsidiaries and associates	12.4	33,523,288	10,315,674
Interest received		1,020,349	2,066,503
Dividends	5	21,390,000	25,600,000
Payments related with:			
Purchase of property, plant and equipment and intangible assets		(2,918,783)	(831,050)
Investments in associates	12.2 / 12.3	-	(48,573,419)
Loans to subsidiaries and associates	12.4	(67,390,036)	(41,375,625)
Net cash flow from investing activities		**(14,355,187)**	**(52,707,917)**
Financing activities			
Proceeds from:			
Borrowings		524,093,340	625,815,526
Other financing proceeds		3,000,000	3,200,000
Payments related with:			
Repayment of borrowings		(495,738,483)	(573,492,705)
Interest and other similar expenses paid		(7,207,089)	(6,838,348)
Other financing payments		(3,000,000)	(3,200,000)
Net cash flow from financing activities		**21,147,768**	**45,484,473**
Change in cash and cash equivalents		**2,896,398**	**(10,323,601)**
Cash and cash equivalents at the beginning of the year		**9,494,450**	**19,818,051**
Cash and cash equivalents at the end of the year		**12,390,848**	**9,494,450**

The accompanying notes are an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2018

In euros

	Notes	Share capital	Treasury shares	Share premium	Reserves and retained earnings	Total
Balance as at 1 January 2017		**95,542,254**	**(656,388)**	**61,795,793**	**47,130,526**	**203,812,185**
Direct change in equity						
Share-based payments						
Vesting of shares granted		-	656,388	-	(656,388)	-
Total direct change in equity		**-**	**656,388**	**-**	**(656,388)**	**-**
Profit for the year		-	-	-	10,434,842	10,434,842
Other comprehensive income for the year		-	-	-	1,078,229	1,078,229
Total comprehensive income for the year		**-**	**-**	**-**	**11,513,071**	**11,513,071**
Balance as at 31 December 2017	**15**	**95,542,254**	**-**	**61,795,793**	**57,987,209**	**215,325,256**
Balance as at 1 January 2018		**95,542,254**	**-**	**61,795,793**	**57,987,209**	**215,325,256**
Profit for the year		-	-	-	22,632,506	22,632,506
Other comprehensive income for the year		-	-	-	(273,119)	(273,119)
Total comprehensive income for the year		**-**	**-**	**-**	**22,359,387**	**22,359,387**
Balance as at 31 December 2018	**15**	**95,542,254**	**-**	**61,795,793**	**80,346,596**	**237,684,643**

The accompanying notes are an integral part of these financial statements

Notes to the Individual Financial Statements
(Amounts in Euros)

1. Reporting entity

Luz Saúde, SA (hereinafter referred to as "LUZ SAÚDE" or Company) is a limited liability company, with registered office in Lisbon, Rua Carlos Alberto da Mota Pinto 17 - 9th, whose corporate purpose is the development and participation in healthcare business with a direct and indirect participation.

LUZ SAÚDE has been listed on the Lisbon Stock Exchange ("BVL") from February 11, 2014 until November 28, 2018. On this date, pursuant to article 29, paragraph 1, of the Portuguese Securities Code ("CVM") and following the publication of the favorable decision by the Portuguese Securities Market Commission ("CMVM") the loss of the quality of public company deliberated in the Shareholders' General Meeting, has become effective.

LUZ SAÚDE is controlled by Fosun International Holding Ltd through Fidelidade - Companhia de Seguros, SA (note 23).

On 6 May 2019, the Board of Directors approved and authorized the disclosure of these financial statements.

2. Basis of presentation of Financial Statements

The financial statements have been prepared on a going concern basis from the company's books and accounting records and based on historical cost, pursuant to International Financial Reporting Standards ("IFRS"), as adopted by the European Union on 31 December 2018, modified by the application of the fair value of the derivative financial instruments. These standards include both the IFRS issued by the International Accounting Standards Board ("IASB") and the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). These standards and interpretations are together known as IFRS.

The financial statements are expressed in euros.

Preparing the financial statements according to IFRS requires the Company to make judgments, estimates and assumptions that affect how accounting policies are applied and the amounts obtained under income, expenses, assets and liabilities. Changes to these assumptions or differences they may show with respect to the actual reality may have an impact on current estimates and judgments (note 3). The main accounting policies used in the preparation of these financial statements are presented in note 26.

During the year of 2018, accounting standards and interpretations were approved and published in the Official Journal of the European Union. These apply to subsequent financial years, although its early adoption is permitted. The standards and amendments adopted by the Group in preparing its financial statements, as well as the standards not early adopted are summarized below.

2.1 New standards, amendments or interpretations applicable to financial years beginning on or after 1 January 2018

Resulting from the endorsement by the European Union ("EU"), the following standards, revisions, changes and improvements to the Standards and Interpretations took place, with effect from 1 January 2018, which, when applicable, were adopted by the Company:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2014	IFRS 15 – Revenue from Contracts with Customers	1 January 2018
July 2014	IFRS 9 – Financial Instruments	1 January 2018
April 2016	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
September 2016	IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts (amendments)	1 January 2018
June 2016	IFRS 2 – Classification and Measurement of Share-Based Payment Transactions (amendments)	1 January 2018
December 2016	Annual improvements to IFRS standarts 2014-2016 cycle	1 January 2018
December 2016	IFRIC 22 – Foreign Currency Transactions and Advance Consideration and (new)	1 January 2018
December 2016	IAS 40 – Transfer of Investment Property (amendments)	1 January 2018

The adoption of these standards, interpretations and amendments to standards did not have a material impact in the Company's financial statements.

2.1.1 IFRS 15 Revenue from Contract with Costumers

The new standard IFRS 15 Revenue from contract with costumers establishes that the recognition of revenue from contracts entered into with customers must be performed in accordance with a five-step model, and it must be recognized by the amount that the Company expects to receive from the costumers in exchange for goods or services rendered, when the performance conditions are substantially completed.

The analysis carried out to the impact of adopting the aforementioned regulations, it is concluded that the revenue recognition model followed was already in line with the one recommended in IFRS 15.

2.1.2 IFRS 9 Financial Instruments

IFRS 9 has impact in three different areas: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The Company analyzed the impact of adopting this standard and there were no significant impacts on the Company's balance sheet.

The main impacts of adopting this standard refer to the need to record impairment losses in accordance with an impairment model based on "expected losses", which replaces the previous model based on "incurred losses". Thus, it is no longer necessary for the loss event to occur so that an impairment is recognized.

The standard also provides the possibility of applying a simplified method for impairment recognition in respect of financial assets that meet specified requirements.

These cases, impairment losses are measured from the date of recognition of the assets onwards during the asset life period for an amount equal to the loss expected during the life of the asset.

From the adoption of the impairment requirements under IFRS 9, as of January 1, 2018, there were no significant impact to the financial statements, taking into account the policy of impairment recognition already followed by the Company.

The adoption of these standards, interpretations and amendments to the standards did not have a significant impact on the financial statements.

2.2 new standards, amendments and interpretations issued by the IASB, endorsed by the European Union and applicable to the financial years beginning after 1 January 2018

As of December 31, 2018, the following improvements to the Standards and Interpretations issued by the IASB were already endorsed by the EU, but their application is only mandatory for the years beginning after January 1, 2018.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
January 2016	IFRS 16 – Leases (new)	1 January 2019
October 2017	IFRS 9 – Prepayment Features with Negative Compensation (amendments)	1 January 2019
June 2017	IFRIC 23 – Uncertainty over income tax treatments (new)	1 January 2019

2.2.1 IFRS 16 LEASES

IFRS 16 Leases eliminates the classification of leases between operating or financial leases contracts for lessees by introducing a single accounting model, similar to the current model that is used for financial leases by lessees.

This model establishes for the recognition of assets and liabilities by the lessee in the balance sheet for all leases with period of more than 12 months and the recording of a depreciation and interest expense in the statement of comprehensive income separately.

The adoption of the standard is mandatory for periods beginning on or after January 1, 2019.

Regarding the current commitments with operating leases, the amount of rights of use and lease liabilities is estimated to be in the range of €1,000 thousand and €1,500 thousand to be recorded on January 1, 2019.

2.3 New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union by 31 December 2018

On 31 December 2018, the following standards, revisions, amendments and improvements to the Standards and Interpretations, issued by the IASB were still pending approval by the EU:

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
May 2017	IFRS 17 – Insurance contracts (new)	1 January 2021
October 2017	IAS 28 – Long-term interests in associates and joint ventures (amendments)	1 January 2019
December 2017	Annual improvements to IFRS standards for the 2015-2017 cycle	1 January 2019
February 2018	IAS 19 – Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
March 2018	References to the Conceptual Framework in IFRS Standards (amendments)	1 January 2020
October 2018	IFRS 3 – Business Combination (amendments)	1 January 2020
October 2018	IAS 1 and IAS 8: Definition of material (amendments)	1 January 2020

The impact of the adoption of these standards and amendments is currently under analysis by the Company, however, no material impacts are expected to the financial statements.

3. Main estimates and judgments used in preparing the financial statments

IFRS establish a number of accounting options and require the Board of Directors to make the necessary judgments, estimates and decide the most suitable accounting option according to the Company's operations. Note 26 shows the main accounting policies followed in the preparation of these financial statements. This note presents the main accounting estimates and judgments used by the Company when applying accounting policies. Information presented in this note, is intended to improve the understanding on how the application of the policies affects the Company's financial position and results and their disclosure.

Considering that in many situations there are alternatives to the accounting treatments adopted by the Board of Directors, the financial position and the results reported by the Company could have been different had a different treatment been chosen. The Board of Directors believes the choices made are appropriate and the financial statements adequately show the Company's financial position, the results and cash flows of its operations in all material respects.

