Interim Consolidated Financial Report

30 June 2015

LUZ SAÚDE

Index

Consolidated Management Report	2
Annex to the Consolidated Financial Report	16
Consolidated Financial Statements	20
Notes to the Consolidated Financial Statements	24
Auditor Report on the Consolidated Accounts	77

Consolidated Management Report

HIGHLIGHTS

In the first half of 2015, our business continued to grow, both in the private healthcare segment and in the public healthcare segment:

- Consolidated operating revenues increased by 5.8% vis-à-vis 2014 first half, reaching €212.8 million (6.5% growth in private segment and 2.9% in public segment);
- Consolidated EBITDA of €31.1 million, with an EBITDA margin of 14.6% versus 14.1% in 2014;
- Net Profit attributable to shareholders was €10.6 million, representing a 21.5% growth versus 2014 (€8.7 million);
- Total CAPEX of €6.5 million, of which €3.5 million corresponded to expansion CAPEX, namely, the expansion projects of Hospital da Luz (completion of the parking lot expansion works and architectural projects for the expansion of the Hospital) and of Hospital da Luz – Clínica de Oeiras (second payment relative to the acquisition of the land plot for the expansion area construction);
- Luz Saúde net debt decreased €19.0 million to €187.0 million (9% reduction versus 2014 EOY), reaching a net debt to EBITDA ratio of 3.0x (versus 3.6x in 2014 EOY);
- Luz Saúde continues to strive for obtaining the decision from the State relative 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. This right is recognized to all NHS hospitals and also to the Public-Private Partnership of Hospital de Braga since 2013, after authorization by the Court of Auditors.

OVERALL PERFORMANCE

Consolidated Statement of Profit and Loss

(Million Euro)	2014 H1[1]	2015 H1[2]	Var.	2014 Q2[1]	2015 Q2[1]	Var.
Operating revenues	**201.1**	**212.8**	**5.8%**	**99.5**	**105.7**	**6.3%**
Operating costs	(172.8)	(181.7)	5.1%	(86.6)	(90.1)	4.0%
EBITDA	**28.3**	**31.1**	**9.8%**	**12.9**	**15.7**	**21.7%**
EBITDA margin	14.1%	14.6%	0.5 p.p.	12.9%	14.8%	1.9 p.p.
Depreciation	(13.7)	(11.9)	-12.6%	(6.6)	(5.8)	-11.5%
EBIT	**14.6**	**19.1**	**30.8%**	**6.3**	**9.8**	**56.7%**
EBIT margin	7.3%	9.0%	1.7 p.p.	6.3%	9.3%	3.0 p.p.
Financial results	(3.8)	(3.9)	4.2%	(1.8)	(1.7)	-3.1%
EBT	**10.8**	**15.2**	**40.1%**	**4.5**	**8.1**	**80.2%**
Taxes	(2.2)	(4.6)	N.A.	(0.4)	(2.8)	N.A.
Net Profit	**8.7**	**10.6**	**22.8%**	**4.1**	**5.3**	**30.5%**
Non-controlling interests	(0.02)	0.09	N.A.	(0.00)	0.06	N.A.
Net Profit attributable to Shareholders	8.7	10.6	**21.5%**	4.1	5.3	**28.8%**
EPS (Euro)	0.093	0.111	19.4%	0.043	0.055	28.8%

[1]Non audited values [2]Audit in progress

In the first half of 2015, Luz Saúde consolidated operating revenues increased by 5.8% vis-à-vis 2014 H1, reaching €212.8 million, driven by activity growth both on the private healthcare segment (+6.5%) and on the public healthcare segment (+2.9%).

EBITDA reached €31.1 million in 2015 H1 and EBITDA margin reached 14.6%, a 0.5 p.p. increase vis-à-vis 2014 H1 (+0.4 p.p. versus 2014 full year). This performance reflects an improvement in the margin on the private segment vis-à-vis the first half of 2014. In addition, the margin in the public segment decreased due to the adjustment in the accounting methodology used for operational revenues (for further details refer to “Financial Performance”).

The EBITDA margin increase combined with the decrease of depreciation, partially offset by a higher tax value, lead to a net profit attributable to shareholders of €10.6 million, representing a 21.5% growth versus 2014 H1.

Consolidated Statement of Financial Position

(Million Euro)	**2014 Dec**	**2015 Jun[1]**
Fixed assets	353.0	346.9
Working capital	34.7	31.3
Shareholders' Equity	181.7	190.7
Net debt	206.0	187.0
Net debt / EBITDA	3.6	3.0

[1]Audit in progress

In 2015 H1, Luz Saúde consolidated CAPEX was €6.5 million, of which €3.5 million represented expansion investment, specifically in the expansion projects of Hospital da Luz (completion of the parking lot expansion works and architectural projects for the expansion of the Hospital) and of Hospital da Luz – Clínica de Oeiras (second payment relative to the acquisition of the land plot for the expansion area construction). The remainder €3.0 million corresponded to replacement and technological upgrade CAPEX, distributed across the Group's units, representing 1.4% of consolidated operating revenues.

At the end of the first six months of 2015, Luz Saúde consolidated net debt totalled €187.0 million, representing a €19.0 million reduction from 2014 EOY, mainly driven by cash flow generation from the several Group's units, combined with an improvement of working capital levels. Net debt / EBITDA reached 3.0, comparing to 3.6 in 2014 EOY.

OPERATING REVENUES PERFORMANCE

Operating revenues by segment

(Million Euro)	2014 H1[1]	2015 H1[2]	Var.	2014 Q2[1]	2015 Q2[1]	Var.
Consolidated operating revenues	**201.1**	**212.8**	**5.8%**	**99.5**	**105.7**	**6.3%**
Private Healthcare	153.6	163.6	6.5%	75.8	81.4	7.3%
Public Healthcare	46.0	47.3	2.9%	22.8	23.1	1.1%
Other activities	1.8	1.7	-5.2%	1.0	0.9	-13.9%
Holding and shared services	6.4	6.7	5.5%	3.1	3.1	0.3%
Eliminations	(6.7)	(7.1)	7.3%	(3.3)	(3.4)	1.9%

[1] Non audited values [2] Audit in progress

In the first half of 2015, Luz Saúde operating revenues reached €212.8 million, a growth of 5.8% compared to 2014 H1.

The private healthcare segment operating revenues totalled €163.6 million, 6.5% above 2014 H1. This growth was mainly fuelled by a generalized increase in activity, both in ambulatory and inpatient services.

The public healthcare segment (Hospital Beatriz Ângelo) operating revenues reached €47.3 million, growing 2.9% when compared with 2014 H1. This growth is justified by an increase in surgical activity.

The other activities segment (currently composed by the senior care facilities) obtained €1.7 million in operating revenues, a 5.2% decrease versus 2014 H1.

FINANCIAL PERFORMANCE

Consolidated EBITDA and EBITDA margin

	2014 H1[1]		2015 H1[2]		
	€ million	Margin	€ million	Margin	Var.
Consolidated EBITDA	**28.3**	**14.1%**	**31.1**	**14.6%**	**9.8%**
Private Healthcare	28.2	18.4%	30.9	18.9%	9.7%
Public Healthcare	1.4	3.1%	0.6	1.3%	-55.5%
Other activities	0.1	7.1%	(0.0)	-1.9%	N.A.
Holding and shared services	(1.4)	N.A.	(0.4)	N.A.	N.A.

[1] Non audited values [2] Audit in progress

Luz Saúde's consolidated EBITDA was €31.1 million and EBITDA margin increased from 14.1% in 2014 H1 to 14.6% in 2015 H1.

On the private healthcare segment, the EBITDA margin grew from 18.4% in 2014 H1 to 18.9% in 2015 H1.

On the public healthcare segment, EBITDA margin decreased from 3.1% to 1.3%, as a result of an adjustment to the operational revenues accounting method. From 2015 onwards, the company started reflecting monthly, considering the compliance with the activity levels contracted by the State, the effect of the non-payment of activity performed above the contracted threshold (external consultations) as well as the price reduction effect that occurs when activity levels reach the second tier defined in the contract. This happens when the hospital reaches 95% of inpatient activity contracted levels and/or 100% for emergency activity, which in 2014 only occurred and was accounted on the last two months of the year, when those levels were surpassed.

Nonetheless, this facility maintains a non-profitable situation, with a negative EBIT of €1.6 million.

FINANCIAL POSITION PERFORMANCE

(Million Euro)	2014 Dec	2015 Jun[1]
Property, Plant and Equipment	256.0	250.3
Intangible assets	95.5	95.4
Others	1.5	1.3
Fixed assets	**353.0**	**346.9**
Inventories	7.7	7.6
Clients	122.8	130.1
Suppliers	(84.2)	(93.3)
Others	(11.6)	(13.6)
Working capital	**34.7**	**30.8**
Fixed assets + Working capital	**387.7**	**377.7**

	2014 Dec	2015 Jun[1]
Share Capital and Premiums	157.1	156.0
Reserves and Retained Earnings	24.6	34.7
Shareholder Equity	**181.7**	**190.7**
Non-Current Bank Loans	155.0	136.9
Current Bank Loans	43.2	49.4
Non-Current Finance Leases	19.9	17.3
Current Finance Leases	8.6	7.3
Cash and Cash Equivalents	(20.7)	(23.9)
Net Debt	**206.0**	**187.0**
Shareholder Equity + Net debt	**387.7**	**377.7**

[1]Audit in progress

During 2015 H1, Luz Saúde consolidated CAPEX reached €6.5 million, driving fixed assets to €347 million by the end of June 2015, explained by the company's strategy of owning the majority of its assets, with a significant real estate portfolio, which integrates the healthcare facilities as well as the land plots where they are located.

Working capital decreased to €30.8 million, mainly due to clients' receivables growth being lower than revenues growth.

By the end of 2015 first six months, Luz Saúde consolidated financial debt totalled €210.9 million, with €186.3 million in bank loans and €24.6 million in finance leases. Bank loans were split across short and medium-long term commercial paper programs (€164 million), medium-long term loans (€22 million) and short term facilities (€1 million), with an overall average maturity of 3 years. Net debt reached €187.0 million, representing a €19.0 million reduction from 2014 EOY value, mainly driven by the operating cash flow generation from the several Group's units, combined with an improvement of working capital levels. Net debt / EBITDA reached 3.0, comparing to 3.6 in 2014 EOY.

OUTLOOK FOR 2015

In 2015, the Portuguese economy is expected to improve its GDP growth (1.7% according to the Portuguese Central Bank). However, there are still several factors that can and may offset the economic turnaround, being the most relevant the high level of unemployment and the considerable tax burden on individuals and companies.

The health insurance market in Portugal has maintained its historical growth trajectory, with an increase in premiums volume of 5% in the first half of 2015, reaching approximately €300 million, despite the economic environment. This increase in the premium levels was accompanied by maintenance of the risk rate around 75%. Considering the evolution of Portugal's healthcare system, it can be expected that these trends will continue in 2015.

Relatively to the main healthcare subsystem (ADSE), the increase of beneficiaries' monthly contribution allows for the self sustainability of the system solely through this source.

In 2015, Luz Saúde will maintain its focus on leveraging the high demand verified for its services on the private healthcare segment, in order to continue improving capacity utilization, assets turnover and overall profitability. Simultaneously, the company will proceed with its capacity expansion plans, namely in Hospital da Luz, in Hospital da Arrábida and in Hospital da Luz – Clínica de Oeiras. Additionally, Luz Saúde will continue to analyze consolidation opportunities in the national market, focusing on small to mid size players, which would allow complementing Luz Saúde offer and increase its caption areas.

On the 27th of April and regarding the insolvency proceedings of Casa de Saúde de Guimarães, S.A. (the "Company"), Luz Saúde informed that it had been analyzing and negotiating the terms and conditions of an investment, in particular, an acquisition, through an entity belonging the Luz Saúde Group, of all of the assets of two facilities of the Company - Hospital Privado de Guimarães and Clihotel de Gaia – acting in the health care and long-term care areas.

Regarding the Company Insolvency Plan, Luz Saúde informs that the Plan has been discussed and approved by the Company's creditors in the Creditors' Meeting that took place on the 27th of May of 2015.

Despite the above mentioned approval, Luz Saúde also informs that the Company Insolvency Plan will only become effective, and therefore Luz Saúde is allowed to manage the above mentioned assets, after the verification of the conditions set out in the Plan and after the approval and confirmation of the Plan by the Court.

On the public healthcare segment, the Group will be focused on maintaining high levels of activity growth and on efficiency enhancement initiatives, in order to improve Hospital Beatriz Ângelo's profitability levels.

Luz Saúde is waiting since the beginning of 2014 for the decision from the State relatively 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. This right is recognized to all NHS hospitals and also to the Public-Private Partnership of Hospital de Braga since 2013, after authorization by the Court of Auditors. 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 € 2.2 million for 2014 full year and € 1.4 million for 2015 H1. Additionally, the arbitration proceeding that opposes the company that manages Hospital Beatriz Ângelo and the Portuguese State regarding the funding of costs incurred with medical interns working in the Hospital, placed there by the ARS Lisboa e Vale do Tejo, was initiated.

