Interim Consolidated Financial Report

30 June 2017

LUZ SAÚDE

Consolidated Management Report

HIGHLIGHTS

In the first half of 2017, our business continued to grow organically and through geographic expansion of our private network, with the implementation of an ambitious expansion program of the existing units that will fuel the Group's growth trajectory and consolidation of its leadership in the Portuguese private healthcare sector through selective acquisitions:

- Consolidated operating revenues increased by 4.3% vis-à-vis 2016 H1, reaching €241.2 million, mainly influenced by the 4.9% growth of the private segment;
- Consolidated EBITDA of €26.8 million in 2017 H1 and EBITDA margin of 11.1%, representing a 1 p.p. decrease versus 2016 H1;
- Net Income attributable to shareholders was €8.7 million (versus €10.0 million in 2016 H1);
- Total investment of €35.5 million, of which €24.5 million represents private network expansion investment, both geographically with the acquisition of two units in Madeira, the construction of a new unit in Vila Real and the refurbishing of a new unit to be opened in Odivelas, and in existing units with the investment in progress in increasing the capacity of Hospital da Luz Lisboa and Hospital da Luz Oeiras;
- In July, the acquisition of the British Hospital Group was completed, which will contribute to the consolidation of the presence of the Luz Saúde Group in the Lisbon region.

OVERALL PERFORMANCE

Consolidated Income Statement

(Million Euro)	2016 H1[1]	2017 H1[1]	Var.
Operating revenues	**231.2**	**241.2**	**4.3%**
Operating costs	(203.2)	(214.4)	5.5%
EBITDA	**28.0**	**26.8**	**-4.2%**
EBITDA margin	12.1%	11.1%	-1.0 p.p.
Depreciation	(11.7)	(12.5)	7.2%
EBIT	**16.3**	**14.3**	**-12.3%**
EBIT margin	7.0%	5.9%	-1.1 p.p.
Financial results	(3.5)	(3.3)	-3.5%
EBT	**12.8**	**11.0**	**-14.7%**
Taxes	(2.9)	(2.1)	-29.6%
Net Income	**9.9**	**8.9**	**-10.2%**
Non-controlling interests	(0.15)	0.14	N.A.
Net Income attributable to Shareholders	**10.0**	**8.7**	**-13.0%**
EPS (Euro)	0.106	0.092	-13.9%

[1] Non-audited values

In 2017 H1, Luz Saúde consolidated operating revenues increased by 4.3% vis-à-vis 2016 H1, reaching €241.2 million, mainly driven by activity growth of 4.9% on the private healthcare segment.

EBITDA reached €26.8 million in 2017 H1 and EBITDA margin reached 11.1%, a 1 p.p. decrease vis-à-vis 2016 H1. This evolution was reflected on the net income attributable to shareholders of €8.7 million, representing a 13.0% decline versus 2016 H1.

OPERATING REVENUES PERFORMANCE

Operating revenues by segment

(Million Euro)	2016 H1	2017 H1[1]	Var.
Consolidated operating revenues	**231.2**	**241.2**	**4.3%**
Private Healthcare	181.6	190.5	4.9%
Public Healthcare	47.6	48.8	2.7%
Other businesses	4.9	7.5	53.5%
Corporate center	6.8	8.0	18.4%
Eliminations	(9.6)	(13.6)	42.0%

[1] Non-audited values

The private healthcare segment operating revenues totaled €190.5 million, 4.9% above 2016 H1. This growth was mainly fueled by the acquisition of two units in Madeira, by the turnaround process in Hospital da Luz – Guimarães (acquired in 2016) and by the organic growth of the existing units, although conditioned by capacity constraints, especially in the units in the Lisbon region.

The public healthcare segment operating revenues increased to €48.8 million, as a consequence of an improvement of case mix index vis-à-vis 2016 H1.