The options presented are only for a better understanding of the financial statements and are not intended to suggest that other options or estimates would be more appropriate.

3.1 Tangible and intangible assets / estimated useful lives

Depreciations and amortizations are calculated on the acquisition cost on a straight-line basis, as of the month the asset becomes available for use. The depreciation and amortization rates applied reflect the best estimate of their useful life. Residual asset values and the respective useful lives are revised and adjusted when deemed necessary.

3.2 Impairment on accounts receivable

Impairment losses on doubtful debts are based on LUZ SAÚDE's assessment of the probability of recovering the balances owed. This assessment is based on the duration of the default, the counterparties' credit history and the deterioration of credit standings of the main debtors. Should the debtors' financial conditions deteriorate, impairment losses may be greater than expected (note 24.1).

3.3 Provisions

The Company exercises considerable judgement in measuring and recognizing provisions. Judgment is indispensable to assess the probability of a successful outcome for certain pending litigation. Provisions are accrued when the Company considers an unfavorable outcome in pending litigation to be likely and thereby a reasonably estimated outflow of funds plausible. Due to uncertainties inherent to 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 proceedings becomes available. Revisions of these estimated losses may affect future results (note 20).

3.4 Corporate income tax and deferred taxes

Certain interpretations and estimates must be made in order to determine the amount of tax on profits and deferred taxes. There are a number of transactions and calculations for which the determination of the final amount of tax to be paid is uncertain during the normal business cycle. Other interpretations and estimates could result in a different level of taxes on profits, both current and deferred, being recognized in the period.

Tax Authorities are entitled to review the Company's calculation of taxable income for a period of four to ten years, if there are tax losses carried forward (five years for Social Security). Corrections may therefore be made to taxable income, mainly due to different interpretations of tax laws. The Board of Directors believes, that, there will be no significant corrections to the income tax reported in the financial statements.

3.5 Variable remuneration

The Company recognizes on a monthly basis an accrued expense for bonuses and other variable remuneration, considering the objectives agreed with employees, the achievement of said objectives and the Company's business performance. The cost estimated for the period is recorded as a liability under "Other payables" , and is prepared based on the best estimate of management considering the performance of the current period, being the final amount known in the following year.

3.6 Impairment on financial investments and loans to subsidiaries and associates

According to IFRS, impairment of a financial investment is recorded when the value of that investment exceeds the present value of future cash flows. The calculation of the present value of estimated cash flows and the decision to consider the impairment permanent requires judgment and greatly depends on the analysis of the future progress of the subsidiaries and associates. For the purposes of impairment testing, available market prices or other assessment standards are used, based on the information available concerning the subsidiaries and associates. In order to determine whether the impairment is permanent, LUZ SAÚDE takes into consideration its ability and intention of maintaining the investment for a reasonable period of time that is sufficient for a forecast on the recoverability of the fair value up to (or above) the carrying value, including an analysis of such factors as the subsidiary's or associates expected results, the economic and regulatory framework and the state of the sector and market where they operate.

4. Revenue for services rendered

The amount of revenue for services rendered comes entirely from services provided direct and indirectly to LUZ SAÚDE's subsidiaries (note 12 and 23), in the areas of marketing, financial, fiscal, legal and business and strategy development, according to the following detail:

	31-Dec-18	31-Dec-17
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	645,638	773,588
Hospital da Luz - Coimbra, SA ("HLC")	191,400	-
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	160,173	178,808
Hospital da Arrábida - Gaia, SA ("HAG")	143,761	151,615
Luz Saúde - Serviços, ACE ("ACE")	141,432	123,343
Hospital da Luz, SA ("HLL")	138,720	132,997
Surgicare - Unidades de Saúde, SA ("SURGICARE")	134,587	206,316
Hospital da Luz - Guimarães, SA ("HLG")	118,520	106,094
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	81,147	148,819
British Hospital Lisbon XXI, SA ("BHXXI")	76,617	13,500
CLIRIA - Hospital Privado de Aveiro, SA ("CLIRIA")	68,406	61,335
Hospital da Luz - Oeiras, SA ("HLO")	57,159	47,822
SCH - Sociedade de Clínica Hospitalar, SA ("SCH")	56,768	17,200
GLSMED TRADE, SA ("GLST")	50,804	69,929
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	47,070	57,625
HME - Gestão Hospitalar, SA ("HME")	42,733	39,517
GLSMED LEARNING HEALTH, SA ("GLSLE")	39,525	69,675
Casas da Cidade - Residências Sénior, SA ("CASAS")	27,680	29,501
Casas da Cidade - Residências Sénior de Carnaxide, SA ("CASAS CARNAXIDE")	27,295	33,028
Vila Lusitano - Unidades de Saúde, SA ("VLUSITANO")	16,132	20,221
Hospital Residencial do Mar, SA ("HRM")	13,924	12,925
Instituto de Radiologia Dr. Idálio de Oliveira - Centro de Radiologia Médica, SA ("IRIO")	13,206	12,424
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	13,100	12,175
CRB - Clube Residencial da Boavista, SA ("CRB")	13,100	12,175
Other services	4,263	43,522
	2,323,159	**2,374,154**

5. Other financial income and gains

	31-Dec-18	31-Dec-17
Dividends received	21,390,000	25,600,000
Interest from loans to subsidiaries	10,301,083	10,534,646
Interest from banks	467	391
Other interest	-	21,547
	31,691,550	**36,156,584**

The amount of dividends received has the following detail:

	31-Dec-18	31-Dec-17
HLL	15,000,000	18,000,000
HAG	5,900,000	6,500,000
HLO	490,000	1,100,000
	21,390,000	**25,600,000**

The amount of interest from loans to subsidiaries can be detailed as follows:

	31-Dec-18	31-Dec-17
USATI	4,219,268	3,033,235
HOSPOR	3,404,214	3,717,533
SURGICARE	977,584	683,146
HME	656,756	625,100
HLG	243,034	1,153,698
HL-CCA	192,202	275,480
CCHCI	175,820	11,957
SCH	137,310	82,868
CCHCI II	132,998	119,409
CLIRIA	49,455	37,039
RML	45,081	78,419
CASAS CARNAXIDE	27,150	131,518
GLST	13,539	55,262
HLL	10,247	82,817
HAG	8,800	444,513
GLSLE	7,625	2,652
	10,301,083	**10,534,646**

The decrease in interest earned is mainly due to the decrease in the amount of funding granted.

6. Financial expenses

	31-Dec-18	31-Dec-17
Interest paid to financial institutions	4,909,696	4,564,287
Expenses from derivatives (note 18)	1,659,600	1,299,649
Other interest expenses	87,373	94,948
Other financial expenses and losses	785,770	746,903
	7,442,439	**6,705,787**

The caption "Other financial expenses and losses" mainly includes expenses incurred with commissions from financing agreements.

7. Materials and services consumed

	31-Dec-18	31-Dec-17
Specialised work	1,043,054	2,220,450
Rent and leases	130,796	113,724
Banking services	125,514	103,312
Insurance	79,435	102,152
Transportation and accommodation	68,688	111,716
Maintenance and repair	60,684	61,829
Representation expenses	53,132	64,791
Advertising	34,561	156,388
Other materials and services consumed	159,844	40,119
	1,755,708	**2,974,481**

The decrease in the item of specialized work is related to expenses of consulting services connected with the increase of the Company's activity, incurred in 2017.

8. Personnel expenses

	31-Dec-18	31-Dec-17
Corporate body remunerations	346,160	1,018,236
Personnel wages and salaries	372,070	501,646
Payroll related expenses	286,019	271,751
Other personnel expenses	23,634	47,696
	1,027,883	**1,839,329**

The average number of Company employees in 2018 was 10 (2017: 10).

The decrease in the remuneration of the corporate body is mainly due to the adjustment of the variable compensation occurred in 2018.

The fees of the Statutory Auditor can be presented as follows:

	31-Dec-18	31-Dec-17
Year-end audit and half-year review	67,450	71,000
	67,450	**71,000**

9. Income tax

The detail of income tax in the statement of the comprehensive income can be presented as follows:

	31-Dec-18	31-Dec-17
Current tax	(260,392)	(111,545)
Tax from previous years	(62,927)	214,928
Deferred tax	38,288	(185,851)
Total tax in the income statement	**(285,031)**	**(82,468)**

Reconciliation of the income tax rate is shown below:

	31-Dec-18	31-Dec-17
Profit for the year	22,632,506	10,434,842
Income tax expense	(285,031)	(82,468)
Profit before income tax	**22,917,537**	**10,517,310**
Tax rate	21.00%	21.00%
	(4,812,683)	**(2,208,635)**
Untaxed dividends	4,491,900	5,376,000
Non-deductible provisions	(7,875)	(3,361,014)
Tax from previous years	(62,927)	214,928
Autonomous taxes	(40,001)	(27,381)
Other	146,555	(76,366)
	(285,031)	**(82,468)**

Until 31 December 2017, the company was part of the tax group led by Longrun Portugal, SGPS, SA. However, as a result of a change in the shareholder structure of LUZ SAÙDE in January 2018, the Company and its subsidiaries no longer met the criteria for inclusion in the tax group.

As a result of LUZ SAÚDE, together with its subsidiaries held in more than 75% of the share capital and voting rights, complying with the necessary criteria's for the constitution of a new tax group, the Company decided, to incorporate, with effect from January 1, 2018, a new tax group and therefore continues to be taxed under the special tax regime for corporate groups ("RETGS").