Regarding the international expansion of Luz Saúde, the Group continues with the analysis of the development of the project for a new private hospital in Luanda, according to the original plan. At the same time, the analysis of the expansion to other geographies was initiated, under the new shareholder Fidelidade / Fosun context.

LUZ SAÚDE'S MAIN RISKS AND UNCERTAINTIES

In its risk management, Luz Saúde's priority is to detect and hedge risks that may have a material adverse effect on results and equity or that may significantly hinder its ability to conduct business.

The main risks detected are of an operational and financial nature. The Group's policy entails taking the measures deemed necessary to hedge or minimise those risks.

With respect to operational risks, please note that:

All of Luz Saúde's income comes from operations located in Portugal and therefore operating profits are affected by financial, economic and political events in the country.

Adverse macroeconomic conditions in Portugal exacerbated budget problems in the public sector, which has led to strong pressures on the State's expenditure with the National Health Service. Although a substantial part of the Luz Saúde Group's activity is in the private healthcare segment, it is also exposed to the National Health Service, mainly through Hospital Beatriz Ângelo, which it operates in partnership with the State.

On the other hand, and taking into account that an important part of the Luz Saúde Group's income comes from private healthcare plans for civil servants, a change in the conditions of these beneficiaries' healthcare plans (which include civil servants, retired civil servants and their dependents) could have an impact on the Group's business. Notwithstanding, the increase in beneficiary contributions approved by the Constitutional Court allows the system to sustain itself through its beneficiaries.

In addition to the economic downturn's direct impact on the State, it has also led to a sharp increase in unemployment, a downturn in public and private sector income and greater difficulty in obtaining credit, among other effects.

However and contrary to macroeconomic trends, the Luz Saúde Group's units have shown great resilience in light of the country's adverse climate. Moreover, throughout this period, the private health insurance market has continued to show real growth.

Competition in the Portuguese healthcare services sector

Competition for patients and clients between hospitals and other healthcare providers has intensified over the last few years, due mainly to a certain level of consolidation in the sector. The Group also faces competition from other healthcare providers, such as public hospitals, independent clinics, outpatient centres, and diagnostic centres and could face further competition from international healthcare companies offering healthcare services in Portugal in the future.

Hospitals compete based on reputation, clinical excellence, technology, client satisfaction and price. The ability to recruit experienced doctors and other healthcare professionals, such as high-quality nurses and technicians, is crucial to the Group's ability to attract and retain clients.

To reinforce its market leadership in a climate of increased competition, the Group must continue to (1) recruit high-quality experienced doctors and other healthcare professionals; as well as to (2) continually improve its facilities with the most technologically advanced diagnostic and surgical equipment.

On the other hand, the transposition of the European directive on cross-border healthcare into Portuguese law may pose an opportunity for the Luz Saúde Group, insofar as its units may cater to European Union citizens to which it can offer quality medical care at competitive prices, especially when compared to the main European healthcare benchmarks. This directive establishes rules of access and creates a right to reimbursement of healthcare costs incurred in another Member State, up to the limit of the costs that State would have borne if the care had been provided within its borders.

Pressure on prices from health insurance companies and healthcare plans

In order to mitigate the pressure from insurance companies and private healthcare plans, the Luz Saúde Group seeks to remain updated on the most recent technological and medical advances, in order to endow its clinical portfolio with differentiated services, products, equipment and technology of greater added value. This positioning, coupled with the Group's size and wide geographic breadth, are part of the value proposition it offers its client base. This has enabled the Group to minimise price cuts that have occurred in some of its

business areas over the last few years.

Luz Saúde manages Hospital Beatriz Ângelo in partnership with the State

Luz Saúde manages Hospital Beatriz Ângelo through the company Sociedade Gestora do Hospital de Loures, SA (SGHL) under a Public-Private Partnership agreement with the Portuguese State. Hospital de Loures – Sociedade Gestora do Edifício (HL-SGE), in which the Company has a 10% shareholding, is also a party to the PPP agreement and is responsible for the (now completed) construction of the hospital and the management of its building and facilities

Under the PPP Agreement, SGHL has undertaken to provide healthcare services within the NHS, through Hospital Beatriz Ângelo, for a 10-year period as of the Hospital's opening date (19 January 2012). The term of the PPP agreement may be renewed for successive periods by mutual agreement and each period cannot exceed 10 years. Notwithstanding, the total duration of the PPP Agreement, including the initial period and any additional periods, cannot exceed 30 years, as of the PPP agreement's effective date (31 December 2009).

With respect to the Hospital's management, the PPP Agreement governs the relationship between the State and SGHL, sets prices and payment methods, establishes quality standards, notice and information duties, compliance levels (clinical and non-clinical), hospital operating rules (e.g. human resources) and other duties and undertakings for each party, as well as consequences for default on the contractual obligations.

In addition, the PPP Agreement establishes that annual volumes of patient treatment at Hospital Beatriz Ângelo (defined with reference to doctor appointments, emergency medical care and inpatient and outpatient surgical and non-surgical services) shall be agreed by annual negotiation between the Ministry of Health and the Hospital's management, based on historical data for public healthcare demands by the population in Hospital's catchment area. However, it should be noted that the aforementioned production level is determined based on historical data on the demand for public healthcare by the population living in the Hospital's catchment area.

On the other hand, the prices charged by the hospital to the NHS have been contractually defined and are adjusted annually according to the growth of the inflation rate.

The PPP Agreement further provides that, at the beginning of each month, the State must pay 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 set production limit can be surpassed, such as emergency medical care and inpatient services) is settled over the course of the following financial year.

Certain financing agreements entered into by the Company and some of its subsidiaries contain change of control provisions.

Certain financing agreements entered into by the Company and some of its subsidiaries contain change of control provisions that require a direct or indirect controlling position in the Company to be held. Some of these change of control provisions can be enforced if the direct or indirect interest falls below 51% of the Company's share capital or if the direct or indirect interest falls below 51% of Company's share capital and voting rights or if a majority of the Company's share capital and voting rights ceases to be directly or indirectly held. Only one agreement contains a change of control provision in which the agreement may be terminated if the current majority shareholder ceases to directly or indirectly hold at least two-thirds of the share capital and/or voting rights of Luz Saúde. If these clauses are enforced and the Company is unable to obtain financing for the early repayment of that debt, this could have a material adverse effect on the Company's business, financial condition and operating results or future outlook. Furthermore, the change of control provisions in these agreements may limit the Company's ability to raise funds in the future or obtain additional financing, which could limit the Company's operational flexibility and its future expansion outlook.

As regards risks of a financial nature, 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

Credit risk

Credit risk arises from the possibility that financial losses may occur due to a client's default on contractual obligations with the Group in the course of its business. Client portfolios and their outstanding balances are managed on an on-going basis.

In addition to this approach, improvements are continually made both to the methods and tools used for risk assessment and control when vetting clients and setting credit limits, as well as to debt collection procedures and cycles.

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

The Group's credit risk exposure essentially arises from accounts receivable from its

business activities and is affected by the specific characteristics of each client. Demographic and geographic characteristics of clients have no significant impact on their credit risk.

The Group defined a credit policy 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.

Adjustments to accounts receivable are estimated according to estimated losses to the portfolio, based on an analysis of each outstanding balance at the time of assessment.

Under the payment system in force at Hospital Beatriz Ângelo, at the beginning of each month, the State 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 set production limit can be surpassed, such as emergency medical care and inpatient services) is settled over the course of the following financial year. It is worth noting that, to date, the State has complied with the terms of this contractual mechanism, namely with respect to settling the aforementioned monthly payments.

As at 30 June 2015 and 31 December 2014, consolidated trade receivable balance was detailed as follows:

	30-jun-15	31-dec-14
Private healthcare	73,526,995	70,699,575
Public healthcare	2,237,235	11,647,003
Other segments and eliminations	192,500	26,208
Accounts receivable, net of impairment losses	**75,956,730**	**82,372,786**

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

Trade receivable ageing in the healthcare private segment	**30-jun-15**	**31-dec-14**
0-3 months	50,755,013	18,430,375
3-6 months	18,641,227	31,292,706
6-12 months	4,537,931	16,052,821
12-24 months	1,265,243	4,387,548
> 24 months	4,892,857	7,616,043
	80,092,271	**77,779,493**
Accumulated impairment	(6,565,276)	(7,079,918)
Trade receivable (net)	**73,526,995**	**70,699,575**

The majority of trade receivable outstanding, with 24 months overdue, had already been adjusted for impairment as at 30 June 2015.

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 centralised in the Finance Department 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.

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

	30-jun-15					31-dez-14
	Finance leases	Bank Loans	Commercial paper	Other liabilities (*)	Total	
Under 12 months	7,306,808	6,094,131	43,303,325	84,077,858	140,782,122	133,061,937
12 to 24 months	4,044,086	5,381,260	36,958,070	499,531	46,882,947	26,044,116
24 to 36 months	3,366,825	7,964,476	21,000,000	-	32,331,301	56,992,946
36 to 48 months	2,762,201	875,000	62,250,000	-	65,887,201	27,173,469
49 to 60 months	2,551,407	2,500,000	-	-	5,051,407	53,598,482
Over 60 months	4,537,670	-	-	-	4,537,670	5,875,126
	24,568,997	**22,814,867**	**163,511,395**	**84,577,389**	**295,472,648**	**302,746,076**

(*) Excludes non-financial liabilities and advances from clients

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.

No financial instruments are used to hedge this market risk.

AUTHORISATIONS GRANTED FOR TRANSACTIONS BETWEEN THE COMPANY AND ITS DIRECTORS

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

SUBSEQUENT EVENTS

On July 24 2015, Luz Saúde increased its financial stake from 50% to 100% in HME (Hospital da Misericórdia de Évora). After this operation, the Group gained control over this subsidiary and will fully consolidate it.

Annex to the Consolidated Financial Report

INFORMATION ON SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES IN THE COMPANY'S SHARE CAPITAL AS OF 30 JUNE 2015

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 30 June 2015.

Members of the management and supervisory bodies	Shareholdings as at 31 March 2015	Additions during the period	Decreases during the period	Shareholdings as at 30 June 2015
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 30 June 2015, 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, all transactions made by company managers during the period between 31 March 2015 and 30 June 2015.

Manager	Date	Type	ISIN Code	Volume	Price (Euros)	Place
Isabel Maria Pereira Aníbal Vaz	14.05.2015	Purchase	PTEPT0AM0005	50,000	N.A.*	Off-market*
João Paulo da Cunha Leite de Abreu Novais	14.05.2015	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*
Tomás Leitão Branquinho da Fonseca	14.05.2015	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*
Ivo Joaquim Antão	14.05.2015	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*

* These transactions were done free of charge, as part of the share-based payment program approved at Shareholders' Annual Meeting.

LIST OF QUALIFIED SHAREHOLDERS AS AT 30 JUNE 2015

The Company's share capital and voting rights as at 30 June 2015 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 30.06.2015)	Number of Shares	Capital (%)	Voting rights (%)
Fidelidade – Companhia de Seguros, S.A.	94,019,255	98.41	98.41

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 first six months of 2015 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 first six months of 2015 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

(Jorge Manuel Batista Magalhães Correia)

(Isabel Maria Pereira Aníbal Vaz)

(Changzeng Ma)

(José Manuel Alvarez Quintero)

(Xiao Qiang Li)

(Lingjiang Xu)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(José Filipe de Sousa Meira)

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Consolidated Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the periods ended 30 June 2015 and 2014

In Euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-15	30-jun-14
Income and gains			
Revenue from services rendered	6	212,158,495	200,192,448
Other operating income	7	641,727	939,211
Finance income	7	250,879	258,004
Total income and gains		**213,051,101**	**201,389,663**
Expenses and losses			
Inventories consumed and sold	9	(30,690,542)	(28,079,235)
Costs of services and materials	10	(94,222,744)	(90,594,412)
Personnel expenses	11	(56,284,483)	(53,193,013)
Depreciation and amortisation	14 e 15	(11,932,057)	(13,659,646)
Other operating expenses	12	(688,583)	(830,444)
Provisions, net of reversals	17	260,395	83,333
Impairment of receivables, net of reversals	18	(98,500)	(225,346)
Finance costs	8	(4,192,111)	(4,041,212)
Total expenses and losses		**(197,848,625)**	**(190,539,975)**
Profit before income tax		15,202,476	10,849,688
Income tax expense	13	(4,558,119)	(2,180,177)
Profit for the period		**10,644,357**	**8,669,511**
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income for the period		**10,644,357**	**8,669,511**
Profit attributable to equity holders of the parent		10,557,438	8,691,149
Profit attributable to non-controlling interests		86,919	(21,638)
Basic earnings per share	25	0.111	0.093
Diluted earnings per share	25	0.111	0.093