The other businesses segment obtained €7.5 million operating revenues, an increase due to the consolidation of operations of GLSMED Trade, an internal logistics company, as well as the start of GLS Learning Health, a company dedicated to medical training and research.

RESULTS PERFORMANCE

Consolidated EBITDA and EBITDA margin

	2016 H1		2017 H1[1]		
	€ million	Margin	€ million	Margin	Var.
Consolidated results	**28.0**	**12.1%**	**26.8**	**11.1%**	**-4.2%**
Private Healthcare	31.0	17.1%	31.0	16.3%	-0.3%
Public Healthcare	(2.1)	-4.5%	(2.9)	-5.9%	35.5%
Other businesses	0.2	4.8%	0.4	5.6%	79.3%
Corporate center	(1.2)	N.A.	(1.7)	N.A.	N.A.

[1] Non-audited values

In consolidated terms, Luz Saúde's EBITDA was €26.8 million and EBITDA margin decreased from 12.1% in 2016 H1 to 11.1% in 2017 H1.

On the private healthcare segment, EBITDA stayed at €31.0 million and the EBITDA margin decreased from 17.1% in 2016 H1 to 16.3% in 2017 H1. Part of this evolution was due to a generalized pressure for price reduction by some relevant payers, not always recognizing the high differentiation of healthcare provided by the Group units. This evolution was also due to the operational investment, translated in this phase into personnel costs, to reinforce the support structures for the acquisition activities, to the development of new business areas and client service, specialized training and centralization of services, together with personnel restructuring at the units level, in harmony with the strategy of increasing capacity.

On the public healthcare segment, EBITDA margin decreased from -4.5% to -5.9%, as a result of the increase of personnel costs (increase in the number of residents and full year effect of personnel expenses growth in 2016), the growth in costs with anti-retroviral therapy for HIV and the level of provisions, partially offset by positive impact obtained through efficiency improvement initiatives.

In relation to the acknowledgment of the right of Hospital Beatriz Ângelo to receive payment for additional healthcare services rendered in outpatient context to HIV/AIDS patients, the manager entity of the Hospital has triggered the mechanisms of dispute resolution set out in the Management Contract. This corresponds to a measure with significant impact in the hospitals' financial performance. In particular, for Hospital Beatriz Ângelo, the recognition of this right would represent an estimated impact of € 2.2 million for 2017 H1 (vs. €1.8 million in 2016H1).

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

ARSLVT, where it operates.

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

BALANCE SHEET

Consolidated Balance Sheet

(Million Euro)	2016 Dec	2017 Jun[1]
Fixed assets	377.3	400.1
Working capital	50.8	47.4
Net debt	212.8	254.5
Net debt / EBITDA	4.1	4.7

[1] Non-audited values

In 2017 H1, Luz Saúde consolidated CAPEX was €35.5 million, of which €24.5 million corresponded to expansion CAPEX, whether in geographic expansion, through the acquisition of two units in Madeira, as well as the construction of a new unit in Vila Real, and in existing units with the investment in progress in increasing the capacity of Hospital da Luz Lisboa and Hospital da Luz Oeiras, which will allow to respond to current capacity constraints and demand satisfaction. The remainder €11.0 million corresponded to replacement and technological upgrade CAPEX, distributed across the Group's facilities, with emphasis on the continued investment in the area of imaging diagnostic.

With this investment, total fixed assets amounted to € 400.1 million at the end of the reporting period, explained by the company's strategy of detaining most of its assets, with a significant real estate portfolio, which includes both healthcare units and the land where the said units are located.

Working capital decreased €3.4 million, reaching €47.4 million by the end of 2017 H1, despite the maintenance of historically high receivables days.

By the end of 2017 H1, Luz Saúde consolidated financial debt totaled €288.0 million, with €254.5 million in bank loans and €33.5 million in financial leases, with an overall average maturity of 3.7 years. Net debt reached €254.5 million, representing a €41.2 million increase from 2016 EOY value, mainly driven by investments in expansion. This increase combined with the evolution of EBITDA levels led to an increase of Net debt / EBITDA to 4.7 times, comparing to 4.1 in 2016 EOY.