As a parent company of a group of companies, the Company recorded (in the year of the Group's constitution) in its liabilities the amounts of tax payable ascertained by the entities included in the Tax Group, net of the adjustments arising from the RETGS taxation, and in its assets, the amounts receivable from each subsidiary relating to individual tax liability.

In the first year of the RETGS, the parent company makes the tax special advance payment, the global calculation and self-assessment of the corporate income tax for all Group companies.

Reconciliation of current tax in the income statement with the tax on the balance sheet:

	31-Dec-18	31-Dec-17
Current tax on the statement of comprehensive income	(260,392)	(111,545)
Tax estimate for the companies that integrate the tax group	2,270,614	-
Tax advance payments and withholding tax	315,682	98
Current income tax on the balance sheet	**2,325,904**	**(111,447)**

The movement in deferred tax assets in 2018 and 2017 can be analyzed as follows:

	31-Dec-17	Income statement	Other	31-Dec-18
Deferred tax assets				
Impairment on financial investments	2,217,703	-	-	2,217,703
Other	699,799	38,288	72,601	810,688
	2,917,502	**38,288**	**72,601**	**3,028,391**

	31-Dec-16	Income statement	Other	31-Dec-17
Deferred tax assets				
Impairment on financial investments	2,217,703	-	-	2,217,703
Tax losses carried forward	747,490	-	(747,490)	-
Other	1,100,657	(185,851)	(215,007)	699,799
	4,065,850	**(185,851)**	**(962,497)**	**2,917,502**

The item Other includes mainly deferred tax (2018: €645 thousand and 2017: €572 thousand) relating to the valuation of derivative financial instruments contracts (note 18), in the component considered as effective and as such recognized directly in equity.

10. Property, plant and equipment

The changes in property, plant and equipment can be presented as follows:

	Basic and transport equipment	Other	In progress	Total
Acquisition cost				
Balance as at 1 January 2017	1,567,884	800	15,280	1,583,964
Additions	205,744	861	142,978	349,583
Balance as at 31 December 2017	**1,773,628**	**1,661**	**158,258**	**1,933,547**
Balance as at 1 January 2018	1,773,628	1,661	158,258	1,933,547
Additions	504,027	-	128,806	632,833
Balance as at 31 December 2018	**2,277,655**	**1,661**	**287,064**	**2,566,380**
Accumulated depreciation				
Balance as at 1 January 2017	1,228,764	800	-	1,229,564
Depreciation for the financial year	132,423	76	-	132,499
Balance as at 31 December 2017	**1,361,187**	**876**	**-**	**1,362,063**
Balance as at 1 January 2018	1,361,187	876	-	1,362,063
Depreciation for the financial year	202,098	138	-	202,236
Balance as at 31 December 2018	**1,563,285**	**1,014**	**-**	**1,564,299**
Net book value				
As at 31 December 2017	**412,441**	**785**	**158,258**	**571,484**
As at 31 December 2018	**714,370**	**647**	**287,064**	**1,002,081**

11. Intangible assets

	Software	In progress	Total
Acquisition costs			
Balance as at 1 January 2017	2,864,743	292,088	3,156,831
Additions	672,084	190,171	862,255
Balance as at 31 December 2017	**3,536,827**	**482,259**	**4,019,086**
Balance as at 1 January 2018	3,536,827	482,259	4,019,086
Additions	721,081	1,343,597	2,064,678
Balance as at 31 December 2018	**4,257,908**	**1,825,856**	**6,083,764**
Accumulated amortization			
Balance as at 1 January 2017	2,454,310	-	2,454,310
Amortizations of the financial year	269,276	-	269,276
Balance as at 31 December 2017	**2,723,586**	**-**	**2,723,586**
Balance as at 1 January 2018	2,723,586	-	2,723,586
Amortizations of the financial year	437,652	-	437,652
Balance as at 31 December 2018	**3,161,238**	**-**	**3,161,238**
Net book value			
As at 31 December 2017	**813,241**	**482,259**	**1,295,500**
As at 31 December 2018	**1,096,670**	**1,825,856**	**2,922,526**

12. Investments in subsidiaries and associates

The caption Investments in subsidiaries and associates can be presented as follows:

	Financial investments	Supplementary capital contributions	Loans to subsidiaries and associates	Total
Acquisition cost				
Balance as at 1 January 2017	105,672,570	120,485,772	192,259,863	418,418,205
Additions	21,873,371	26,700,048	41,375,625	89,949,044
Decrease	-	(90,000)	(10,315,674)	(10,405,674)
Balance as at 31 December 2017	**127,545,941**	**147,095,820**	**223,319,814**	**497,961,575**
Balance as at 1 January 2017	127,545,941	147,095,819	223,319,814	497,961,574
Additions	718,334	48,880,048	48,779,990	98,378,372
Decrease	(683,334)	(6,480,048)	(53,976,816)	(61,140,198)
Balance as at 31 December 2017	**127,580,941**	**189,495,819**	**218,122,988**	**535,199,748**
Accumulated impairment				
Balance as at 1 January 2017	3,676,420	25,043,375	19,259,135	47,978,930
Additions	2,059,419	-	13,945,408	16,004,827
Balance as at 31 December 2017	**5,735,839**	**25,043,375**	**33,204,543**	**63,983,757**
Balance as at 1 January 2018	5,735,839	25,043,375	33,204,543	63,983,757
Balance as at 31 December 2018	**5,735,839**	**25,043,375**	**33,204,543**	**63,983,757**
Net book value				
As at 31 December 2017	**121,810,102**	**122,052,445**	**190,115,271**	**433,977,818**
As at 31 December 2018	**121,845,102**	**164,452,444**	**184,918,445**	**471,215,991**

12.1 Financial investments by investees

	Registered office	% of shareholding	Financial investments (note 12.2)	Supplementary capital contributions (note 12.3)	Loans (note 12.4)	Total 31-Dec-18	Total 31-Dec-17
Subsidiaries							
CASAS CARNAXIDE	Oeiras	100.00%	5,345,659	3,000,000	495,000	8,840,659	8,840,659
CASAS	Lisbon	100.00%	200,000	490,000	-	690,000	690,000
HLO	Oeiras	100.00%	250,000	-	-	250,000	250,000
CLIRIA	Aveiro	93.45%	4,549,651	-	900,000	5,449,651	5,749,651
GLSLH	Lisbon	100.00%	50,000	250,000	550,000	850,000	50,000
GLST	Lisbon	100.00%	300,000	-	100,000	400,000	1,085,000
HME	Évora	100.00%	149,104	-	12,180,000	12,329,104	11,979,104
HAG	V. N. Gaia	100.00%	8,240,113	-	-	8,240,113	11,890,113
HL-CCA	Amadora	100.00%	2,100,000	9,200,000	3,504,189	14,804,189	14,804,189
HLG	Guimarães	100.00%	7,487,500	20,000,000	365,000	27,852,500	27,852,500
HLL	Lisbon	100.00%	3,000,000	-	-	3,000,000	3,800,000
HOSPOR	Póvoa de Varzim	100.00%	35,450,000	6,500,000	61,900,000	103,850,000	109,850,000
USATI	Lisbon	100.00%	41,800,000	75,200,000	102,150,000	219,150,000	178,150,000
RML	Lisbon	75.00%	5,362,500	-	1,045,000	6,407,500	6,857,500
SGHL	Loures	100.00%	3,246,737	34,178,375	7,500,000	44,925,112	44,336,828
SURGICARE	Lisbon	100.00%	6,087,500	7,500,000	17,900,000	31,487,500	30,487,500
SCH	Funchal	81.35%	2,979,618	-	3,563,899	6,543,517	4,113,517
CCHCI	Lisbon	-	683,334	6,480,048	3,250,000	10,413,382	10,213,392
CCHCI II	Lisbon	80.00%	40,000	26,100,000	2,719,900	28,859,900	26,105,000
			127,321,716	**188,898,423**	**218,122,988**	**534,343,127**	**497,104,953**
Associates							
GENOMED - Diagnósticos de Medicina Molecular, SA ("GENOMED")	Lisbon	37.50%	244,825	-	-	244,825	244,825
HL - Sociedade Gestora do Edifício, SA ("HL-SGE")	Oeiras	10.00%	14,400	597,397	-	611,797	611,797
			259,225	**597,397**	**-**	**856,622**	**856,622**
Investments in subsidiaries and associates – acquisition cost			**127,580,941**	**189,495,820**	**218,122,988**	**535,199,749**	**497,961,575**
Impairment in investments in subsidiaries and associates (note 12.5)			**(5,735,839)**	**(25,043,375)**	**(33,204,543)**	**(63,983,757)**	**(63,983,757)**
Total investments in subsidiaries and associates – net book value			**121,845,102**	**164,452,445**	**184,918,445**	**471,215,992**	**433,977,818**

(1) CCHCI was merged into the subsidiary Hospital da Luz, SA (HLL) in July 2018

(2) LUZ SAÚDE holds a purchase option for the remaining 20% of the Company's shares

12.2 Changes in financial investments

	31-Dec-17	Increases	Decreases	31-Dec-18
Subsidiaries				
CASAS CARNAXIDE	5,345,659	-	-	5,345,659
CASAS	200,000	-	-	200,000
HLO	250,000	-	-	250,000
CLIRIA	4,549,651	-	-	4,549,651
GLSLH	50,000	-	-	50,000
GSLT	300,000	-	-	300,000
HME	149,104	-	-	149,104
HAG	8,240,113	-	-	8,240,113
HL-CCA	2,100,000	-	-	2,100,000
HLG	7,487,500	-	-	7,487,500
HLL	3,000,000	683,334	-	3,683,334
HOSPOR	35,450,000	-	-	35,450,000
USATI	41,800,000	-	-	41,800,000
RML	5,362,500	-	-	5,362,500
SGHL	3,246,737	-	-	3,246,737
SURGICARE	6,087,500	-	-	6,087,500
SCH	2,979,618	-	-	2,979,618
CCHCI [1]	683,334	-	(683,334)	-
CCHCI II	5,000	35,000	-	40,000
	127,286,716	**718,334**	**(683,334)**	**127,321,716**
Associates				
GENOMED	244,825	-	-	244,825
HL-SGE	14,400	-	-	14,400
	259,225	**-**	**-**	**259,225**
Total financial investments	**127,545,941**	**718,334**	**(683,334)**	**127,580,941**

(1) CCHCI was merged into the subsidiary Hospital da Luz, SA (HLL) in July 2018

On March 27, 2018, LUZ SAÚDE acquired 70% of the shares of Capital Criativo Health Care Investments II, SA ("CCHCI II").