Notes are an integral part of these consolidated financial statements

Consolidated statement of financial position as at 30 June 2015 and 31 December 2014

In Euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-15	31-dez-14
Assets			
Non-current assets			
Property, plant and equipment	14	250,202,859	256,009,328
Intangible assets	15	95,405,086	95,502,330
Investments in associates and joint ventures	21	1,318,710	1,473,180
Total non-current assets		**346,926,655**	**352,984,838**
Current assets			
Inventories	16	7,620,208	7,709,088
Trade receivables	22	75,956,730	82,372,786
Other receivables	22	54,167,401	40,406,204
Cash and cash equivalents	23	23,896,317	20,680,684
Total current assets		**161,640,656**	**151,168,762**
Total assets		**508,567,311**	**504,153,600**
Shareholders' Equity			
Equity And reserves			
Share capital		95,542,254	95,542,254
Treasury shares		(1,312,777)	(205,804)
Share premium		61,795,793	61,795,793
Reserves		36,222,390	36,494,418
Accumulated losses		(12,093,703)	(30,029,231)
Profit attributable to equity holders of the parent		10,557,438	18,089,040
Total equity attributable to equity holders of the parent	24	**190,711,395**	**181,686,470**
Shareholders' equity attributable to non-controlling interests		1,612,023	1,525,104
Total shareholders' equity		**192,323,418**	**183,211,574**
Liabilities			
Non-current liabilities			
Provisions	17	8,043,681	8,304,076
Trade payables	26	499,531	399,061
Borrowings	27	136,928,806	149,420,741
Finance lease liabilities	19	17,262,189	19,864,336
Deferred tax liabilities	13	1,060,034	293,965
Total non-current liabilities		**163,794,241**	**178,282,179**
Current liabilities			
Trade payables	26	27,303,656	28,173,687
Other payables	26	65,533,340	61,257,156
Borrowings and bank overdrafts	27	49,397,456	43,235,815
Current income tax payable	26	2,908,392	1,441,138
Finance lease liabilities	19	7,306,808	8,552,051
Total current liabilities		**152,449,652**	**142,659,847**
Total liabilities		**316,243,893**	**320,942,026**
Total shareholders' equity and liabilities		**508,567,311**	**504,153,600**

Notes are an integral part of these consolidated financial statements

Consolidated statement of changes in shareholders' equity for the periods ended 30 June 2015 and 2014

In Euros

	Notes	Share capital	Treasury shares	Share premiums	Reserves	Accumulated losses	Profit for the period	Non-controlling interests	Total
Balance as at 1 January 2014		**88,500,000**	**-**	**47,729,918**	**19,646,945**	**(28,197,942)**	**14,023,331**	**1,509,754**	**143,212,006**
Issue of share capital		7,042,254	-	15,492,959	-	-	-	-	22,535,213
Purchase of treasury shares		-	(211,117)	-	-	-	-	-	(211,117)
Appropriation of net profit		-	-	-	18,061,494	(4,038,163)	(14,023,331)	-	-
Share capital increase		-	-	(1,427,084)	-	-	-	-	(1,427,084)
Share-based payments									
Fair value of the services of the period		-	-	-	387,734	-	-	-	387,734
Total direct change in shareholders' equity		**7,042,254**	**(211,117)**	**14,065,875**	**18,449,228**	**(4,038,163)**	**(14,023,331)**	**-**	**21,284,746**
Profit for the period		-	-	-	-	-	8,691,149	(21,638)	**8,669,511**
Balance as at 30 June 2014	**24**	**95,542,254**	**(211,117)**	**61,795,793**	**38,096,173**	**(32,236,105)**	**8,691,149**	**1,488,116**	**173,166,263**
Balance as at 1 January 2015		**95,542,254**	**(205,804)**	**61,795,793**	**36,494,418**	**(30,029,231)**	**18,089,040**	**1,525,104**	**183,211,574**
Issue of share capital		-	-	-	45,304	18,043,736	(18,089,040)	-	**-**
Purchase of treasury shares		-	(1,759,181)	-	-	-	-	-	**(1,759,181)**
Share-based payments									
Vesting of shares granted		-	652,208	-	(544,000)	(108,208)	-	-	**-**
Fair value of the services of the period		-	-	-	226,668	-	-	-	**226,668**
Total direct change in shareholders' equity		**-**	**(1,106,973)**	**-**	**(272,028)**	**17,935,528**	**(18,089,040)**	**-**	**(1,532,513)**
Profit for the period		-	-	-	-	-	10,557,438	86,919	**10,644,357**
Balance as at 30 June 2015	**24**	**95,542,254**	**(1,312,777)**	**61,795,793**	**36,222,390**	**(12,093,703)**	**10,557,438**	**1,612,023**	**192,323,418**

Notes are an integral part of these consolidated financial statements

Consolidated statement of cash flows for the periods ended 30 June 2015 and 2014
In Euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-15	30-jun-14
Operating activities			
Receipts from customers		210,664,169	176,863,213
Payments to suppliers		(121,427,899)	(108,519,568)
Payments to employees		(31,511,132)	(28,299,911)
Cash flow generated from operations		57,725,138	40,043,734
Income tax paid		(2,874,191)	(2,344,926)
Other receipts/(payments) related with operating activities		(25,537,353)	(25,202,923)
Net cash flow generated from operating activities		**29,313,594**	**12,495,885**
Investing activities			
Proceeds from:			
Reimbursement of loans to associates	21	125,000	110,000
Interest received	14	370,474	184,975
Sale of property, plant and equipment		75,406	5,691
Payments related with:			
Investments in associates	21	(640,000)	(415,000)
Purchase of property, plant and equipment		(5,887,198)	(5,385,793)
Purchase of intangible assets		(94,764)	(99,599)
Net cash flow used in investing activities		**(6,051,082)**	**(5,599,726)**
Financing activities			
Proceeds from:			
Borrowings		403,708,228	375,226,518
Issue of share capital	24	-	22,535,213
Payments related with:			
Repayment of borrowings		(408,653,266)	(407,764,151)
Repayment of finance lease liabilities		(4,627,832)	(5,793,297)
Interest and other similar expenses paid	8	(3,672,487)	(3,479,614)
Purchase of treasury shares	24	(1,759,181)	(282,854)
Other financing payments	26	(5,042,341)	-
Net cash flow used in financing activities		**(20,046,879)**	**(19,558,185)**
Change in cash and cash equivalents		**3,215,633**	**(12,662,026)**
Cash and cash equivalents at the beginning of the period		20,680,684	34,818,561
Cash and cash equivalents at the end of the period	**23**	**23,896,317**	**22,156,535**

Notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

(Amounts expressed in Euros)

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

Index

1. GENERAL INFORMATION ON THE ACTIVITIES OF THE GROUP AND REPORTING ENTITY 25
2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS 27
3. MAIN ACCOUNTING POLICIES 29
4. ACQUISITION OF SUBSIDIARIES AND ASSOCIATED COMPANIES 45
5. SEGMENT REPORTING 45
6. REVENUE FROM SERVICES RENDERED 49
7. OTHER INCOME 49
8. FINANCE COSTS 50
9. INVENTORIES CONSUMED AND SOLD 50
10. COSTS OF SERVICES AND MATERIALS 50
11. PERSONNEL EXPENSES 51
12. OTHER OPERATING EXPENSES 51
13. INCOME TAX 52
14. PROPERTY, PLANT AND EQUIPMENT 54
15. INTANGIBLE ASSETS 55
16. INVENTORIES 57
17. PROVISIONS 58
18. IMPAIRMENT OF RECEIVABLES 58
19. FINANCE LEASE LIABILITIES 59
20. OPERATING LEASES 59
21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES 60
22. TRADE AND OTHER RECEIVABLES 62
23. CASH AND CASH EQUIVALENTS 63
24. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS 63
25. EARNINGS PER SHARE 66
26. TRADE AND OTHER PAYABLES 67
27. BORROWINGS AND BANK OVERDRAFTS 68
28. CONTINGENT LIABILITIES 69
29. GUARANTEES 69
30. RELATED PARTIES 70
31. FINANCIAL RISK MANAGEMENT 72
32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES 74
33. SUBSEQUENT EVENTS 76

1. GENERAL INFORMATION ON THE ACTIVITIES OF THE GROUP AND REPORTING ENTITY

Luz Saúde, SA (hereinafter LUZ SAÚDE, previously known as Espírito Santo Saúde – SGPS, SA) is a limited liability company, with registered office in Lisbon. Its corporate purpose is the management of shareholdings in other companies, as an indirect form of pursuing economic activities, being dedicated to develop and manage healthcare businesses.

The LUZ SAÚDE Group, of which LUZ SAÚDE is the parent company, 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 National Health System (NHS) hospitals under public private partnerships (PPPs).

(a) Companies included in the consolidation

	Registered Office	Percentage of share capital held		Consolidation Method
		Direct	Indirect	
Parent company:				
Luz Saúde, SA	Lisbon	-	-	Parent
Subsidiaries:				
Casas da Cidade – Residências Sénior, SA (CASAS)	Lisbon	100.00%	-	Full
Clínica Parque dos Poetas, SA (CPP)	Oeiras	100.00%	-	Full
Casas da Cidade – Residência Sénior de Carnaxide, SA (CASAS CARNAXIDE)	Oeiras	100,00%	-	Full
CLIRIA – Hospital Privado de Aveiro, SA (CLIRIA)	Aveiro	90.59%	-	Full
GLSMED TRADE, SA (GLSMED)	Lisboa	100.00%	-	Full
Hospital da Arrábida – Gaia, SA (HAG)	V. N. Gaia	100.00%	-	Full
CRB – Clube Residencial da Boavista, SA (CRB)	Oporto	-	100.00%	Full
Hospital da Luz, SA (HL)	Lisbon	100.00%	-	Full
Hospital da Luz – Centro Clínico da Amadora, SA (HL-CCA)	Amadora	100.00%	-	Full
Hospital da Luz - Guimarães, SA (HLG)	Lisbon	100.00%	-	Full
HOSPOR – Hospitais Portugueses, SA (HOSPOR)	Póvoa de Varzim	100.00%	-	Full

		Registered Office	Percentage of share capital held		Consolidation Method
			Direct	Indirect	
Luz Saúde – Serviços, ACE (ACE)	(1)	Lisbon	-	100.00%	Full
Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, SA (USATI)		Lisbon	100.00%	-	Full
Instituto de Radiologia Dr. Idálio de Oliveira – Centro de Radiologia Médica, SA (IRIO)		Lisbon	-	100.00%	Full
RML – Residência Medicalizada de Loures, SGPS, SA (RML)		Lisbon	75.00%	-	Full
Hospital Residencial do Mar, SA (HRM)		Loures	-	100.00%	Full
Vila Lusitano – Unidades de Saúde, SA (VLUSITANO)		Lisbon	-	100.00%	Full
SGHL – Sociedade Gestora do Hospital de Loures, SA (SGHL)		Lisbon	98.00%	2.00%	Full
Surgicare – Unidades de Saúde, SA (SURGICARE)		Lisbon	100.00%	-	Full

(1) Luz Saúde – Serviços, ACE, with no share capital, brings together ten Group subsidiaries. The percentage indicated regards voting rights held.

(b) Associated companies and joint ventures

	Registered Office	Percentage of share capital held		Consolidation Method
		Direct	Indirect	
GENOMED – Diagnósticos de Medicina Molecular, SA (GENOMED)	Lisbon	37.50%	-	Equity
HL – Sociedade Gestora do Edifício, SA	Oeiras	10.00%	-	Excluded
HME – Gestão Hospitalar, SA (HME)	Évora	50.00%	-	Equity

LUZ SAÚDE's shares were admitted to trading on the Lisbon Stock Exchange on 11 February 2014.

Espírito Santo Control, SA, with registered office in Luxembourg, was the ultimate beneficial owner of the LUZ SAÚDE Group until 15 October 2014. On that date, Fidelidade – Companhia de Seguros, SA acquired control of LUZ SAÚDE through a tender offer it had launched.

In a General Shareholders Meeting held on 9 February 2015, the company amended its name from Espírito Santo Saúde – SGPS, SA to Luz Saúde, SA, and has abandoned the legal form of "*Sociedade de Participações Sociais*" (holding company) pursuant to Decree-Law 495/88 of 30 December.

On 30 July 2015, the Board of Directors approved and authorised LUZ SAÚDE's consolidated financial statements for the period ended 30 June 2015.

2. BASIS OF PRESENTATION OF THE 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 a)) and based on historical cost, in accordance with the International Financial Reporting Standards, as adopted by the European Union (EU) as at 30 June 2015. These standards include both the IFRS issued by the International Accounting Standards Board (IASB) and the 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 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 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 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 they may show with respect to the actual reality may have an impact on current estimates and judgments.

During the first half of 2015, accounting standards and interpretations were approved and published in the Official Journal of the European Union (OJ). These apply to subsequent financial years, although 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 summarised below.