OUTLOOK FOR 2017

In 2017 Q1, the Portuguese economy grew by 2.8% (National Bureau of Statistics data), a figure well above the growth experienced by the Euro Zone (1.9% and 2.2%). Unemployment, as of June 2017, fell to 8.8% (from 11.1% of the working population in the end of 2016), bringing Portugal below to the level of unemployment in the Euro zone (9.1%). For the remainder of 2017, estimates of economic growth are being reviewed according to the growth level experienced in the beginning of the year.

The health insurance market in Portugal increased the level of growth in 2017 H1, with a 11.7% increase in the amount of premiums issued compared to 2016 H1, and this growth path is expected to continue in 2017.

Regarding health subsystems, the process underway to change the governance structure of ADSE represents, in the opinion of Luz Saúde Group, an opportunity for this payer to evolve towards a functioning model with greater participation of the beneficiaries and the different stakeholders, in the direction of a greater sustainability of the system, without compromising freedom of choice and quality.

For the remainder of 2017, Luz Saúde will focus on leveraging the high demand for its services in the private health care segment, specifically in response to the high growth of health insurance, by continuously improving the utilization of installed capacity, asset turnover and, consequently, overall profitability.

At the same time, the company will continue its expansion plans, namely at Hospital da Luz Oeiras, whose phased opening will take place in 2017 second half (the first phase already opened in the end of July), in the opening of a new ambulatory unit in Odivelas in October 2017, the doubling of the installed capacity of Hospital da Luz Lisboa and the development of a new Hospital in Vila Real. In addition, Luz Saúde will be focused in the turnaround of recently acquired units (Guimarães and Madeira), in order to potentiate their growth and improve their profitability. Finally, Luz Saúde will continue to be active in materializing consolidation opportunities in the domestic market.

Regarding the recently acquired British Hospital Group, Luz Saúde's focus will be on the development of its operational activity, as well as on the articulation with the other units, which will consolidate Luz Saúde Group's position in the Lisbon region and, in particular, help to meet the current capacity constraints and consequent demand satisfaction.

On the public healthcare segment, the Group will be focused on maintaining the high standards of quality and clinical effectiveness of the services provided to its patients and on efficiency enhancement initiatives, in particular the referral capacity of patients to the continuous care network and the resolution of social cases that increase pressure the Hospital’s inpatient capacity, in order to improve Hospital Beatriz Ângelo’s profitability levels.

Regarding the international expansion of Luz Saúde, the Group proceeds with the development of a private health unit in Luanda in conjunction with its shareholder Fidelidade

already present in this market through the Universal insurance company. At the same time, the active analysis of expansion opportunities for other geographies will be maintained, in the context of the shareholder Fidelidade / Fosun.

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.

Luz Saúde, S.A.

Contacts	
Market Relations Representative of Luz Saúde João Novais	**Investor Relations of Luz Saúde** Jorge Santos
Email: investors@luzsaude.pt Phone: + 351 213 138 260 Fax: + 351 213 530 292	

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 2017

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 2017.

Members of the management and supervisory bodies	Shareholdings as at 31 December 2016	Additions during the period	Decreases during the period	Shareholdings as at 30 June 2017
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 2017, 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, the transactions made by company managers during the period between 31 December 2016 and 30 June 2017.

Manager	Date	Type	ISIN Code	Volume	Price (Euros)	Place
Isabel Maria Pereira Aníbal Vaz	10.01.2017	Purchase	PTEPT0AM0005	50,000	N.A.*	Off-market*
João Paulo da Cunha Leite de Abreu Novais	05.01.2017	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*
Tomás Leitão Branquinho da Fonseca	05.01.2017	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*
Ivo Joaquim Antão	06.01.2017	Purchase	PTEPT0AM0005	40,000	N.A.*	Off-market*

* These transactions were done as part of the share-based payment program approved at

Shareholders' Annual Meeting.