12.3 Changes in supplementary capital contributions

	31-Dec-17	Increases	Decreases	31-Dec-18
Subsidiaries				
CASAS CARNAXIDE	3,000,000	-	-	3,000,000
CASAS	490,000	-	-	490,000
GLSL	-	250,000	-	250,000
HLG	-	20,000,000	-	20,000,000
HL-CCA	9,200,000	-	-	9,200,000
HLL	-	6,480,048	-	6,480,048
HOSPOR	6,500,000	-	-	6,500,000
USATI	75,200,000	-	-	75,200,000
SGHL	18,178,375	16,000,000	-	34,178,375
SURGICARE	7,500,000	-	-	7,500,000
CCHCI [1]	6,480,048	-	(6,480,048)	-
CCHCI II	19,950,000	6,150,000	-	26,100,000
	146,498,423	**48,880,048**	**(6,480,048)**	**188,898,423**
Associates				
HL-SGE	597,397	-	-	597,397
	597,397	**-**	**-**	**597,397**
Total supplementary capital contributions	**147,095,820**	**48,880,048**	**(6,480,048)**	**189,495,820**

(1) CCHCI was merged into the subsidiary Hospital da Luz, SA (HLL) in July 2018

12.4 Changes in loans to subsidiaries and associates

	31-Dec-17	Increases	Decreases	31-Dec-18
Subsidiaries				
CASAS CARNAXIDE	495,000	-	-	495,000
CLIRIA	1,200,000	-	(300,000)	900,000
GLSL	-	550,000	-	550,000
GLST	785,000	-	(685,000)	100,000
HME	11,830,000	350,000	-	12,180,000
HAG	3,650,000	-	(3,650,000)	-
HL-CCA	3,504,189	-	-	3,504,189
HLG	20,365,000	-	(20,000,000)	365,000
HLL	800,000	3,250,000	(800,000)	3,250,000
HOSPOR	67,900,000	-	(6,000,000)	61,900,000
USATI	61,150,000	41,000,000	-	102,150,000
RML	1,495,000	-	(450,000)	1,045,000
SGHL	22,911,716	-	(15,411,716)	7,500,000
SURGICARE	16,900,000	1,000,000	-	17,900,000
SCH	1,133,899	2,430,000	-	3,563,899
CCHCI [1]	3,050,010	199,990	(3,250,000)	-
CCHCI II	6,150,000	-	(3,430,100)	2,719,900
Total loans	**223,319,814**	**48,779,990**	**(53,976,816)**	**218,122,988**

(1) CCHCI was merged into the subsidiary Hospital da Luz, SA (HLL) in July 2018

12.5 Changes in impairment of investments in subsidiaries and associates

	31-Dec-17	Increases	Decreases	31-Dec-18
Subsidiaries				
CASAS CARNAXIDE	2,250,000	-	-	2,250,000
HME	10,431,930	-	-	10,431,930
SGHL	44,336,827	-	-	44,336,827
HL-CCA	6,965,000	-	-	6,965,000
Total impairment	**63,983,757**	**-**	**-**	**63,983,757**

12.6 Summarised financial information on the main subsidiaries

	HAG	HLL	HOSPOR	SGHL
Summarised net assets				
Current assets	28,268,696	53,831,968	28,814,689	36,024,106
Current liabilities	(19,376,027)	(38,550,325)	(30,651,981)	(24,850,012)
Current net assets/(liabilities)	**8,892,669**	**15,281,643**	**(1,837,292)**	**11,174,094**
Non-current assets	29,265,434	13,612,742	145,920,252	7,573,451
Shareholder loans	-	(3,270,000)	(61,900,000)	(7,500,000)
Non-current liabilities	(6,592,065)	(147,438)	(14,062,091)	(13,318,114)
Net assets/(liabilities)	**31,566,038**	**25,476,947**	**68,120,869**	**(2,070,569)**
Summarised results				
Total revenue	64,963,602	175,890,358	80,907,249	102,229,918
Profit before income tax	11,563,460	16,345,563	2,634,917	(6,441,715)
Expenses	(2,685,752)	(4,175,904)	(379,373)	2,318,721
Net profit	**8,877,708**	**12,169,659**	**2,255,544**	**(4,122,994)**
Summarised cash flows				
Operating cash flow	6,873,213	13,134,811	12,020,300	2,300,549
Investment cash flow	(746,097)	(2,566,542)	(7,798,789)	(735,802)
Financing cash flow	(5,880,597)	(12,095,764)	(7,879,215)	103,832
Change in cash and cash equivalents	**246,519**	**(1,527,495)**	**(3,657,704)**	**1,668,579**

13. Trade and other receivables

The caption trade and other receivables can be presented as follows:

	31-Dec-18	31-Dec-17
Trade receivables (note 13.1)	88,808	121,160
Trade receivables – related entities (note 13.1)	3,076,267	4,215,301
Impairment of trade receivables (note 13.2)	(77,500)	(40,000)
	3,087,575	**4,296,461**
Other debtors – related entities (note 13.1)	23,880,248	17,934,594
Deferred expenses	1,395,134	1,051,958
State and other public entities	642,969	632,275
Accrued income	454,528	503,236
Other debtors	99,332	191,181
Prepayments	139,995	45,343
	26,612,206	**20,358,587**
	29,699,781	**24,655,048**

Considering the short maturities associated to these financial instruments, their carrying value is deemed to be a reasonable estimate of the respective fair value.

The balance with State and other public entities refers to VAT to be recovered.

13.1 Trade and other debtors - related parties

	31-Dec-18				31-Dec-17			
		Other debtors				Other debtors		
	Trade receivables	Tax group	Other debtors	Total	Trade receivables	Tax group	Other debtors	Total
Subsidiaries and associates								
USATI	723,864	-	9,182,554	9,906,418	1,501,493	-	4,962,002	6,463,495
HOSPOR	361,218	-	7,124,768	7,485,986	248,080	-	3,719,183	3,967,263
SURGICARE	177,887	-	1,661,320	1,839,207	364,638	-	683,146	1,047,784
HME	40,129	8,911	1,492,475	1,541,515	111,370	-	825,550	936,920
HLG	75,046	10,757	907,131	992,934	125,367	-	1,164,547	1,289,914
ACE	503,349	-	150	503,499	671,144	-	150	671,294
SCH	181,076	-	187,485	368,561	11,015	-	50,063	61,078
CLIRIA	295,772	76,384	49,848	422,004	445,088	-	72,525	517,613
RML	44,280	-	259,207	303,487	27,275	-	214,126	241,401
GLSLH	16,928	8,000	280,836	305,764	21,033	-	275,863	296,896
GLST	200,999	16,976	96,365	314,340	120,299	-	82,826	203,125
CCHCI II	-	-	285,210	285,210	-	-	152,213	152,213
HLL	74,437	-	198,025	272,462	159,389	-	83,567	242,956
HL-CCA	18,572	3,973	192,530	215,075	50,140	-	275,480	325,620
IDIII	186,875	-	-	186,875	-	-	-	-
HAG	49,374	1,370,353	10,346	1,430,073	126,222	58,039	445,113	629,374
SGHL	63,004	105,590	55,463	224,057	127,396	-	-	127,396
CASAS CARNAXIDE	10,179	46,768	27,150	84,097	9,787	-	131,518	141,305
HLO	19,533	202,642	-	222,175	20,849	-	750	21,599
CASAS	9,008	10,748	-	19,756	9,852	-	-	9,852
IRIO	8,151	259	-	8,410	4,408	-	-	4,408
VLUSITANO	7,644	6,892	-	14,536	36,017	-	-	36,017
HRM	4,514	-	-	4,514	13,866	-	150	14,016
CRB	4,428	1,132	-	5,560	8,795	-	-	8,795
CCHCI	-	-	-	-	-	-	11,959	11,959
BH	-	-	-	-	1,778	-	-	1,778
	3,076,267	**1,869,385**	**22,010,863**	**26,956,515**	**4,215,301**	**58,039**	**13,150,731**	**17,424,071**
Other related parties								
LONGRUN	-	-	-	-	-	4,725,824	-	4,725,824
Total	**3,076,267**	**1,869,385**	**22,010,863**	**26,956,515**	**4,215,301**	**4,783,863**	**13,150,731**	**22,149,895**

13.2 Impairment of receivables

	31-Dec-18	31-Dec-17
Impairment of receivables as at 1 January	**40,000**	**-**
Effect in profit and loss		
Increase	37,500	40,000
Impairment of receivables as at 31 December	**77,500**	**40,000**

14. Cash and cash equivalents

	31-Dec-18	31-Dec-17
Cash	500	500
Immediately available bank deposits	12,390,348	9,493,950
	12,390,848	**9,494,450**

Considering the short maturities associated to these financial instruments, their carrying value is deemed to be a reasonable estimate of the respective fair value.