2.1. New standards, amendments or interpretations applicable to financial years beginning on or after 1 January 2015

Following endorsement by the European Union, the Group adopted the following standards, revisions, amendments and improvements to the Standards and Interpretations as of 1 January 2015:

Issued	IASB Standard or IFRIC Interpretation adopted by the EU	Mandatory application in the financial years beginning on or after
May 2013	IFRIC 21 – Levies	17 June 2014
December 2013	IFRS 1 – First-time Adoption of International Financial Reporting Standards (improvements to the 2011–2013 cycle)	1 January 2015
December 2013	IFRS 3 – Business Combinations (improvements to the 2011–2013 cycle)	1 January 2015
December 2013	IFRS 13 – Fair Value Measurement (improvements to the 2011–2013 cycle)	1 January 2015
December 2013	IAS 40 – Investment Property (improvements to the 2011–2013 cycle)	1 January 2015

The adoption of these standards, interpretations and amendments to standards did not have a material impact on the consolidated 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 2015

On 30 June 2015, 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 2015.

Issued (IASB)	IASB Standard or IFRIC Interpretation	Mandatory application in the financial years beginning on or after
November 2013	IAS 19 – Defined Benefit Plans: Employee Contributions (amendment)	1 February 2015
December 2013	IFRS 2 – Share-based Payment (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IFRS 3 – Business Combinations (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IFRS 8 – Operating Segments (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IFRS 13 – Fair Value Measurement (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IAS 16 – Property, Plant and Equipment (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IAS 24 – Related Party Disclosures (improvements to the 2010–2012 cycle)	1 February 2015
December 2013	IAS 38 – Intangible Assets (improvements to the 2010–2012 cycle)	1 February 2015

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.

2.3. New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union by 30 June 2015

On 30 June 2015, 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
January 2014	IFRS 14 – Regulatory Deferral Accounts (new)	1 January 2016
May 2014	IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (amendment)	1 January 2016
May 2014	IFRS 15 – Revenue from Contracts with Customers (new)	1 January 2018
May 2014	IAS 16 and 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)	1 January 2016
June 2014	IAS 16 and IAS 41: Agriculture: Bearer Plants (amendment)	1 January 2016
August 2014	IAS 27: Equity Method in Separate Financial Statements (amendment)	1 January 2016
September 2014	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (improvements to the 2012–2014 cycle)	1 January 2016
September 2014	IFRS 7 – Financial Instruments: Disclosures (improvements to the 2012–2014 cycle)	1 January 2016
September 2014	IAS 19 – Employee Benefits (improvements to the 2012–2014 cycle)	1 January 2016
September 2014	IAS 34 – Interim Financial Reporting (improvements to the 2012–2014 cycle)	1 January 2016
December 2014	IAS 1 – Clarifications on financial reporting disclosure (amendment)	1 January 2016
December 2014	IFRS 10, IFRS 12 and to IAS 28 – Investment Entities: Applying the Consolidation Exception (amendment)	1 January 2016
July 2014	IFRS 9 – Financial Instruments	1 January 2018

The adoption of these standards or amendments should not have a material impact on the consolidated financial statements.

3. MAIN ACCOUNTING POLICIES

3.1. BASIS OF CONSOLIDATION

The consolidated financial statements presented herein reflect the assets, liabilities, equity, results and cash flows of LUZ SAÚDE and its subsidiaries (together the Group), 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 the present consolidated financial statements.

(a) Subsidiaries

Companies controlled by the Group are classified as subsidiaries. Control is normally assumed when the Group has the power to exercise a majority of voting rights. Control may also exist when the Group directly or indirectly

has the power to manage the financial and operating policy of a given company, as to obtain benefits from its activities, even when the Group holds less than 50% of the company's equity.

Subsidiaries are fully consolidated from the moment the Group takes control of their activities and until such control ceases.

The equity and net profit of these companies that correspond to third party interests are disclosed respectively in the consolidated statement of financial position on a separate line under equity and in the consolidated profit and loss under the caption "Non-controlling interests". Companies included in the financial statements are detailed in note 1.

The identifiable acquired assets and liabilities taken on in the acquisition of a subsidiary are measured at fair value at the date of acquisition. The excess of the purchase price over the fair value of the Group's share in the identifiable assets and liabilities is recorded as goodwill (note 15). If the purchase price is less than the fair value of the acquired subsidiary's net assets (negative goodwill), the difference is recognised as a gain in the consolidated profit and loss. Non-controlling interests are disclosed at their proportion of the fair value of the identified assets and liabilities.

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

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceeded its interest in that subsidiary's equity, the excess was attributable to the Group and the losses were recorded as incurred. Profits subsequently obtained are recognised as Group income until the losses attributable to non-controlling interests previously absorbed by the Group are recovered. Following 1 January 2010, accumulated losses are attributed to non-controlling interests in proportion to the interests held, which could entail the recognition of negative non-controlling interests.

From 1 January 2010, for business combinations achieved in stages (step acquisition), the remeasurement of any previously held equity investment, is recognised in the consolidated statement of comprehensive income when calculating goodwill. 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 recognised in the consolidated profit and loss.

(b) Associated companies

Companies over which the Group has the power to significantly influence financial and operating policies are classified as associated companies, even in the absence of a controlling interest therein. Normally the Group is assumed to have 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 associated 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 associated 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 associated 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 associated 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 associated company, the equity method is no longer applied, unless the Group has a legal or constructive obligation to recognise those losses or has made payments on behalf of the associated company.

(c) 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 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 profit and loss. Adjustments are made to these financial statements as needed to make the accounting policies used consistent with those of the Group.

Financial investments in jointly controlled companies are consolidated using the equity method. According to this method, the investments are initially recorded at 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 "Accumulated losses". The classification of financial investments in jointly controlled companies is based on shareholder agreements that show and regulate joint control.

(d) Goodwill

Goodwill from acquisitions made up to 1 January 2005 is recorded as an intangible asset at the carrying value measured on the date of transition to IFRS according to the previous accounting policies. This option is considered in IFRS 1 and was 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 purchase method. For acquisitions that occurred up to 31 December 2009, the acquisition cost was equal to the acquisition-date fair value of the assets and capital instruments transferred and liabilities incurred or undertaken, plus costs directly attributable to the acquisition. After 1 January 2010, costs directly related to the acquisition of a subsidiary are directly recognised in the consolidated profit and loss.

Goodwill represents the difference between the acquisition cost of the interest, as described above, and the fair value attributable to the net assets acquired.

Goodwill is reported under assets at its cost and is not amortised pursuant to IFRS 3 – Business Combinations. For investments in associated companies, goodwill is included in the carrying value determined by the equity method. Negative goodwill is recognised directly in the consolidated profit and loss for the period in which the acquisition occurs.

The recoverable amount of goodwill is revised annually in the last quarter of each financial year, regardless of signs of impairment. Any impairment losses identified are recognised in the consolidated profit and loss.

In testing goodwill for impairment, goodwill is added to the cash-generating unit or units to whom 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.

(e) Balances and transactions eliminated in the consolidation

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

3.2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Property, plant and equipment

(i) Recognition and valuation

LUZ SAÚDE's property, plant and equipment are 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 recognised if the Group is likely to obtain economic benefits therefrom in the future. All ongoing maintenance and repair expenses are recognised 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated 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.

(ii) 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.

(b) Intangible assets

Intangible assets are recognised at the acquisition cost less accumulated amortisation and impairment losses, if any. Intangible assets are recognised 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 amortised 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 amortised, but are tested for impairment in the last quarter of each financial year or whenever there is an indicator of impairment (note 15).

(c) 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 recognised. The impairment loss is recorded in the consolidated 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 recognised 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 recognised (net of amortisation or depreciation) had the impairment loss not been recognised in previous years.

(d) Financial assets and liabilities

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

The Group’s financial assets are presented in the consolidated statement of financial position under the captions "Trade receivables", "Other receivables" and "Cash and cash equivalents". The Group’s financial liabilities are presented under "Trade payables", "Borrowings", "Finance lease liabilities" and "Other payables".

Financial assets are initially recognised 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 recognised in the consolidated profit and loss.

Financial assets are derecognised 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 amortised cost based on the effective interest method; or at fair value if the Group decides, when the liability is initially recognised, to record this financial liability at fair value through profit and loss, under the fair value option.

(i) Trade and other receivables

Trade and other receivables classified as current assets have no implicit interest and are presented using the amortised 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 reporting date, the receivable is classified as a current asset. Otherwise, it is classified as a non-current asset.

Impairment losses are recorded in the consolidated profit and loss when there is objective evidence that the Group 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 consolidates profit and loss.

(ii) 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 consolidated statement of financial position that mature within three months of the date of their contract/acquisition. These include cash and funds with credit institutions.

(iii) Bank loans

Loans are recognised under liabilities at their cost or amortised cost. Amortised cost is calculated according to the effective interest rate method. They are shown in 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 derecognised 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”.

(iv) 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.

(e) 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.

(i) Operating leases

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

(ii) Finance leases

Finance lease agreements are recognised 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 to the consolidated profit and loss and (ii) the financial amortisation of outstanding principal, which is deducted from liabilities. Interest charges are recognised 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 (note 19).

(f) Inventories

Inventories include subsidiary materials and consumables and are valued at the lower of the acquisition cost and the net realisable 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 realisable value is the estimated sales price less estimated costs to sell.

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

(g) Revenue

Revenue is recognised whenever it is probable that the Group will obtain economic benefits that can be reliably measured.

Revenue from services rendered is recognised when the underlying transaction can be reliably estimated. The revenue associated with the transaction is recognised with reference to its stage of completion as at the reporting

date.

Revenue from activities carried out by the units that provide private healthcare is recognised 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 recognised at the value of the services provided in accordance with 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 ((h) below).

Revenue from senior residences is recognised 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 recognised as deferred income. Once the member moves into the Club, the revenue is recognised for a period that takes into account the age of the member (or of the assignor, if allowed) on the entry date, in light of average life expectancy taken from the GRF95 actuarial tables;

In lifetime ROUs with unlimited conveyance rights, the agreement value is immediately recognised 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 recognised as revenue in the same period as the depreciation of the corresponding property, plant and equipment.

(h) Accrual basis

The Group companies recognise their revenue and expenses on an accrual basis. Therefore, revenue and expenses are recognised 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 under the caption “Other receivables” or “Other payables”, respectively.

(i) Finance income and costs

Finance income includes interest and financial discounts obtained from third parties and are recognised in the period in which they occur. Dividends are also recognised from the moment in which the investee company becomes obliged to distribute them.

Finance costs include interest expenses and other banking expense. They are also recognised in the financial period in which they occur.

(j) Income tax

Income tax is recognised according to IAS 12 – Income Taxes and includes both current and deferred tax. Taxes on profits are recognised in the consolidated profit and loss, except when related to items directly recognised 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 recognised 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 recognised 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 LUZ SAÚDE directly or indirectly holds at least 75% of the respective share capital (90% until 2013) and as long as these companies are subject to corporate income tax (CIT). 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), 5% on taxable profits greater than €7.5 million, and 7% for taxable profits above €35 million, which has taken effect in 2014.

Payment of taxes on profits is based on self-assessment tax returns, which are subject to inspection and possible adjustments by the tax authorities for a 4-year period as of the financial year to which they pertain. Tax losses carried forward from a given financial year, which are also subject to inspection and adjustment for a 10-year period, may be deducted from taxable profits during the following five years (six years until 2009 and four years between 2010 and 2011, inclusive) until 2013. The time frame has been changed to twelve years beginning in 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 realise the assets and settle the liabilities simultaneously in future periods in which deferred taxes are expected to the settled or recovered.

(k) Provisions, contingent assets and contingent liabilities

Provisions are recognised 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 8).

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

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 recognised, 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 recognised 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 recognised in the consolidated financial statements, but are disclosed when it is likely they will generate a future economic benefit.

(l) 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.

(m) 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 own 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.

(n) Dividend distribution

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

(o) Cash flow statement

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

(p) Subsequent events

Events that occur between the closing date and the date in which the 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 closing date that are indicative of conditions that arose after the financial reporting date are disclosed in the annex to the financial statements, if considered material.

(q) Employee benefits

Liabilities with vacation pay 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 recognised 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 recognised under liabilities in the caption "Other payables".

Share-based payment

The Group remunerates some of its employees through a share-based payment plan, settled through equity instruments.

The fair value of the services received is recognised as a cost in the consolidated profit and loss against an increase in equity, throughout the period in which employees earn those rights. The total amount to be recorded as an expense is calculated based on the fair value of the instruments granted on the granting date.

The vesting conditions are taken into consideration when estimating the number of instruments that will have acquired rights at the end of the vesting period. On each reporting date, the Group reviews the estimate for the number of instruments expected to meet the defined conditions and recognises the impact of the revision of the original estimate in the consolidated profit and loss with the corresponding effect on equity.

3.3. SIGNIFICANT ESTIMATES AND JUDGMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

IFRS establish a number of accounting treatments and require the Board of Directors make the necessary judgments and estimates to determine the most suitable accounting treatment. 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.

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 financial statements adequately present the Group’s consolidated financial position, consolidated profit and loss and consolidated cash flows of its operations in all material respects.

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

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

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

Impairment on trade and other receivable

Impairment losses on doubtful debts are based on the Group's assessment of the probability of recovering the balances owed. This assessment is based on the duration of the default, the debtor's credit history and the deterioration of credit position of the main debtors. Should the debtors' financial conditions deteriorate, impairment losses may be greater than expected.

Provisions

The Group exercises considerable judgement in measuring and recognising provisions. Judgment is indispensable to assess the probability of a successful outcome for certain pending litigation. Provisions are accrued when the Group considers an unfavourable 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 proceedings becomes available. Revisions of these estimated losses may affect future results.

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 recognised in the period.

The Tax Authorities are entitled to review the Group's calculation of taxable income for a period of four or six 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 financial statements.

Goodwill

The Group tests on an annual basis impairment of goodwill recognised as an intangible asset according to IFRS. 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 recognised.

Management agreement for Hospital de Loures

As described in paragraph (g) of note 3.2, the management agreement for Hospital de Loures 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.

Therefore, 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.

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 (ARSLVT) and the conclusion of the monitoring processes of the financial year ended 31 December 2014 and the period of 6 months ended in 30 June 2015, will not have a material impact on the financial statements.

Variable remuneration

Group LUZ SAÚDE 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 period, being the final amount known in the following year.

4. ACQUISITION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

2015

On May 25, 2015, was incorporated the subsidiary Hospital da Luz - Guimarães, SA ("HLG"), a company that concentrates the activity of analysis and negotiation of the investment in the operation of two health units (Hospital Privado de Guimarães and Clihotel de Gaia). The completion of the investment in the two health units is dependent of the accomplishment of all legal and contractual requirements, including those relating to the approval by the Creditors of the Insolvency Plan of the Company that presently manages the mentioned health units, in a Creditors meeting, and the respective court approval.

On May 27, 2015, was incorporated the subsidiary GLSMED TRADE, SA ("GLSMED"), a company in which LUZ SAÚDE has a financial interest of 100%, having a corporate purpose of rendering specialized distribution and transport services of medical devices and pharmaceutical products.

2014

In April 2014, 27 thousand additional shares were acquired in the associate GENOMED, increasing LUZ SAÚDE's holding from 24% to 37.5%.

5. SEGMENT REPORTING

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

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

The private healthcare segment includes the following units:

- Seven hospitals focused on differentiated acute care, namely surgery, inpatient treatments and specialised 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.

- Seven 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.

- A residential hospital, specialised 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.

- A radiotherapy unit.

The Public healthcare segment includes Hospital Beatriz Ângelo (HBA) in Loures, managed by the subsidiary SGHL under a Partnership with the State. It is a part of 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 caters to the population of the counties 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.

In addition to managing shareholdings, the Holding company and shared services segment includes a consortium (*agrupamento complementar de empresas)* that provides management, consulting, operating, legal support, maintenance, negotiation, procurement and marketing services, among others, to the units of the Private Healthcare and Other Activities segments.

The main information on the results for the periods ended on 30 June 2015 and 2014 of the various business segments is as follows:

June 2015

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Operating Income						
External clients	163,508,548	47,383,348	1,741,716	166,610	-	212,800,222
Intersegment	541,969	20,872	27,057	6,733,427	(7,323,325)	-
Total operating income	**164,050,517**	**47,404,220**	**1,768,773**	**6,900,037**	**(7,323,325)**	**212,800,222**
Inventories consumed and sold	(20,468,219)	(10,222,257)	(66)	-	-	(30,690,542)
Cost of services and materials	(91,438,635)	(14,924,531)	(1,419,167)	(2,910,835)	16,470,424	(94,222,744)
Personnel expenses	(29,979,397)	(20,834,809)	(644,699)	(4,825,578)	-	(56,284,483)
Depreciation and amortisation	(8,986,875)	(2,186,771)	(499,264)	(259,147)	-	(11,932,057)
Provisions and impairment losses	329,590	(610,953)	6,539	436,718	-	161,894
Other operating expenses and income	8,424,969	(185,867)	254,874	(35,459)	(9,147,099)	(688,582)
Operating result by segment	**21,931,950**	**(1,560,968)**	**(533,010)**	**(694,264)**	**-**	**19,143,708**
Finance costs						(4,192,111)
Finance income						250,879
Financial results						**(3,941,232)**
Profit before income tax						**15,202,476**
Income tax expense						(4,558,119)
Profit/(loss) attributable to non-controlling interests	(88,218)	1,299	-	-	-	(86,919)
Profit attributable to equity holders of the parent						**10,557,438**

June 2014

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Operating Income						
External clients	153,165,563	45,950,165	1,832,334	183,597	-	201,131,659
Intersegment	456,926	-	-	6,199,818	(6,656,744)	-
Total operating income	**153,622,489**	**45,950,165**	**1,832,334**	**6,383,415**	**(6,656,744)**	**201,131,659**
Inventories consumed and sold	(18,621,165)	(9,456,561)	(1,509)	-	-	(28,079,235)
Cost of services and materials	(86,468,714)	(15,737,625)	(1,401,081)	(2,680,070)	15,693,078	(90,594,412)
Personnel expenses	(28,198,556)	(19,228,142)	(614,909)	(5,151,406)	-	(53,193,013)
Depreciation and amortisation	(10,286,589)	(2,739,838)	(492,822)	(140,397)	-	(13,659,646)
Provisions and impairment losses	(70,936)	(114,917)	-	43,840	-	(142,013)
Other operating expenses and income	7,927,613	(7,477)	314,610	(28,856)	(9,036,334)	(830,444)
Operating result by segment	**17,904,142**	**(1,334,395)**	**(363,377)**	**(1,573,474)**	**-**	**14,632,896**
Finance costs						(4,041,212)
Finance income						258,004
Financial results						**(3,783,208)**
Profit before income tax						**10,849,688**
Income tax expense						(2,180,177)
Profit/(loss) attributable to non-controlling interests	20,544	1,094	-	-	-	21,638
Profit attributable to equity holders of the parent						**8,691,149**

As regards the size of the Group's main clients, only two represent more than 10% of the operating income of the respective segment. In the private healthcare segment, ADSE represents nearly 32% 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

June 2015

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Depreciation and amortisation	8,986,875	2,186,771	499,264	259,147	-	**11,932,057**
Investment in property, plant and equipment	5,802,622	588,390	24,560	42,274	-	**6,457,846**

June 2014

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Depreciation and amortisation	10,286,589	2,739,838	492,822	140,397	-	**13,659,646**
Investment in property, plant and equipment	6,763,080	224,660	40,209	429,707	-	**7,457,656**

The breakdown of assets and liabilities by business segment and respective reconciliation with the consolidated figures as at 30 June 2015 and 31 December 2014 is as follows:

June 2015

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Assets						
Property, plant and equipment	197,961,521	12,593,474	38,675,998	971,866	-	250,202,859
Intangible assets	92,735,491	10,057	-	2,659,538	-	95,405,086
Inventories, trade and other receivables	107,879,226	38,058,335	454,232	8,983,503	(17,630,957)	137,744,339
Other assets	42,904,343	4,197,905	128,560	325,189,007	(348,523,498)	23,896,317
Investments in associates and joint-ventures	-	-	-	1,318,710	-	1,318,710
Total consolidated assets						**508,567,311**
Liabilities						
Trade and other payables	88,705,684	22,613,888	4,932,913	2,268,879	(25,184,837)	93,336,527
Other liabilities	165,724,077	30,906,619	5,886,462	132,695,070	(112,304,862)	222,907,366
Total consolidated liabilities						**316,243,893**

December 2014

	Private healthcare	Public healthcare	Other activities	Holding and shared services	Eliminations	Consolidated
Assets						
Property, plant and equipment	201,697,106	14,181,018	39,021,766	1,109,438	-	256,009,328
Intangible assets	92,749,875	13,615	-	2,738,840	-	95,502,330
Inventories, trade and other receivables	96,861,151	36,863,025	267,438	20,013,546	(23,517,082)	130,488,078
Other assets	16,164,307	3,594,803	161,935	341,586,478	(340,826,839)	20,680,684
Investments in associates and joint-ventures	-	-	-	1,473,180	-	1,473,180
Total consolidated assets						**504,153,600**
Liabilities						
Trade and other payables	61,289,664	21,127,720	5,046,470	13,548,828	(11,182,778)	89,829,904
Other liabilities	176,651,569	43,509,683	11,611,781	142,643,671	(143,304,582)	231,112,122
Total consolidated liabilities						**320,942,026**

6. REVENUE FROM SERVICES RENDERED

	30-jun-15	30-jun-14
Healthcare services		
Hospitals and outpatient clinics	158,965,090	149,074,040
NHS hospitals	47,268,834	45,886,490
Residential hospitals	3,602,250	3,000,085
Senior residences with services	1,800,404	1,799,921
Other services	521,917	431,912
	212,158,495	**200,192,448**

7. OTHER INCOME

	30-jun-15	30-jun-14
Other operating income	641,727	939,211
Finance income	250,879	258,004
	892,606	**1,197,215**

The caption “Other operating income” includes income from renting the commercial areas in the Group’s units, as well as income from supplier discounts, equipment sales, insurance reimbursements, recovery of costs related to tax claims, among others.

The caption Finance income in 2015 includes 18.8 thousand Euros related with the equity method of the associated company GENOMED (2014: negative 3.7 thousand Euros, presented in “Finance costs”).

8. FINANCE COSTS

	30-jun-15	30-jun-14
Interest expenses	3,152,052	3,187,139
Other finance expenses	1,040,059	854,073
	4,192,111	**4,041,212**

The caption "Other finance expenses" in 2015 includes the impairment loss for the loans made by LUZ SAÚDE to its associate HME – Gestão Hospitalar, SA (note 21) in the amount of 640 thousand Euros (2014: 370 thousand Euros).

9. INVENTORIES CONSUMED AND SOLD

	Subsidiary materials and consumables	
	30-jun-15	30-jun-14
Inventories as at 1 January	7,709,088	7,358,160
Purchases	30,725,507	28,165,283
Consumption adjustments (consumed materials)	(104,914)	-
Inventory adjustments	(18,931)	(13,715)
Inventories as at 30 June	(7,620,208)	(7,430,493)
Costs for the period (inventories consumed)	**30,690,542**	**28,079,235**

10. COSTS OF SERVICES AND MATERIALS

	30-jun-15	30-jun-14
Subcontracts	46,227,767	44,014,764
Professional fees	28,506,019	26,178,462
Specialised services	4,611,882	4,819,857
Maintenance and repair	3,802,309	4,262,818
Rents and leases	3,034,190	3,340,263
Electricity	2,414,821	2,291,445
Security services	1,037,675	1,028,910
Communication	769,433	785,419
Fuel and other fluids	791,580	829,556
Insurance	521,117	527,934
Water	434,038	393,789
Marketing	713,129	483,465
Materials	381,513	414,774
Other materials and services consumed	977,271	1,222,956
	94,222,744	**90,594,412**

Professional fees and subcontracts record 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 activities.

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

11. PERSONNEL EXPENSES

	30-jun-15	30-jun-14
Corporate body remunerations	1,916,581	1,892,883
Personnel wages and salaries	41,976,824	40,530,720
Social security expenses	9,476,334	8,791,753
Other personnel expenses	2,914,744	1,977,657
	56,284,483	**53,193,013**

The average number of Group employees at the end of the first half of 2015 is 4,813 (2014: 4,476).

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

	30-jun-15	30-jun-14
Shareholders Meeting Board	14,875	25,500
Board of Directors	1,828,956	1,820,883
Audit Board	25,500	25,500
Remuneration Committee	3,500	21,000
Advisory Board	43,750	-
Statutory Auditor	266,931	208,500
	2,183,512	**2,101,383**

The remuneration of the statutory auditor is presented under the caption Specialised services in the heading Costs of services and materials in the consolidated profit and loss (note 10).