15. Share capital, reserves and retained earnings

15.1 Share c apital

LUZ SAÚDE's Share Capital is comprised of 95,542,254 ordinary registered shares with a nominal value of €1 (31 December 2017: 95,542,254 shares).

15.2 Share premiums

Share premiums are related to the share capital increases undertaken by the company in 2004, 2005 and 2006 in the amounts of €12,500 thousand, €7,500 thousand and €61,600 thousand, respectively. During the 2011 financial year, these funds were partially used €33,870,082, following a Shareholder resolution, to cover losses carried forward, leaving a balance of €47,729,918.

In the share capital increase that took place in February 2014, €15,492,959 was recorded as share premiums from which €1,427,084 were deduced for transaction costs with the share capital increase. The caption therefore presents a total balance of €61,795,793.

15.3 Reserves and retained earnings

As at 31 December 2018 and 2017 the amount in reserves and retained earnings (which include also the comprehensive income for the year) can be presented as follows:

	31-Dec-18	31-Dec-17
Non-distributable reserves		
Legal reserve	3,112,409	2,590,667
Other reserves	57,362,840	47,449,740
Retained earnings	(2,488,040)	(3,566,269)
Comprehensive income for the year	22,359,387	11,513,071
	80,346,596	**57,987,209**

15.3.1 Non-distributable reserves

The non-distributable reserves include the legal reserve created by allocation of results of each financial year from the parent company.

15.3.2 Other reserves

Other reserves relate to the reserves created by the allocation of profits from the parent Company from previous years.

15.3.2.1 Appropriation of results

According to the proposal presented and approved at the General Meeting held on May 25, 2018, the LUZ SAÚDE profit for the year 2017, had the following application:

	2017 Year-end	2016 Year-end
Legal reserve	521,742	336,478
Unrestricted reserves	9,913,100	6,393,069
Statutory profit allocation	**10,434,842**	**6,729,547**

15.3.3 Retained earnings

The item of retained earnings includes, among other, the ineffectiveness of derivative financial instruments and the result generated from the purchase and disposal of treasury shares held under the stock compensation plan.

16. Trade and Other payables

	31-Dec-18	31-Dec-17
Trade payables - current	1,701,640	1,967,068
Trade payables – related entities (note 23)	7,200	3,500
Total trade payables	**1,708,840**	**1,970,568**
State and other public entities	64,169	64,497
Personnel	1,180,612	1,887,934
Other accrued expenses	761,717	598,853
Other payables	3,811,543	1,516
Other payable – related entities (note 23)	361,217	4,918,415
Total other payables	**6,179,258**	**7,471,215**
	7,888,098	**9,441,783**

Considering the maturities associated to these financial instruments, their carrying value is deemed to be a reasonable estimate of the respective fair value.

17. Interest-bearing liabilities

	31-Dec-18	31-Dec-17
Interest-bearing liabilities		
Non-current		
Borrowings and bank overdrafts		
Commercial paper	208,413,643	212,242,436
Borrowings	23,250,000	18,375,000
	231,663,643	**230,617,436**
Current		
Borrowings and bank overdrafts		
Commercial paper	34,945,290	11,000,744
Borrowings	5,214,227	2,541,560
Other loans	1,010,761	-
	41,170,278	**13,542,304**
Interest-bearing liabilities	**272,833,921**	**244,159,740**
Cash and cash equivalents		
Cash	500	500
Bank deposits	12,390,348	9,493,950
Net Interest-bearing debt	**260,443,073**	**234,665,290**

In addition, the Company has credit facilities in the form of bank overdrafts amounting to €15,000 thousand, which on December 31, 2018 are used in the amount of €1,011 thousands (2017: €0).

17.1 Commercial paper

The main commercial paper financing lines that the Company has are the following:

Begin	End	Underwriting rights	Amount available in 31-Dec-18	Amount used in 31-Dec-18	Amount used in 31-Dec-17
10-02-2011	26-04-2025	Sim	150,000,000	150,000,000	150,000,000
22-12-2014	22-05-2019	Não	20,000,000	7,500,000	4,000,000
12-08-2014	30-09-2022	Sim	30,000,000	24,000,000	30,000,000
15-03-2016	10-03-2021	Sim	5,000,000	5,000,000	5,000,000
18-05-2016	18-05-2021	Sim	35,000,000	29,000,000	15,000,000
04-08-2017	04-02-2025	Sim	25,000,000	12,500,000	14,500,000
22-12-2017	26-06-2021	Sim	5,000,000	5,000,000	5,000,000
10-08-2018	10-02-2020	Sim	10,500,000	10,500,000	-
			280,500,000	**243,500,000**	**223,500,000**
		Current interest		(141,067)	(256,820)
				243,358,933	**223,243,180**

Commercial paper program that does not contain an underwriting provision is registered under current liabilities, although it is expected that the arranging and dealing bank will be able to obtain the necessary funds through their distribution channels.

Commercial paper programs are classified as non-current when have a maturity of 12 months after the reporting date, the Group has the ability to unilaterally renew the current emissions until the maturity of the programs and they have guarantee of underwriting subscription by the organizer. Although the active instalments as at the reporting date have a maturity less than 12 months, were classified as non-current for presentation purposes in the balance sheet.

The commercial paper programs due in 2025 and 2022 have real guarantees given by the mortgages of the buildings of the Hospital da Luz in Lisbon, Arrábida Hospital, Casas de Carnaxide, Clínica da Amadora and the buildings of the Hospital da Luz in Póvoa do Varzim and in Setúbal.

17.2 Bank loans

The main lines of financing in addition to the commercial paper that the Company has are the following:

Begin	End		Amount used in 31-Dec-18	Amount used in 31-Dec-17
09-10-2017	09-10-2022		8,930,962	10,000,000
31-10-2017	31-10-2025		9,672,524	11,000,000
23-11-2018	23-11-2023		10,000,000	-
			28,603,486	**21,000,000**
		Current interest	(139,259)	(83,440)
			28,464,227	**20,916,560**

The financing line maturing in 2025 has as collateral the mortgage of the Hospital da Luz - Oeiras (SURGICARE) building.

17.3 Maturity of the banking financing lines

At December 31, 2018 and 2017, the balance of this caption corresponded to commercial paper, bank loans and other financing obtained with interest at market rates, the detail of which is based on the maturity of the contracted lines, as follows:

	31-Dec-18			31-Dec-17		
	Commercial paper	Borrowings	Other loans	Commercial paper	Borrowings	Other loans
Up to 12 months	34,945,290	5,214,227	1,010,761	11,000,744	2,541,560	-
12-24 months	37,914,664	6,375,000	-	27,311,029	3,875,000	-
24-36 months	66,432,652	6,375,000	-	27,400,000	3,875,000	-
36-48 months	29,266,327	6,375,000	-	47,468,912	3,875,000	-
More than 48 months	74,800,000	4,125,000	-	110,062,495	6,750,000	-
	243,358,933	**28,464,227**	**1,010,761**	**223,243,180**	**20,916,560**	**-**

17.4 Guarantees

Most of the aforementioned financing lines contain financial constraints / covenants that are common in financing agreements. Typical non-financial constraints included are:

- negative pledge provisions, in relation to higher value and maturity lines;
- restrictions on the use of capital resources, acquisitions and disposal of assets;
- pari passu obligations:
- situations of non-compliance, which include cross-default clauses for companies that are under control or in a group relationship with the respective borrower;

- conditions of change of control provisions that require the controlling shareholder (Fosun Group) to maintain a direct or indirect controlling stake in the Company;
- obligations to comply with debt to equity ratios for the working capital.

In terms of real guarantees, the Commercial Paper and Bank Loans lines: commercial paper lines and bank loans presented are secured by mortgages on some of the Group's properties. The values of the guarantees are higher than the amounts of the contracted lines.

17.5 Financial covenants

In terms of financial covenants, the Company is obliged to comply with financial ratios, calculated on the basis of its consolidated accounts, established in the financing agreements in force on this date, namely:

- Net interest-bearing debt / EBITDA
- Shareholder equity ratio

As of December 31, 2018, the Company complied with all covenants contracted with financial institutions.

18. Derivative financial instruments

The Company uses derivative financial instruments to hedge interest rate risks affecting the value of the expected future cash flows. The hedged risk is the change in the index that the floating rate incorporates, being applicable to all the Company's credit lines.

The derivative financial instruments contracted for hedging purposes of interest rate changes in respect of credit lines are considered effective in terms of cash flow hedge.

The fair value of these instruments have been determined by banking entities based on observable inputs on the market and used in models and techniques generally accepted valuation (Level 2), can be presented as follows:

	31-Dec-18	31-Dec-17
Interest rate swap contracts - cash flow hedges	3,417,493	3,109,947
Interest rate swap contracts - held for trading	-	-
Total	**3,417,493**	**3,109,947**

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

Covered instrument	Notional	Starting date	Maturity	Fair value
Commercial paper	150,000,000	26-10-2016	28-04-2025	3,084,010
Commercial paper	24,000,000	30-09-2016	30-09-2022	333,483
				3,417,493

Trading derivatives are classified in current assets or current liabilities according to their fair value at the reporting date.

The fair value of the hedging derivative is classified in non-current assets or non-current liabilities when the maturity of the hedge target operation is more than 12 months of the reporting date and as current assets or current liabilities if the maturity of the hedge target operation is less than 12 months of the reporting date.