12. OTHER OPERATING EXPENSES

	30-jun-15	30-jun-14
Taxes	265,607	192,591
Bad debts	64,535	464,433
Inventory losses	16,274	13,715
Other operating expenses	342,167	159,705
	688,583	**830,444**

13. INCOME TAX

The detail of income tax as at 30 June 2015 and 31 December 2014 is presented below:

	30-jun-15	31-dec-14
Current tax	3,792,050	5,202,877
Deferred tax		
Origin and reversal of temporary differences	766,069	(385,536)
Tax losses carried forward	-	99,737
	766,069	(285,799)
Total of tax reported in the consolidated profit and loss	**4,558,119**	**4,917,078**

Reconciliation of the tax rate is presented below:

		30-jun-15		31-dec-14
Profit before income tax expense		15,202,476		23,016,987
Tax rate	21%	3,192,520	23%	5,293,907
Non-deductible expenses		487,556		310,511
Tax incentives		(680,190)		(1,680,681)
Autonomous taxes		236,115		463,300
Surtax		784,976		1,655,573
Tax from previous years		419,914		(384,533)
Share capital increase costs		-		(328,229)
Other effects		117,228		(412,770)
		4,558,119		**4,917,078**

Changes reported under deferred taxes on the consolidated statement of financial position are shown below:

	30-jun-15	31-dec-14
Opening balance	(293,965)	(579,764)
Recognised in the consolidated profit and loss	(766,069)	385,536
Use of tax losses	-	(99,737)
	(1,060,034)	**(293,965)**

Deferred tax assets and liabilities as at 30 June 2015 and 31 December 2014 are presented below:

	Assets		Liabilities		Net	
	30-jun-15	**31-dec-14**	**30-jun-15**	**31-dec-14**	**30-jun-15**	**31-dec-14**
Valuation of property, plant and equipment	1,495,106	1,730,771	(6,464,184)	(6,495,621)	(4,969,078)	(4,764,850)
Valuation of intangible assets	72	72	-	-	72	72
Provisions and impairment losses	3,451,332	3,862,665	-	-	3,451,332	3,862,665
Tax losses carried forward	87,792	87,792	-	-	87,792	87,792
Other	369,848	520,356	-	-	369,848	520,356
Deferred tax asset/(liability)	**5,404,150**	**6,201,656**	**(6,464,184)**	**(6,495,621)**	**(1,060,034)**	**(293,965)**

Deferred taxes on tax losses carried forward are only recognised where their recovery within the expected maturity date can be assured.

The Group elected to be taxed under the special tax regime for corporate groups beginning with the 2006 financial year. With the amendments to the corporate income tax code that entered into force for the 2014 financial year, the three companies that comprise the subgroup of RML for tax purposes (RML, VLUSITANO and HRM) became part of the LUZ SAÚDE Group for tax purposes.

The Group's tax losses carried forward as at 30 June 2015 and 31 December 2014, for which deferred tax assets were partially recognised are shown below:

Years of origin / limit		**30-jun-15**	**31-dec-14**
2009 / 2015	RML Losses	227,811	227,811
	Reported deferred tax	**87,792**	**87,792**

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Basic and transport equipment	Office equipment	Other	In progress	Total
Acquisition cost						
As at 1 January 2014	284,919,751	153,725,500	10,331,749	4,551,531	3,870,573	457,399,104
Additions	203,556	2,931,014	319,367	80,961	3,922,758	7,457,656
Disposals and write-offs	-	(738,890)	(38,984)	(800)	-	(778,674)
Transfers and adjustments	207,614	126,776	-	29,991	(367,574)	(3,193)
As at 30 of June 2014	**285,330,921**	**156,044,400**	**10,612,132**	**4,661,683**	**7,425,757**	**464,074,893**
Additions	333,040	1,568,150	114,450	61,681	18,801,070	20,878,391
Disposals and write-offs	(6,351)	(217,384)	(87,318)	(7,292)	(107,423)	(425,768)
Transfers and adjustments	10,301	361,986	-	(28,084)	(341,009)	3,194
As at 31 December 2014	**285,667,911**	**157,757,152**	**10,639,264**	**4,687,988**	**25,778,395**	**484,530,710**
As at 1 January 2015	285,667,911	157,757,152	10,639,264	4,687,988	25,778,395	484,530,710
Additions	1,220,596	2,439,204	503,010	64,939	2,230,097	6,457,846
Disposals and write-offs	(916,934)	(264,644)	(111,492)	(11,205)	(408,108)	(1,712,383)
Transfer and adjustments	11,117,142	205,329	-	26,140	(11,348,611)	-
As at 30 June 2015	**297,088,715**	**160,137,041**	**11,030,782**	**4,767,862**	**16,251,773**	**489,276,173**
Accumulated depreciation						
As at 1 January 2014	72,878,716	113,203,601	8,173,722	3,379,287	-	197,635,326
Depreciation for the period	5,494,311	7,371,137	605,887	171,221	-	13,642,556
Disposals and write-offs	-	(735,147)	(38,787)	(800)	-	(774,734)
Transfer and adjustments	-	-	-	-	-	-
As at 30 June 2014	**78,373,027**	**119,839,591**	**8,740,822**	**3,549,708**	**-**	**210,503,148**
Depreciation for the period	5,293,825	6,503,693	583,474	166,928	-	12,547,920
Disposals and write-offs	(2,117)	(324,412)	(85,680)	(7,509)	-	(419,718)
Transfer and adjustments	-	-	-	-	-	-
As at 31 December 2014	**83,664,735**	**126,018,872**	**9,238,616**	**3,709,127**	**-**	**222,631,350**
As at 1 January 2015	83,664,735	126,018,872	9,238,616	3,709,127	-	222,631,350
Depreciation for the period	5,422,654	5,913,486	310,150	163,493	-	11,809,783
Disposals and write-offs	-	(218,242)	(111,486)	(11,189)	-	(340,917)
As at 30 June 2015	**89,087,389**	**131,714,116**	**9,437,280**	**3,861,431**	**-**	**234,100,216**
Impairment losses						
As at 31 December 2014	5,890,032	-	-	-	-	5,890,032
Additions	-	-	-	-	-	-
Reductions	(916,934)	-	-	-	-	(916,934)
As at 30 June 2015	**4,973,098**	**-**	**-**	**-**	**-**	**4,973,098**
Net book value						
As at 31 December 2014	196,113,144	31,738,280	1,400,648	978,861	25,778,395	256,009,328
As at 30 June 2015	**203,028,228**	**28,422,925**	**1,593,502**	**906,431**	**16,251,773**	**250,202,859**

The Group's gross investment in the first half of 2015 amounted to nearly €6.5 million (first half of 2014: €7.5 million), of which nearly €1.48 million refers to the expansion of Hospital da Luz's parking lot, €1.1 million is the remaining value related with the acquisition of a plot of land for the expansion of Clínica de Oeiras, approximately €0.84 million (of which €0.34 million are related to the interest expenses) are related to the expansion project of Hospital da Luz and the remaining amount is related with the acquisition/substitution of basic equipment in the various Group units.

The following table details the impairment losses:

	30-jun-15	31-dec-14
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
Real estate in Valença	-	916,934
	4,973,098	**5,890,032**

Some of the Group's real estate has been given as guarantee to financial institutions to secure bank financing (note 29).

15. INTANGIBLE ASSETS

	Goodwill	Software	Property rights	In progress	Total
Acquisition cost					
As at 1 January 2014	94,481,384	7,333,047	86,549	927,048	102,828,028
Additions	-	3,803	-	21,452	25,255
Write-offs	-	-	-	-	-
Adjustments and transfers	-	62,367	-	(62,367)	-
As at 30 June 2014	**94,481,384**	**7,399,217**	**86,549**	**886,133**	**102,853,283**
Additions	-	51,724	-	-	51,724
Write-offs	-	-	-	(66,989)	(66,989)
Adjustments and transfers	-	682,644	-	(682,644)	-
As at 31 December 2014	**94,481,384**	**8,133,585**	**86,549**	**136,500**	**102,838,018**
As at 1 January 2015	94,481,384	8,133,585	86,549	136,500	102,838,018
Additions	-	25,029	-	-	25,029
Write-offs	-	-	-	-	-
Adjustments and transfers	-	-	-	-	-
As at 30 June 2015	**94,481,384**	**8,158,614**	**86,549**	**136,500**	**102,863,047**

	Goodwill	Software	Property rights	In progress	Total
Accumulated amortisation					
As at 1 January 2014	-	7,063,032	17,329	-	7,080,361
Amortisation of the period	-	115,649	1,442	-	117,091
Transfer and adjustments	-	-	-	-	-
As at 30 June 2014	**-**	**7,178,681**	**18,771**	**-**	**7,197,452**
Amortisation of the period	-	136,793	1,443	-	138,236
Transfer and adjustments	-	-	-	-	-
As at 31 December 2014	**-**	**7,315,474**	**20,214**	**-**	**7,335,688**
As at 1 January 2015	-	7,315,474	20,214	-	7,335,688
Amortisation of the period	-	120,831	1,442	-	122,273
Transfer and adjustments	-	-	-	-	-
As at 30 June 2015	**-**	**7,436,305**	**21,656**	**-**	**7,457,961**
Net book value					
As at 31 December 2014	94,481,384	818,111	66,335	136,500	95,502,330
As at 30 June 2015	**94,481,384**	**722,309**	**64,893**	**136,500**	**95,405,086**

The "Goodwill" caption is the result of acquisitions of subsidiary companies. During the period ended on 30 June 2015 there were no changes under this caption.

Goodwill in the consolidated statement of financial position is presented below:

	Year of acquisition	Shareholding	Goodwill
Company			
HAG	2000	100.00%	446,141
HME	2000/10	90.59%	3,611,318
CLIRIA	2001	50.00%	14,103
HOSPOR	2006	100.00%	89,944,136
IRIO	2006/8	100.00%	479,789
Impairments			(14,103)
Total goodwill recognised			**94,481,384**

Goodwill impairment testing

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 methodologies that take into account market conditions, time value and business risks.

For the purpose of the tests, performed during the last quarter of 2014, the Group defined a set of assumptions to determine the recoverable amount of the investments made. The main assumptions were as follows:

Company	Calculation method	Projection period	Pre-tax discount rate	Perpetuity growth rate
HAG	DCF	5 years	6.13%	2.0%
CLIRIA	DCF	5 years	6.13%	2.0%
HOSPOR	DCF	5 years	6.13%	2.0%
IRIO	DCF	5 years	6.13%	2.0%

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;
- The change in discount rate was largely due to a significant reduction in the market risk premium because of rising yields on 10-year treasury bonds in recent months; 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 variables: (i) perpetuity growth rate (-1.00%) and (ii) discount rate (+0.50%). The results of the sensitivity analysis did not reveal any indications of impairment.

As a result of this impairment testing, the Group concluded that as at 31 December 2014 there were no impairment losses, and there were no indication in 2015 that lead to the existence of impairment.

16. INVENTORIES

	30-jun-15	31-dec-14
Clinical consumables	4,793,298	4,889,485
Drugs	2,465,169	2,498,418
Others	361,741	321,185
	7,620,208	**7,709,088**

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

17. PROVISIONS

The changes in "Provisions" caption during the periods ended 30 June 2015 and 31 December 2014 were as follows:

	30-jun-15	31-dec-14
Opening balance	8,304,076	7,940,057
Additions, net of reversals	613,641	364,019
Decrease	(874,036)	-
Closing balance	**8,043,681**	**8,304,076**

The balance of "Provisions" caption as at 30 June 2015 and 31 December 2014 can be detailed as follows:

	30-jun-15	31-dec-14
Litigation	64,656	64,656
Tax disputes	4,048,442	4,048,442
Liabilities with non-consolidated associates	2,160,000	2,800,000
Impairment of financial assets	400,000	400,000
Other	1,370,583	990,978
	8,043,681	**8,304,076**

18. IMPAIRMENT OF RECEIVABLES

Changes in "Impairment of receivables" caption in the periods ended 30 June 2015 and 31 December 2014 were the following:

	Trade receivables (note 22)	**Other receivables** (note 22)	**Total**
As at 1 of January of 2014	8,106,033	1,277,635	9,383,668
Additions	1,505,118	101,384	1,606,502
Reversals and utilization	(1,046,089)	-	(1,046,089)
As at 31 of December 2014	**8,565,062**	**1,379,019**	**9,944,081**
As at 1 of January 2015	8,565,062	1,379,019	9,944,081
Additions	552,916	175,354	728,270
Reversals and utilization	(470,135)	-	(470,135)
As at 30 of June 2015	**8,647,843**	**1,554,373**	**10,202,216**

The impairment increase during 2015 includes the amount of €159,635, which refers to the reversion of the netting of the impairment of receivables considered as non-receivable, which had no impact in the consolidated profit and loss.