The notional interest rate swap contracts outstanding at December 31, 2018 amounted to €174 million (2017: €180 million), all of which are considered as cash flow hedges. These contracts resulted in the recognition of a change in the fair value of the Group's equity in 2018 arising from the part considered as efficient for hedging purposes of approximately €346 thousand negative (2017: €1,365 thousand, negative), and were recognized in In the statement of comprehensive income, any effect arising from changes in fair value as a result of the contracts was assumed to be efficient, relating to the part considered as trading or ineffective in terms of hedging, and approximately €1,659 thousand related to accrued interest (2017: €1,300 thousand). In the statement of comprehensive income, these amounts are presented net of the tax effect

19. Operating leases

In December 31, 2018 and 2017, the Company had responsibilities with operating leases, with penalty clauses in case of cancellation. The total amounts of future payments are as follows:

	31-Dec-18	31-Dec-17
Operating Lease		
Less than a year	390,655	516,857
Between one to five years	1,226,036	1,180,237
More than five years	-	436,454
	1,616,691	**2,133,548**

20. Provisions

Changes in the caption provisions during 2018 and 2017 can be presented as follows:

	Operational and financial risks
Provisions	
Balance as at 1 January 2017	767,663
Effect on results	
Additions	-
Reversals	-
	-
Balance as at 31 December 2017	**767,663**
Balance as at 1 January 2018	767,663
Charged/(credited) to the income statement:	
Additional provisions	-
Unused amounts reversed	-
	-
Balance as at 31 December 2018	**767,663**

21. Contingent liabilities and disputes

21.1 Disputes

The following issues are pending resolution, for which the board, based on the opinion of its tax and legal advisors, evaluates the likelihood of the outcome of each of the processes, and recognized provisions for the amounts estimated to represent future disbursements:

- LUZ SAÚDE as the parent company of the Tax Group has pending resolution of a dispute with the Tax Authority regarding the deductibility of financial charges in the amount of €11,130 thousand relating to the period from 2008 to 2011 arising from financing of its subsidiary HOSPOR. The Board with the support of its legal and tax consultants believes there are reasons for the treatment followed by the company and as such filed a challenge.

In 2016, the Court of First Instance decided on this dispute, and it was favorable to LUZ SAÚDE. Decision was appealed by the Public Finance Office and is currently pending in the Supreme Administrative Court.

As a result of the position of the Tax Authority, and in view of the proposed corrections, additional tax assessments were received in 2016 and 2017 in the amounts of €1,121 thousand and €2,028 thousand, respectively. The Company presented the necessary bank guarantees to continue to contest the corrections made by the Tax Authority.

- Following an inspection, the Tax Authority questioned the calculation of the tax benefits considered by two companies for the years 2013 and 2014, and identified corrections to LUZ SAÚDE's taxable income (as the parent company of the Tax Group) of €305 thousand and €530 thousand, respectively. The Board, based on the opinion of its legal and tax advisors, understands that the calculation performed is in accordance with the requirements of the law and as such it has complained about all situations. For the year 2013, following the payment notification received, the Group opted to provide a bank guarantee in the amount of €240 thousand.

21.2 Contingent liabilities

In the Company's Shareholders General Meeting held on 22 January 2014 and taking into account the continuous management positions held for nearly 15 years by Isabel Maria Pereira Aníbal Vaz, in addition to her role in the promotion of the Group's business development, an award of €850,000 to the latter was approved in recognition of professional services rendered to the Group. This amount will be paid in one lump sum at the time Isabel Maria Pereira Aníbal Vaz terminates her role as member of the Company's Board of Directors, for any reason outside her responsibility. The payment of the proposed award is autonomous and is not intended to substitute any monetary compensations that may be legally or contractually due as a result of the termination of corporate management positions by Isabel Maria Pereira Aníbal Vaz, including in the Company, whatever the cause and the moment of termination thereof.

22. Guarantees

In December 31, 2018 the company had three bank guarantees provided to the Tax Authority in the total amount of €4,222,973.

Some of the Commercial Paper agreements are entered into both by the Company and some of its subsidiaries, and therefore there is joint responsibility of issuers for the payment of amounts underwritten by any of the parties under those programmes. On 31 December 2018, the programmes in force, respective issuers and amounts used by the subsidiaries, were the following:

Entities	Amount used by the subsidiaries	Total amount used
Luz Saúde, HLL e USATI	-	24,000,000
Luz Saúde e HLL	-	10,500,000
Luz Saúde e HLL	-	5,000,000
	-	**39,500,000**

Additionally, the following guarantees were granted for subsidiaries:

- Guarantee of the loan to the subsidiary HAG in the amount of €10,000 thousand (amount used as at the reporting date);
- Guarantee of the loan to the subsidiary RML in the amount of €2,625 thousand (amount used as at the reporting date);
- Financial pledge over the shares of the subsidiary SGHL - Sociedade Gestora do Hospital de Loures, SA, to secure a credit line of €2,500 thousand granted to this subsidiary, and that as at December 31, 2018 was integrally used;
- Comfort letter for the satisfaction of obligations under the loan granted to RML in the amount of €500 thousand (amount used as at the reporting date);
- Some of the loans granted to subsidiaries contain LUZ SAÚDE ownership clauses, whereby the banks may request early repayment of the respective loans although there are no financial obligations for LUZ SAÚDE thereunder;

The company is guarantor of its subsidiaries in respect of the majority of the finance leases established by these entities.

23. Related party transactions

The Company's financial statements are included in the consolidated financial statements of Fidelidade – Companhia de Seguros, SA with its headquarters in Largo do Calhariz nr 30, in Lisbon.

On 15 October 2014, and following the takeover bid for LUZ SAÚDE's share capital, Fosun International, Ltd through Fidelidade – Companhia de Seguros, SA has taken control over LUZ SAÚDE.

Fidelidade - Companhia de Seguros, SA is held at 84,986% by Longrun Portugal, SGPS, SA, which is100% owned by Millennium Gain Limited,based on Hong Kong. Millennium Gain Limited is 100% owned by Fosun Financial Holdings Limited (Hong Kong), which is 100% owned by Fosun International Limited, a company listed on the Hong Kong Capital Market (00656.HK). Fosun International Limited is held at 71,77% by Fosun Holdings Limited, which is held by Fosun International Holdings, Ltd.,

whose ultimate beneficial owner is Mr. Guo Guangchang. In January 2018, as a result of an operation carried out between Fidelidade - Companhia de Seguros, SA and Fosun International Ltd, Fosun International Ltd now holds 49% of the capital and voting rights of LUZ SAÚDE, with Fidelidade - Companhia de Seguros, SA reduced its ownership to 49.7881%.

The following tables present the balances and transactions at December 31, 2018 and 2017 with the companies in the Fosun Group.

Remuneration paid to corporate bodies is disclosed in note 8.

Balances and transactions with Group related entities as at December 31 are as follows:

Fosun Group

	31-Dec-18				31-Dec-17			
	Current Assets	Current liabilities	Revenue	Expenses	Current Assets	Current liabilities	Revenue	Expenses
Longrun (Portugal) SGPS, SA	-	-	-	-	4,725,824	956	-	-
	-	**-**	**-**	**-**	**4,725,824**	**956**	**-**	**-**

Luz Saúde Group

	31-Dec-18				31-Dec-17			
	Current Assets	Current liabilities	Revenue	Expenses	Current Assets	Current liabilities	Revenue	Expenses
HLL	272,462	138,705	15,148,967	-	242,956	2,735,499	18,215,813	-
USATI	9,906,418	10,164	4,864,906	-	6,463,495	-	3,806,823	-
HOSPOR	7,485,986	96,749	3,564,387	-	3,967,263	810,994	3,896,341	-
HAG	1,430,073	-	6,052,561	-	629,374	1,050,297	7,096,128	-
SURGICARE	1,839,207	118	1,112,172	-	1,047,785	-	889,462	-
HME	1,541,515	-	699,489	-	936,919	-	664,616	-
HLG	992,934	-	361,554	-	1,289,914	-	1,259,792	-
ACE	503,499	-	141,432	-	671,294	-	123,343	-
HLO	222,175	-	547,159	-	21,599	131,305	1,147,822	-
SCH	368,561	-	194,078	-	61,078	-	100,068	-
HL-CCA	215,075	-	239,272	-	325,620	-	333,105	-
CLIRIA	422,004	-	117,860	-	517,613	-	98,374	-
CCHCI II	285,210	-	132,998	-	152,213	-	119,409	-
IDIII	186,875	-	191,400	-	-	-	-	-
RML	303,487	-	58,181	-	241,401	-	90,594	-
GLST	314,340	-	64,343	-	203,125	-	125,191	-
GLSLH	305,764	7,200	47,149	-	296,896	3,500	72,326	450,000
CRB	5,560	87,373	13,100	87,373	8,795	189,364	12,175	94,948
SGHL	224,057	-	81,147	-	127,396	-	148,819	-
CCHCI	-	-	175,820	-	11,959	-	11,957	-
CASAS CARNAXIDE	84,097	-	54,446	-	141,305	-	164,546	-
BH	-	-	76,617	-	1,778	-	13,500	-
CASAS	19,756	-	27,680	-	9,852	-	29,501	-
VLUSITANO	14,536	-	16,132	-	36,017	-	20,221	-
IRIO	8,410	-	13,206	-	4,408	-	12,424	-
HRM	4,514	28,108	13,924	-	14,016	-	12,925	-
	26,956,515	**368,417**	**34,009,979**	**87,373**	**17,424,071**	**4,920,959**	**38,465,275**	**544,948**

The amounts reported as income are the services rendered to related entities within the normal business, at arm's length. The amounts reported as expenses are related to the normal business of the respective entities and are related to materials and services consumed and from interests related with the loans to the subsidiaries. The balances are due to regular maturity or as established in the financing agreements.

In addition to the information presented above, balances and transactions with Group entities are presented in the notes 4, 5, 8, 12, 13, 16 and 22.

24. Financial risk management

LUZ SAÚDE whose main activity is the development and participation in businesses in the health care area, is largely dependent on the financial structure of its subsidiaries and their ability to generate sufficient cash flow to carry out distribution of dividends, payment of interest, repayment of loans made by the company and liquidation of the services rendered by the Company.

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

- Credit risk
- Liquidity risk
- Market risk

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

The identified risks are reviewed regularly to ensure they reflect real market conditions and are consistent with the Company's activities.

24.1 Credit risk

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

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

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

	31-Dec-18	31-Dec-17
Trade receivables and accrued income	3,542,103	4,799,697
Loans to associates	184,918,445	190,115,271
Other receivables	23,979,580	18,129,809
	212,440,128	**213,044,777**
Bank deposits and cash equivalents	12,390,348	9,493,950
	224,830,476	**222,538,727**

24.1.1 Trade receivables and accrued income

In terms of monitoring of the credit risk arising from operating and investment activities, relevant credit risk is limited to transactions with related entities of the Company, as these entities represent around 99.9% of the receivables balance.

Monitoring the activity of the subsidiaries by the Company's management enables a detailed monitoring of this risk.

24.1.2 Bank deposits and cash equivalents

The breakdown of the balance of bank and equivalent deposits, according to the credit risk quality of the financial institutions where assets were deposited, can be presented as follows (taking as based on Moody's rating observable in the market):

	31-Dec-18	31-Dec-17
Rating		
A2	9,191	-
Baa2	330,256	-
Baa3	164,254	554,302
Ba1	101,719	421,606
Ba3	11,655,913	-
B1	-	7,800,390
Caa2	-	601,719
Outros	129,015	115,933
	12,390,348	**9,493,950**

As principle, the company tries to maintain an alignment between the financial institutions which deposits its cash equivalents, and the financial institutions with used credit lines to finance the operations, in order to create a natural hedge to prevent the risk of a potential credit event that may occur at the level of entity where the funds are deposited.

24.2 Liquidity risk

Liquidity risk arises from the possible inability to finance the Company's assets or to satisfy contractual undertakings when due. The management goal is to maintain an adequate amount of funds to meet the Company's short-term, medium and long-term financial needs. To assess overall exposure to this type of risk, reports are drawn up that enable the company to identify occasional cash shortages and activate mechanisms intended to cover them.

To finance its business, the Company has the credit lines referred to in note 17.

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

	31-Dec-18				31-Dec-17
	Bank Loans	Commercial paper	Other liabilities (*)	Total	Total
Under 12 months	5,214,227	34,945,290	8,898,859	49,058,376	22,984,085
12 to 24 months	6,375,000	37,914,664	-	44,289,664	31,186,029
24 to 36 months	6,375,000	66,432,652	-	72,807,652	31,275,000
36 to 48 months	6,375,000	29,266,327	-	35,641,327	51,343,912
49 to 60 months	1,375,000	25,550,000	-	26,925,000	37,887,495
Over 60 months	2,750,000	49,250,000	-	52,000,000	78,925,000
	28,464,227	**243,358,933**	**8,898,859**	**280,722,019**	**253,601,521**

(*)Excludes non-financial liabilities and customer advances

24.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or developments in the capital markets, may affect the Company's results and financial position. Because the Company is not exposed to foreign exchange or capital market risks, the goals of its market risk management policies focus mainly on monitoring changes in interest rates that affect interest-bearing liabilities with floating interest rates.

All credit lines contracted by the Company are exposed to floating interest rates, given by the market index contracted plus a spread. In previous years in order to balance the exposure to changes in interest rates, the Company has contracted hedging instruments to address the cash flow risk, in order to fix the interest rates of some of the credit lines that are in place.

The instruments employed will take effect in the fourth quarter of 2016. With these instruments the level of financial debt that the Company has on 31 December 2018 and considering the effectiveness that these instruments may have (considering a positive evolution for future interest rates in the European Union), the Company will have about 63.8% of its financial debt exposed to fixed interest rate (2017: 73.7%).

25. Intrumentos financeiros por categoria

As at 31 December 2018	Assets amortized at cost	Fair value of assets / liabilities	Other financial liabilities	Non-financial assets / liabilities	Total
Assets					
Other non current assets	184,918,445	-	-	293,250,544	478,168,989
Trade and other receivables	27,515,387	-	-	2,184,394	29,699,781
Cash and cash equivalents	12,390,848	-	-	-	12,390,848
	224,824,680	**-**	**-**	**295,434,938**	**520,259,618**
Liabilities					
Other non current liabilities	-	-	-	767,663	767,663
Borrowings	-	-	272,833,921	-	272,833,921
Trade and other payables	-	-	7,823,929	64,169	7,888,098
Derivative financial instruments	-	3,417,493	-	-	3,417,493
	-	**3,417,493**	**280,657,850**	**831,832**	**284,907,175**

As at 31 December 2017	Assets amortized at cost	Fair value of assets / liabilities	Other financial liabilities	Non-financial assets / liabilities	Total
Assets					
Other non current assets	190,115,271	-	-	248,647,033	438,762,304
Trade ans other receivables	22,929,506	-	-	1,729,576	24,659,082
Cash and cash equivalents	9,494,450	-	-	-	9,494,450
	222,539,227	**-**	**-**	**250,376,609**	**472,915,836**
Liabilities					
Other non current liabilities	-	-	-	767,663	767,663
Borrowings	-	-	244,159,740	-	244,159,740
Trade and other payables	-	-	9,377,286	175,944	9,553,230
Derivative financial instruments	-	3,109,947	-	-	3,109,947
	-	**3,109,947**	**253,537,026**	**943,607**	**257,590,580**

The hierarchy for the purpose of determining fair value should have the following levels and measurement bases:

- Level 1 – inputs based in quoted prices in active markets for identical assets or liabilities that the entity can access at the reporting date;
- Level 2 – inputs based in other than quoted market prices included within Level 1 that are observable in the market;
- Level 3 - valuation models, whose main inputs are not observable in the market.

The only group of financial instruments carried at fair value is disclosed in note 18. The fair value of these instruments was determined by banks based on market observable inputs and used in generally accepted valuation models and techniques (level 2).

26. Accounting principles

The presented accounting policies were applied consistently in all periods covered by the present financial statements.

26.1 Property, plant and equipment

26.1.1 Recognition and valuation

Tangible assets are valued at cost less the respective accumulated depreciations and impairment losses.

Acquisition/construction costs include the invoice price, transport and instalment costs, financing costs and other related expenses, occurring during the construction period, as well as indirect costs attributable to it during the construction period.

Subsequent expenses with property, plant and equipment are only recognized if the company is likely to obtain economic benefits therefrom in the future. All ongoing maintenance and repair expenses are recognized as costs incurred, in keeping with the principles of accrual accounting.

When there is indication that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and an impairment loss recognized whenever the book value of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The recoverable amount is the higher of the asset's sales price less any sales costs and its value in use. The value in use is calculated 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 life.

Gains or losses arising from the write-off or disposal of property, plant and equipment are measured as the difference between the asset's proceeds of sale, less transaction costs, and the asset's carrying value. They are recorded in the income statement under the caption "Other operating income and gains" or "Other operating expenses".

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

26.1.2 Depreciation

Depreciation of tangible assets is calculated using the straight-line method, from the month the assets available for use. The depreciation rates used reflect, on average, the estimated useful lives of the assets:

	Years
Basic equipment	2-20
Other tangible assets	3-20

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

26.2 Intangible assets

Intangible assets are recognized at the acquisition cost less accumulated amortization and impairment losses, if any. Intangible assets are recognized only when it is likely LUZ SAÚDE will obtain economic benefits therefrom in the future that can be reliably measured. Intangible assets with a definite useful life are amortized using the straight-line method from the month they become available for use and over the life of the agreement. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment.

26.3 Impairment of tangible and intangible assets

LUZ SAÚDE tests its tangible and intangible fixed assets for impairment whenever an event or change occurs that indicates that the carrying value of an asset may not be recoverable. Should such indications arise, LUZ SAÚDE determines the recoverable amount of the asset in order to determine the possible extent of the impairment loss. When it is impossible to determine the recoverable amount of a given asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

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

Whenever the carrying amount of the asset or cash--generating unit exceeds its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the statement of comprehensive income for the year to which it refers under "Other operating expenses".

When an impairment loss is subsequently reversed, the asset's carrying amount is restated to its estimated value and is recognized in the statement of comprehensive income as a deduction under "Other operating expenses". However, the reversal of the impairment loss is made up to the amount that would be recognized (net of depreciation or amortization) if the impairment loss had not been recorded in previous years.

26.4 Financial investments in subsidiaries

Financial investments in subsidiaries are presented at their acquisition cost less impairment losses, when applicable.

26.5 Financial assets and liabilities

Financial assets and liabilities are recognized in the balance sheet when the Company becomes a party to the corresponding contractual provisions. A financial asset is any asset that is money, a contractual right to receive cash or an equity instrument from another entity. A financial liability is a liability that is based on a contractual obligation to deliver money. As financial assets, the Company usually presents in the balance sheet the items of Customers, Other accounts receivable and Cash and cash equivalents. In the scope of financial liabilities we have Suppliers, Loans and overdrafts, Other accounts payable and Derivative financial instruments.

Financial assets are initially recognized at their fair value plus transaction costs, except for financial assets at fair value through profit and loss, in which case these transaction costs are directly recognized in the income statement. Financial assets are derecognized when: (i) the Company's contractual rights to receive their future cash flows expire, (ii) the Company has substantially transferred all the risks and benefits related to their ownership, or (iii) the Company has transferred control of the assets, although it retains a non-substantial part of the risks and benefits associated with their ownership. Financial liabilities are recorded: (i) initially at their fair value less the transaction costs incurred and (ii) subsequently at their amortized cost based on the effective interest method; or at fair value if the Company decides, when the liability is initially recognized, to record this financial liability at fair value through profit and loss, under the fair value option.