19. FINANCE LEASE LIABILITIES

Liabilities for finance leases have the following maturities:

June 2015	Principal	Interest	Total
Less than one year	7,306,808	938,126	8,244,934
Between one and five years	12,724,519	1,611,176	14,335,695
Over five years	4,537,670	206,733	4,744,403
Total	**24,568,997**	**2,756,035**	**27,325,032**
Current	7,306,808	938,126	8,244,934
Non-current	17,262,189	1,817,909	19,080,098

December 2014	Principal	Interest	Total
Less than one year	8,552,051	924,365	9,476,416
Between one and five years	13,989,210	1,875,962	15,865,172
Over five years	5,875,126	315,122	6,190,248
Total	**28,416,387**	**3,115,449**	**31,531,836**
Current	8,552,051	924,365	9,476,416
Non-current	19,864,336	2,191,084	22,055,420

20. OPERATING LEASES

As at 30 June 2015 and 31 December 2014, the Group had liabilities under operating leases related to vehicles and equipment, which contained penalty clauses in case of cancellation. The total amounts of future payments are as follows:

	30-jun-15	31-dec-14
Less than one year	906,353	1,061,371
Between one and five years	1,349,036	1,937,030
Total	**2,255,389**	**2,998,401**

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Shareholdings in associated companies	Supplementary capital contributions	Loans to associated companies	Other financial investments	Total
As at 1 January 2014	124,225	1,419,397	4,850,000	1,939	6,395,561
Additions	135,000	-	660,000	46,372	841,372
Decreases	-	(250,000)	-	-	(250,000)
Equity method	(3,753)	-	-	-	(3,753)
As at 31 December 2014	**255,472**	**1,169,397**	**5,510,000**	**48,311**	**6,983,180**
As at 1 January 2015	255,472	1,169,397	5,510,000	48,311	6,983,180
Additions	-	-	640,000	-	640,000
Decreases	-	(125,000)	-	-	(125,000)
Equity method	18,841	-	-	-	18,841
	-	-	-	(48,311)	(48,311)
As at 30 June 2015	**274,313**	**1,044,397**	**6,150,000**	**-**	**7,468,710**
Impairment losses					
As at 31 December 2014	-	-	(5,510,000)	-	(5,510,000)
Increases	-	-	(640,000)	-	(640,000)
As at 30 June 2015	**-**	**-**	**(6,150,000)**	**-**	**(6,150,000)**
Net book value					
As at 31 December 2014	255,472	1,169,397	-	48,311	1,473,180
As at 30 June 2015	**274,313**	**1,044,397**	**-**	**-**	**1,318,710**

GENOMED

On 7 October 2004, LUZ SAÚDE subscribed 48,000 shares, with a nominal value of €5 each, representing 24% of the share capital of GENOMED, whose corporate scope is the provision of support services in the diagnosis, prevention and treatment of human diseases, as well as the promotion of diagnostic activities and research and development in the area of molecular medicine.

In April 2014, LUZ SAÚDE acquired an additional lot of 27,000 shares, increasing its shareholding in GENOMED to 37.5%

HL-SGE

In December 2009, LUZ SAÚDE subscribed 14,400 shares, with a nominal value of €1 each, representing 10% of the share capital of HL – Sociedade Gestora do Edifício, SA, with registered office in Oeiras, whose corporate scope is the construction and maintenance of the Hospital Beatriz Ângelo building in Loures under the Public-Private Partnership Programme, pursuant to the agreement entered into at the end of 2009.

(i) Shareholdings in associated companies and jointly controlled entities and supplementary capital contributions

Shareholdings and supplementary capital contributions to associated companies and jointly controlled entities can be shown as follows:

	Registered office	Acquisition cost	Percentage of share capital	Equity value of shareholding	Value of shareholding in net profit	Year	Balance as at 30-jun-15
Jointly controlled entities							
HME	Évora	125,000	50.00	-	-	-	-
Associated companies							
GENOMED	Lisbon	375,000	37.50	189,103	18,225	5/2015	259,913
HL-SGE	Oeiras	14,400	10.00	221,746	193,305	12/2014	1,058,797
							1,318,710

HME has negative equity and therefore the Group's financial investment was entirely written-down. In addition, a provision was recognised for the risks and liabilities undertaken with this subsidiary (note 17).

During the first half of 2015, the associated company HL-SGE had reimbursed shareholders loans in the amount of €125,000.

(ii) Loans to jointly controlled entities

Amounts loaned to jointly controlled entities and changes taken place during the first half of 2015 are shown below:

	Balance as at 31-dec-14	Increases	Decreases	Balance as at 30-jun-15
Jointly controlled entities:				
HME	5,510,000	640,000	-	6,150,000
	5,510,000	**640,000**	**-**	**6,150,000**

The loan granted to HME has no maturity date and bears interest at market rates. Due to the subsidiary's

financial situation, impairment losses have been reported for all the loans made and inherent financial expenses.

22. TRADE AND OTHER RECEIVABLES

	30-jun-15	31-dec-14
Trade receivable	75,956,730	82,372,786
Doubtful trade receivable	8,647,843	8,565,062
Impairment of trade receivable (note 18)	(8,647,843)	(8,565,062)
	75,956,730	**82,372,786**
Advances to suppliers	27,490	789,245
State and other public entities	1,720,337	1,820,608
Other debtors	1,683,380	1,693,787
Impairment of other receivables (note 18)	(1,554,373)	(1,379,019)
Accrued income	47,883,120	33,642,876
Deferred expenses	4,301,569	3,838,707
Other financial assets	105,878	-
	54,167,401	**40,406,204**
Current income tax	-	-
	130,124,131	**122,778,990**

The decrease in Trade receivable is mainly due to the fact that at 31 December 2014, this caption included a receivable with the Portuguese State, of approximately €11 million, related with the 2013 activity of the management contract of Hospital Beatriz Ângelo, which has been collected in the beginning of January.

Accrued income includes mainly the clinical procedures to be invoiced, and the amount not yet invoiced in respect of Hospital Beatriz Ângelo management contract, given by the difference between the annual production and the amounts invoiced on monthly basis (1/12 of 90% of the annual amount agreed). The increase in the accrued income balance is due mainly to the fact that the process of approval of the 2014 production is still in progress, and as such the balance at June 2015 includes the activity not invoiced for a period of 18 months, compared with a period of 12 months in December 2014.

Following the presentation of an innovative drug with a high effectiveness in the treatment of Hepatitis C , the Ministry of Health approved the inclusion of this drug in special subsidy scheme for Hepatitis C. According to ACSS, the charges incurred with these treatments will be reimbursed in full by the ACSS, and therefore the payment of expenses incurred by the subsidiary SGHL with such treatments, shall be performed only after the reimbursement of said expenses by the Ministry of Health. As at June 30, 2015 , the captions Other receivable and Trade payables in the statement of consolidated financial position include, respectively , a net amount of €1.3 million relating to this transaction.

Amounts to be received from the State and other public entities consist primarily of recoverable VAT and down payments of corporate income tax.

23. CASH AND CASH EQUIVALENTS

	30-jun-15	31-dec-14
Cash	851,506	560,925
Bank deposits	22,408,142	19,473,460
Cash equivalents	636,669	631,299
Other short term investments	-	15,000
Cash and cash equivalents	**23,896,317**	**20,680,684**

24. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

Share capital

The company's share capital is comprised of 95,542,254 ordinary registered shares with a nominal value of €1 (31 December 14: 95,542,254 shares). On 11 February 2014, a share capital increase took place by issuing 7,042,254 new shares fully paid up in cash. This transaction took place at the same time as a public offering of shares on the Lisbon Stock Exchange of up to 49% of the company's share capital.

Treasury shares

Under the share-based payment plan changes in LUZ SAÚDE' treasury shares caption, can be presented as follows:

	Amount
Balance at 31 December 2014	54,385
Acquired shares	455,615
Shares delivered as 2014 bonus payments	(170,000)
Balance as at 30 June 2015	**340,000**

Share premiums

Share premiums are related to the share capital increases undertaken by the company in 2004, 2005 and 2006 in the amounts of €1,500,000, €7,500,000 and €61,600,000, 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.

Appropriation of net profit

According to a proposal presented to and approved by the General Shareholders Meeting held on 21 May 2015, LUZ SAÚDE's stand alone results, in respect of 2014 financial year were allocated as follows:

	Amount
Legal reserve	45,304
Other reserves	860,771
Total	**906,075**

Reserves

	30-jun-15	31-dec-14
Non-distributable reserves	1,908,804	1,863,500
Other reserves	34,313,586	34,630,918
	36,222,390	**36,494,418**

(i) Non-distributable reserves

The non-distributable reserves relate to the legal reserve created by allocation of profits from the parent company until the 2014 financial year.

(ii) Other reserves

Other reserves relate to the reserves created by the allocation of profits from the parent company until the 2014 financial year, as well as reserves from share-based payments, as shown below:

	Share-based payments	Other reserves	Total
As at 1 January 2014	-	18,643,645	18,643,645
Appropriation of net profit	-	16,343,713	16,343,713
Change during the year	997,333	(1,353,773)	(356,440)
As at 31 December 2014	**997,333**	**33,633,585**	**34,630,918**
Appropriation of net profit	-	-	-
Vesting of shares granted	(544,000)	-	(544,000)
Fair value of the services of the period	226,668	-	226,668
As at 30 June 2015	**680,001**	**33,633,585**	**34,313,586**

Expenses with the share-based plan are recognised using the straight-line method over time, beginning on the granting date and ending on the estimated date of fulfilment of the vesting conditions defined in the plan. The plan's valuation was calculated with the share price of €3.2 per share on the granting date (in this case, the date of the company's admission to trading). On 30 June 2015, the estimated impact of the share based plan, based

on the valuation used on the share granting date, is €680.001 (31 December 2014: €997,333).

Share based payments

In the Company's General Shareholders Meeting held on 22 January 2014, a share-based plan for Company directors was created. The beneficiaries of this plan are members of the Company's Board of Directors that have worked with the Company under an employment agreement or as members of its corporate bodies, since its incorporation on 6 July 2000 and that are Directors on each share granting date. As at the date of this Report, directors that meet the referred conditions are Isabel Maria Pereira Aníbal Vaz, João Paulo da Cunha Leite de Abreu Novais, Tomás Leitão Branquinho da Fonseca and Ivo Joaquim Antão.

510,000 previously issued shares were granted by the Company under the referred share-based plan, by transfer to the securities account indicated by the beneficiary-directors of the share-based plan. One third of the shares will vest on the first business day of 2015, 2016 and 2017.

Given that the implementation of the share-based plan requires that the Company acquire treasury shares, to deliver to the beneficiary-directors on the first business day of 2015, 2016 and 2017, the General Shareholders Meeting of 22 January 2014 and 21 May 2015 has approved the acquisition by the Board of Directors the total of 510,000 shares in the regulated market needed to execute the plan, as well as the free disposal of such treasury shares for the purpose of the physical settlement of the granting made under the share-based plan.

The vesting of the first third of the shares granted has occurred during the first half of 2015, consequently 170.000 shares were given to the persons covered by the plan, as at 30 June 2015 340.000 shares granted will vest in future periods.

Accumulated losses

Accumulated losses in the amount of €12,637,703 (2014: €30,029,231), are mainly due to results obtained by the group in prior financial years, less the amount of share premiums used to cover losses.

25. EARNINGS PER SHARE

Basic	**30-jun-15**	**30-jun-14**
Profit attributable to equity holders of the parent	10,557,438	8,691,149
Average number of shares	95,433,390	93,905,006
Basic earnings per share	**0.111**	**0.093**

The average number of shares as at 30 June 2015 and 31 December 2014 is as follows:

	30-jun-15	30-jun-2014
Shares issued at the beginning of the year	95,542,254	88,500,000
Effect of shares issuance during the year	-	5,417,118
Average number of paid-up shares	95,542,254	93,917,118
Effect of treasury shares	(108,864)	(12,112)
Average number of shares during the year	**95,433,390**	**93,905,006**

As at 30 June 2015 and 31 December 2014, the company has no financial instruments with a diluting effect. The basic earnings per share are therefore equal to the diluted earnings per share.

26. TRADE AND OTHER PAYABLES

	30-jun-15	31-dez-14
Trade payable	25,854,444	26,785,786
Fixed asset suppliers	1,449,212	1,387,901
	27,303,656	**28,173,687**
Advances from clients	7,438,118	5,146,782
State and other public entities	6,168,734	3,761,639
Other creditors	4,902,864	6,850,333
Professional fees payable	14,386,204	12,622,993
Deferred income ROUs	4,199,952	4,306,123
Accrued expenses ROUs	1,297,287	1,287,615
Remunerations payable	19,850,747	18,333,219
Interest payable	117,935	146,778
Other deferred income	29,460	146,591
Other accrued expenses	7,142,039	8,655,083
	65,533,340	**61,257,156**
Income tax payable	2,908,392	1,441,138
Current total	**95,745,388**	**90,871,981**
Non-current trade payable	499,531	399,061
	96,244,919	**91,271,042**

The decrease of the caption Other creditors results mainly from the full payment of the balance with Banco Espirito Santo in the amount of €3,8 million as at June 2015 (December 2014: €5,04 million).

Lifetime rights of use (ROUs) are 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 recognised as income

during the expected lifetime of each client.

Accrued expenses related to ROUs result from the recognition of costs associated with lifetime rights of use agreements.

The increase in the heading State and Other Public Entities includes the effect of the vacation pay paid in June 2015.