26.5.1 Trade and other receivables

The headings of Trade and Other accounts receivable as current assets have no implicit interest and are presented by the amortized cost method, which is considered to be similar to the nominal value, less impairment losses associated with them, calculated on the basis of the following assumptions: expectation of non-receipt, in the seniority of the receivable and in the debtor's credit profile. If collection is expected within one year or less, the receivable is classified as a current asset. Otherwise, it is classified as a non-current asset. Impairment losses are recorded in the income statement when there is an expected default or an objective evidence that the Company will not collect the full amount due. If there is a 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 measured at their respective amortised cost, which is determined according to the effective interest rate method. When there is evidence of impairment, the corresponding loss is recognised in the income statement.

26.5.2 Cash and cash equivalents

The amounts included in the caption "Cash and cash equivalents" represent cash, bank deposits, term deposits and others, that mature in or in less than three months and are immediately available, with an insignificant risk of change in value. For the purpose of the cash flow statement, cash and its equivalents include the amounts recorded in the balance sheet that mature within three months of the date of their contract/acquisition. These include cash and funds with credit institutions.

26.5.3 Bank loans

Loans are recognized under liabilities at their cost or amortized cost. Amortized cost is calculated according

to the effective interest rate method. They are shown in current or non-current liabilities, depending on their maturity date. A loan that matures within one year is classified as a current liability and when the loan matures in more than one year it is treated as a non-current liability. The liabilities are derecognized when the contractual obligations cease to exist, namely at the time of repayment. Financial costs are calculated according to the effective interest rate method and are recorded on an accrual basis in the income statement.

26.5.4 Trade and other payables

The item "Trade and other payables" shows liabilities related to goods or services acquired by the company during the normal course of its business. If the payment falls due in one year or less, they are classified as current liabilities; otherwise, they are classified as non-current liabilities.

Balances from "Trade and other payables", which are considered current liabilities, are measured at their amortized cost, which is identical to their carrying value, i.e. at cost.

26.5.5 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, which is presumed to be equal to its acquisition cost on that date. And subsequently, re-measured at their fair value at each reporting date, being the gains or losses generated in the remeasurement recognized in the statement of comprehensive income, except for derivatives designated as a cash flow hedging instruments.

The fair value of derivative financial instruments is the market value of the instrument, when available, or determined by external entities based on valuations methods generally accepted in the market.

The Company uses financial instruments to hedge the interest rate risk from its financing activity. The derivative that don't qualify for hedging in accordance with IAS 39 are registered as trading instruments.

A hedging relationship exists when:

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument related to a forecast transaction is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

26.6 Revenue

Revenue is recognized whenever it is likely that the company will obtain economic benefits that can be reliably measured.

Revenue is recognized with reference to its stage of completion as at the transaction date, based on the activities performed in the period, valued in accordance with the prices established for each service, independently of the moment of invoicing.

As a service Company and the Parent Company of a Group, the Company enters into agreements with suppliers that provide services across the various Group companies. Costs invoiced by suppliers directly to LUZ SAÚDE under these agreements are entirely transferred to the subsidiaries and are recorded in the statement of comprehensive income as a reduction of LUZ SAÚDE's costs.

Dividends are recognized from the moment in which the right to receive payment is granted.

26.7 Accrual basis

The Group companies recognize their revenue and expenses on an accrual basis. Therefore, revenue and expenses are recognized when generated regardless of when they are collected or paid. Differences between the amounts collected and paid and the corresponding expenses and revenue are reported in the statement of financial position under the captions "Other receivables" or "Other payables", respectively.

26.8 Employee benefits

26.8.1 Liabilities with holidays, subsidies and bonuses

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

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

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

26.9 Finance income and costs

Finance income includes interest and financial discounts obtained from third parties and are recognized in the period in which they occur.

Finance expense include interest expenses and other banking expense, being recognised in the financial period in which they occur, using the amortised cost method, through which the initial costs, commissions and stamp duty incurred with medium/long term loans are deferred for the period estimated of the loans and recognized according to the respective interest.

26.10 Income tax

Income tax for the financial period is recognized according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognized in the income statement, except when related to items directly recognized as equity, in which case they are also reported as equity.

Current taxes are those expected to be paid based on taxable income, calculated according to the tax laws in force and the tax rate approved or substantially approved in each jurisdiction.

Deferred taxes are calculated according to the liability method based in the balance sheet on the reporting date, on temporary differences between the carrying amounts of assets and liabilities and their tax base using the tax rates approved or substantially approved at the reporting date and are expected to be applied when temporary differences reverse.

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

LUZ SAÚDE is covered by the special regime for the taxation of groups of companies (RETGS), which covers all entities in which the parent company of the tax group, LUZ SAÚDE participates, directly or indirectly, in at least 75% of the (90% until 2013) and, provided that they comply with the requirements of the Code of the Tax on the Income of Collective Persons ("CIRC").

Current taxes are determined based on the accounting results adjusted according to the tax law in force. Currently, companies resident in Portugal are subject to a corporate income tax rate of 21%, plus a municipal surtax of up to a maximum of 1.5% of taxable profits, and a State surtax of 3% of taxable profits between €1.5 million and €7.5 million (€10 million in 2012) and 5% on taxable profits above €7.5 million and 7% on taxable profits above €35 million, applicable from 2014.

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

The payment of the income tax is made on the basis of self-settlement statements that are subject to inspections and possible adjustment by the tax authorities during the period of four years from the year to which they relate. Tax losses for a particular year, also subject to inspection and adjustment for a period of ten years, could be deducted from taxable profits over the next

five years (four years from 2010 to 2011, five years from 2012 to 2013 and twelve years from 2014 to 2016). As from 2014, the deduction of tax losses will be limited to 70% of the taxable profit calculated in the year in which the deduction is made, and from 2017 onwards, the rules for the use of tax losses were revoked and the criteria that the tax losses that were generated first (FIFO criterion) must be the first to be used, in no longer applicable. Thus, the first deduction of those losses whose first reporting period is exhausted is allowed to be deducted first.

26.11 Provisions, contingent assets and contingent liabilities

Provisions are recognized when (i) LUZ SAÚDE has a present obligation (legal or constructive), (ii) it is likely that its payment will be required and (iii) when the amount of the obligation can be reliably estimated.

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

The amount of provisions corresponds to the present value of the obligation. The updating of the financial effect is recorded as a financial expense under the caption "Financial expenses".

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

A provision is accrued for litigation underway when the costs that will be incurred due to legal proceedings filed by third parties can be reliably estimated. The estimate is based on an assessment of the likelihood of having to make payment, based on the opinion of the Company's legal advisors.

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

26.12 Capital

Share capital refers to the nominal value of ordinary share issued. Share premiums are recognized, when the share issue value exceeds the nominal value of each share, by the amount of the excess referred, net of the expenses related with the new shares issued.

Treasury shares acquired are valued at their acquisition price and recorded as a decrease in equity. At the time of disposal, the amount received, less any direct transaction costs, is recognized directly in equity.

26.12.1 Non distributable reserves

Legal Reserves

According to the commercial legislation in force, at least 5% of the result must be allocated to the constitution or reinforcement of the legal reserve until it represents at least 20% of the share capital.

The legal reserve is not distributable except in the event of liquidation and can only be used to absorb losses, after all other reserves have been exhausted, or for incorporation in the share capital.

26.13 Dividend distribution

The distribution of dividends is recognized as a liability from the time they are approved by the Company's General Shareholders Meeting until they are paid to the shareholder.

26.14 Cash flow statement

The cash flow statement is prepared using the direct method, by which cash inflows and outflows relative to operating, investment and financing activities are reported.

26.15 Subsequent events

Events that occur between the closing date and the date in which the financial statements are approved by the Board of Directors and which provide additional information about conditions that existed as at the reporting date are reflected in the financial statements. Any events that occur after the closing date that are indicative of conditions that arose after the financial reporting date are disclosed in the notes to the financial statements, if considered material.

27. Subsequent events

There were no subsequent events relevant for reporting purposes between December 31, 2018 and the date of approval of these financial statements at a Board of Directors' meeting.

The Certified Accountant

Sónia Amoedo Matos

The Board of Directors

Jorge Manuel Batista Magalhães Correia

Isabel Maria Pereira Aníbal Vaz

Chen Qiyu

Yili Kevin Xie

Rogério Miguel Antunes Campos Henriques

Wei Zhang

Ivo Joaquim Antão

João Paulo da Cunha Leite de Abreu Novais

Tomás Leitão Branquinho da Fonseca

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

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Luz Saúde, S.A. (the Entity), which comprise the Balance Sheet as at December 31, 2018 (which show a total of 522,591,818 euros and a total equity of 237,684,643 euros, including a net profit for the year of 22,632,506 euros), and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Luz Saúde, S.A. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

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

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

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

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

Lisbon, May 8, 2019

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

(Signed)

Rui Abel Serra Martins - ROC nº 1119
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HOSPITAL
DA LUZ
CLÍNICA LAGOAS PARK
HORÁRIO DE ATENDIMENTO
SEGUNDA A SEXTA
08h00 às 17h30
COLHEITAS ANÁLISES CLÍNICAS
SEGUNDA A SEXTA
08h00 às 10h30
Atendimento Prioritário
MARCAÇÕES
217 104 880
APP
hospitaldaluz.pt

06
CONTACTS OF LUZ SAÚDE GROUP

06
Contacts of Luz Saúde Group

(free translation from the original version in portuguese)

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