27. BORROWINGS AND BANK OVERDRAFTS

As at 30 June 2015 and 31 December 2014, the balance of this caption was comprised of bank loans and other financing obtained at market interest rates. The break down based on maturity dates of the granted credit lines is as follows:

	Up to 6 months	6-12 months	12-24 months	24-36 months	36-48 months	More than 48 months	Total Jun 2015	Total Dec 2014	Avg. rate
Commercial paper	30,578,394	12,724,931	36,958,070	21,000,000	62,250,000	-	163,511,395	159,690,096	3.03%
Bank loan	2,777,450	2,221,681	5,381,260	7,964,476	875,000	2,500,000	21,719,867	22,013,960	3.96%
Current account	1,095,000	-	-	-	-	-	1,095,000	10,952,500	-
	34,450,844	**14,946,612**	**42,339,330**	**28,964,476**	**63,125,000**	**2,500,000**	**186,326,262**	**192,656,556**	

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. There is therefore no relevant difference between the book value and the fair value of the lines in use as at the reporting date.

All of the active credit lines are in Euros and are partially secured by the Group's real estate, as disclosed in note 29.

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

Some financing agreements contain change of control provisions that require that the controlling shareholder (Fosun Group) maintains a direct or indirect controlling position in the Company.

Following the change in the Company's shareholding structure (note 30), no notice was received concerning a change of control in the company as described above.

28. CONTINGENT LIABILITIES

As stated in the prospectus for the Initial Public Offering and admission to trading on Euronext, 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.

29. GUARANTEES

As at 30 June 2015, the break-down of guarantees granted to third parties is as follows:

Company	Bank	Beneficiary	Amount
LUZ SAÚDE	CGD	HL-SGE	105,000
HOSPOR	BST	ARS Norte	53,779
HOSPOR	BCP	DGCI	48,909
HOSPOR	BES	CTT – Contract Guarantee	2,500
HLUZ	CGD	IPO	21,000
Hospital Guimarães	BCP	Casa de Saúde de Guimarães - Insolvent estate	650,000
SURGICARE	Novo Banco	DGCI	2,291,014
VLUSITANO	BPI	EDP – Supply of energy	1,976
			3,174,178

Additionally, there are mortgages and promissory mortgages in favour of financial institutions as security for bank financing whose break-down is as follows:

Company	Security	Beneficiary	Amount
CLIRIA	Real estate	Barclays Bank Plc	8,674,705
ES USATI	Real estate	Banco Comercial Português (BCP)	96,000,000
ESS – RcSS	Real estate	Caixa Geral de Depósitos (CGD)	3,744,230
HAG	Real estate	Caixa Geral de Depósitos (CGD)	20,000,000
VILA LUSITANO	Real estate	Banco Português de Investimento (BPI)	8,700,000
VILA LUSITANO	Real estate	Banco Português de Investimento (BPI)	500,000
			137,618,935

30. RELATED PARTIES

Until 15 October 2014, Espírito Santo Control, with registered office in Luxembourg, was ultimate beneficial owner of the LUZ SAÚDE Group.

On 17 October 2014, and following the takeover bid for LUZ SAÚDE's share capital, Fidelidade – Companhia de Seguros S.A. has taken control over LUZ SAÚDE.

Fidelidade – Companhia de Seguros, SA is owned in 84,9861% by Longrun Portugal, SGPS, SA which is fully owned by Millenium Gain Limited headquartered in Hong Kong. This company is held in 100% by Fosun Financial Holdings Limited (Hong Kong), which is owned by Fosun International Limited, a company listed on the Hong Kong Stock Exchange (00656.HK). This company is owned in 79,6% by Fosun Holdings Limited, which is owned by Fosun International Holdings, Ltd. whose ultimate beneficial owner is Mr. Guo Guangchang, with an interest of 58% of the share capital.

Therefore, the following tables present a summary of the balances and transactions with Fosun and Espirito Santo Group. In respect of Espírito Santo Group, it is only presented comparative information for the consolidated profit and loss, as in 2015 Espirito Santo's group entities were no longer considered as related entities.

Fosun Group

	30-jun-15	31-dec-14
Third party receivables:		
Shareholders		
Companhia de Seguros Fidelidade	1,404,171	1,433,457
Other related parties		
Multicare	3,168,313	2,419,528
Via Direta – Companhia de Seguros, SA	762	790
Cares – Companhia de Seguros, SA	(531)	(504)
	4,572,715	**3,853,271**

	(6 months)	(6 months)
Income:		
Shareholders		
Companhia de Seguros Fidelidade – Services rendered	546,718	384,212
Other related parties		
Multicare – Services rendered	15,076,130	12,935,214
Via Direta – Companhia de Seguros, SA	3,105	9,191
Cares – Companhia de Seguros, SA – Services rendered	364	333
	15,626,317	**13,328,950**

Espírito Santo Group

Expenses	30-jun-2014 (6 months)
Other related parts	
BES – Interest	598,872
BES – Banking Services	277,774
Edenred Portugal – Goods and Services consumed	21,092
ES Resources – Goods and Services consumed	18,915
Esegur – Empresa de segurança – Goods and Services consumed	559,810
Esegur – Soluções de backoffice – Goods and Services consumed	4,357
Esumédica – Personnel expenses	121,509
Locarent – Goods and Services consumed	389,791
Multipessoal – ETT Goods and Services consumed	4,185
Multipessoal – SGL – Goods and Services consumed	475,547
Outsystems – Goods and Services consumed	67,500
Tranquilidade – Personnel expenses	721,779
Tranquilidade Goods and Services consumed	348,567
T-Vida Goods and Services consumed	3,841
	3,613,539

Income	30-jun-2014 (6 months)
Other related parties	
BES – Interest	77,189
BES – Other operating income	18,000
BES – Revenue from services rendered	19,875
BES Angola – Revenue from services rendered	3,977
BES Investimento – Revenue from services rendered	81
ES Seguros – Revenue from services rendered	2,972,547
Esumédica – Revenue from services rendered	40,587
Europe Assistance – Revenue from services rendered	1,484
Seguros Logo – Revenue from services rendered	70,512
Tranquilidade – Revenue from services rendered	5,954,283
	9,158,535

The amounts reported as income are primarily related to healthcare services provided by LUZ SAÚDE units, namely to insurance companies, at normal market rates.

The amounts reported as expenses are related to the normal business of the respective entities and are related to bank financing, finance leases, insurance and other services 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 11.

31. 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, policies and practices for measuring and managing these risks and managing of the Group's funds in general. Further disclosures of a quantitative nature are presented throughout these financial statements.

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

Credit risk

Credit risk arises from the possibility that financial losses may occur due to a client's default on contractual obligations with the Group in the course of its business. Client portfolios and their outstanding balances are managed on an on-going basis.

In addition to this approach, improvements are continually made both to the methods and tools used for risk assessment and control when vesting clients and setting credit limits, as well as to debt collection procedures and cycles.

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

The Group's credit risk exposure essentially arises from accounts receivable from its business activities and is affected by the specific characteristics of each client. Demographic and geographic characteristics of clients have no significant impact on their credit risk.

The Group defined a credit policy 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.

Under the payment system in force at Hospital Beatriz Ângelo, at the beginning of each month, the State 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 set production limit can be surpassed, such as emergency medical care and hospitalisation) is settled over the course of the following financial year. It is worth noting that, to date, the State has complied with the terms of this contractual mechanism, namely with respect to settling the aforementioned monthly payments.

As at 30 June 2015 and 31 December 2014, consolidated trade receivable balance was detailed as follows:

	30-jun-15	31-dec-14
Private healthcare	73,526,995	70,699,575
Public healthcare	2,237,235	11,647,003
Other segments and eliminations	192,500	26,208
Accounts receivable, net of impairment losses	**75,956,730**	**82,372,786**

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

Trade receivable ageing in the healthcare private segment	**30-jun-15**	**31-dec-14**
0-3 months	50,755,013	18,430,375
3-6 months	18,641,227	31,292,706
6-12 months	4,537,931	16,052,821
12-24 months	1,265,243	4,387,548
> 24 months	4,892,857	7,616,043
	80,092,271	**77,779,493**
Accumulated impairment	(6,565,276)	(7,079,918)
Trade receivable (net)	**73,526,995**	**70,699,575**

The majority of trade receivable outstanding, with 24 months overdue, had already been adjusted for impairment as at 30 June 2015.

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 centralised in the Finance Department 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.

On 30 June 2015, the unused amount of the credit lines in place (including commercial paper programmes) was approximately €17.5 million (2014: €22.8 million). Commercial paper issuings whose programmes do not contain an underwriting provision are registered under current liabilities, although it is expected that the arranging and dealing banks will be able to obtain the necessary funds through their distribution channels.

To finance its business, the Group has the credit lines referred to in notes 19 and 27.

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

	30-jun-15					31-dez-14
	Finance leases	Bank Loans	Commercial paper	Other liabilities (*)	Total	
Under 12 months	7,306,808	6,094,131	43,303,325	84,077,858	140,782,122	133,061,937
12 to 24 months	4,044,086	5,381,260	36,958,070	499,531	46,882,947	26,044,116
24 to 36 months	3,366,825	7,964,476	21,000,000	-	32,331,301	56,992,946
36 to 48 months	2,762,201	875,000	62,250,000	-	65,887,201	27,173,469
49 to 60 months	2,551,407	2,500,000	-	-	5,051,407	53,598,482
Over 60 months	4,537,670	-	-	-	4,537,670	5,875,126
	24,568,997	**22,814,867**	**163,511,395**	**84,577,389**	**295,472,648**	**302,746,076**

(*) Excludes non-financial liabilities and advances from clients

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.

No financial instruments are used to hedge this market risk.

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The main methodologies and assumptions used in estimating the fair value of the financial assets and liabilities mentioned above are as follows:

Cash and banks

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

Trade receivable

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

Trade payable

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

Bank loans

The fair value of these financial instruments is estimated by updating the expected principal and interest cash flow, assuming 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. Taking into account that the applicable interest rates are floating and the financial liabilities' maturity, there are no material differences between the carrying value and the fair value of these financial liabilities.

33. SUBSEQUENT EVENTS

Acquisition of control of HME

On 24 of July 2015, Luz Saúde increased its shareholding from 50% to 100% in the investee HME. Following this transaction the Group has taken control on this subsidiary and will consolidated it through the full method.

The Chartered Accountant	The Board of Directors
(Sónia Amoedo Matos)	(Jorge Manuel Batista Magalhães Correia)
	(Isabel Maria Pereira Aníbal Vaz)
	(Changzeng Ma)
	(José Manuel Alvarez Quintero)
	(Xiao Qiang Li)
	(Lingjiang Xu)
	(Ivo Joaquim Antão)
	(João Paulo da Cunha Leite de Abreu Novais)
	(José Filipe de Sousa Meira)
	(Tomás Leitão Branquinho da Fonseca)

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(Free Translation of a report originally issued in Portuguese)

Auditor Report on the Consolidated Accounts

Introduction

1. In accordance with applicable legislation, we present the Auditor's Report on the financial information contained in the Management Report and the interim consolidated financial statements as at 30 June 2015 of Luz Saúde, S.A., comprising the Consolidated Statement of Financial Position (which shows a total of 508.567.311 Euros and shareholders' equity of 192.323.418 Euros, including a net income for the period attributable to the equity holders of the company of 10.557.438 Euros), the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flows Statement, for the period of six months then ended, and the related Notes to the financial statements.

Responsibilities

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

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

Scope

4. Our audit was conducted in accordance with the auditing and technical standards issued by the Institute of Statutory Auditors, which require an audit to be planned and performed with the objective of obtaining an acceptable level of assurance as to whether the interim consolidated financial statements are free of material misstatement. As such, our audit included:
   - the verification that the financial statements of the companies included in the interim consolidated financial statements were appropriately examined and the assessment of the significant estimates and judgements made by the Board of Directors in it preparation;
   - the verification of the consolidation process;
   - the assessment as to whether the accounting policies adopted, their uniform use and their disclosure are appropriate under the circumstances;
   - the verification of the appropriateness of the going concern principle;
   - the assessment as to whether the overall presentation of the interim consolidated financial statements is reasonable; and
   - the assessment as to whether the interim consolidated financial information is complete, accurate, current, clear, objective and compliant.

5. Our audit also covered the verification of the consistency of the interim consolidated financial information in the Management Report, with the other documents comprising the financial statements.

6. We believe that this audit provides an acceptable basis for the expression of our opinion.

Opinion

7. In our opinion, the interim consolidated financial statements referred to above, present a true and fair view, in all material respects, of the consolidated financial position of Luz Saúde, S.A. at 30 June 2015, the consolidated results and comprehensive income of its operations, consolidated changes in equity and consolidated cash flows for the period of six months then ended in conformity with International Financial Reporting Standards as endorsed by the European Union, and the information therein is complete, accurate, current, clear, objective and compliant.

Report on other legal requirements

8. It is also our opinion that the interim financial information presented in the Management Report is in agreement with the interim consolidated financial statements for the period.

Lisbon, 14 August 2015

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

(Signed)

Ricardo Filipe de Frias Pinheiro (ROC nº 739)