LIST OF QUALIFIED SHAREHOLDERS AS AT 30 JUNE 2017

The Company's share capital and voting rights as at 30 June 2017 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 30.06.2016)	Number of Shares	Capital (%)	Voting rights (%)
Fidelidade – Companhia de Seguros, S.A.	94,384,363	98.79	98.79

INFORMATION ABOUT OWN SHARES

Under the share-based payment program, the following operations were performed with Luz Saúde shares:

	Number of shares	Value
Balance on 1 April 2016	170,000	654,500
Acquisition of own shares	-	-
Distribution of own shares according to the governing bodies' remuneration plan	170,000	654,500
Balance on 30 June 2016	-	-

On 30 June 2017, there were no own shares of Luz Saúde, S.A. share capital.

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

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

a) The first six months of 2017 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 2017 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)

(Chen Qiyu)

(José Manuel Alvarez Quintero)

(Tucson Dunn II)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Rogério Miguel Antunes Campos Henriques)

(Tomás Leitão Branquinho da Fonseca)

Condensed Consolidated Financial Statements

Condensed consolidated statement of comprehensive income for the period ended 30 June 2017

In euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-17	30-jun-16
Income and gains			
Revenue from services rendered	3	240,674,623	230,649,504
Other operating income		535,989	554,984
Finance income		3,585	33,398
Total income and gains		**241,214,197**	**231,237,886**
Expenses and losses			
Inventories consumed and sold		(37,313,804)	(35,652,846)
Costs of services and materials	4	(108,516,736)	(103,881,109)
Personnel expenses	5	(66,160,699)	(62,230,548)
Depreciation and amortisation	6	(12,531,667)	(11,694,542)
Other operating expenses		(532,520)	(467,248)
Provisions, net of reversals		(1,233,010)	(646,267)
Impairment of receivables, net of reversals		(629,325)	(334,482)
Finance expenses		(3,342,466)	(3,494,311)
Total expenses and losses		**(230,260,227)**	**(218,401,353)**
Profit before income tax		**10,953,970**	**12,836,533**
Income tax expense		(2,075,030)	(2,946,759)
Profit for the period		**8,878,940**	**9,889,774**
Other comprehensive income:			
Items that maybe reclassified to results:			
Cash flow hedges	13	1,210,731	(5,181,404)
Deferred tax related with cash flow hedges	13	(254,254)	1,102,551
Other comprehensive income for the period		**956,477**	**(4,078,853)**
Comprehensive income for the period		**9,835,417**	**5,810,921**
Profit attributable to:			
Equity holders of the parent		8,735,945	10,039,342
Non-controlling interests		142,995	(149,568)
Comprehensive income attributable to:			
Equity holders of the parent		9,692,422	5,960,489
Non-controlling interests		142,995	(149,568)
Basic earnings per share	10	0.091	0.106
Diluted earnings per share	10	0.091	0.106

Notes are an integral part of these condensed consolidated financial statements

Condensed consolidated statement of financial position as at 30 June 2017 and 31 December 2016

In euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-17	31-dec-16
Assets			
Non-current assets			
Property, plant and equipment	6	283,624,197	263,142,893
Intangible assets	6	115,527,722	113,101,625
Investments in associates		922,433	1,007,433
Other receivables	7	1,036,057	1,064,830
Deferred tax assets		1,463,665	997,906
Total non-current assets		**402,574,074**	**379,314,687**
Current assets			
Inventories		10,367,079	9,828,795
Trade receivables	7	103,132,696	105,570,792
Other receivables	7	91,676,254	45,378,717
Cash and cash equivalents	8	33,511,499	41,486,834
Total current assets		**238,687,528**	**202,265,138**
Total assets		**641,261,602**	**581,579,825**
Shareholders' Equity			
Equity and reserves			
Share capital		95,542,254	95,542,254
Treasury shares	9	-	(656,388)
Share premium		61,795,793	61,795,793
Reserves and retained earnings		67,781,855	58,745,821
Total equity attributable to equity holders of the parent		**225,119,902**	**215,427,480**
Non-controlling interests		2,027,971	1,619,692
Total shareholders' equity		**227,147,873**	**217,047,172**
Liabilities			
Non-current liabilities			
Provisions		9,669,093	8,427,083
Borrowings	12	227,456,710	207,655,198
Derivative financial instruments	13	3,192,369	4,731,582
Finance lease liabilities	12	26,411,307	22,360,697
Total non-current liabilities		**266,729,479**	**243,174,560**
Current liabilities			
Trade payables	11	35,311,424	34,966,322
Other payables	11	81,004,038	66,805,612
Borrowings and bank overdrafts	12	23,896,699	13,501,947
Current income tax payable	11	133,298	221,216
Finance lease liabilities	12	7,038,791	5,862,996
Total current liabilities		**147,384,250**	**121,358,093**
Total liabilities		**414,113,729**	**364,532,653**
Total shareholders' equity and liabilities		**641,261,602**	**581,579,825**

Notes are an integral part of these condensed consolidated financial statements

Condensed consolidated statement of changes in shareholders' equity for the period ended 30 June 2017

In euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Share capital	Treasury shares	Share premium	Reserves and retained earnings	Non-controlling interests	Total
Balance as at 1 January 2016	95,542,254	(1,312,777)	61,795,793	45,949,380	1,731,660	203,706,310
Transactions with owners in their capacity as owners						
Share-based payments						
Vesting of shares granted	-	656,389	-	(656,389)	-	-
Fair value of the services of the period	-	-	-	90,667	-	90,667
Share capital increase in subsidiaries	-	-	-	-	1,250,000	1,250,000
Total transactions with owners in their capacity as owners	**-**	**656,389**	**-**	**(565,722)**	**1,250,000**	**1,340,667**
Comprehensive income for the period						
Profit for the period	-	-	-	10,039,342	(149,568)	9,889,774
Other comprehensive income for the period	-	-	-	(4,078,853)	-	(4,078,853)
Total comprehensive income for the period	**-**	**-**	**-**	**5,960,489**	**(149,568)**	**5,810,921**
Balance as at 30 June 2016	**95,542,254**	**(656,388)**	**61,795,793**	**51,344,147**	**2,832,092**	**210,857,898**
Balance as at 1 January 2017	95,542,254	(656,388)	61,795,793	58,745,821	1,619,692	217,047,172
Transactions with owners under capacity as owners						
Acquisition of non-controlling interests	-	-	-	-	265,284	265,284
Share-based payments						
Vesting of shares granted	-	656,388	-	(656,388)	-	-
Total direct change in shareholders' equity	**-**	**656,388**	**-**	**(656,388)**	**265,284**	**265,284**
Profit for the period	-	-	-	8,735,945	142,995	8,878,940
Other comprehensive income for the period	-	-	-	956,477	-	956,477
Total comprehensive income for the period	**-**	**-**	**-**	**9,692,422**	**142,995**	**9,835,417**
Balance as at 30 June 2017	**95,542,254**	**-**	**61,795,793**	**67,781,855**	**2,027,971**	**227,147,873**

Notes are an integral part of these condensed consolidated financial statements

Condensed consolidated statement of cash flows for the period ended 30 June 2017

In euros

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

	Notes	30-jun-17	30-jun-16
Operating activities			
Receipts from customers		224,394,078	207,505,484
Payments to suppliers		(141,923,134)	(139,342,225)
Payments to employees		(35,919,310)	(34,948,213)
Cash flow generated from operations		46,551,634	33,215,046
Income tax paid		(72,123)	(2,374,971)
Other receipts/(payments) related with operating activities		(24,676,222)	(25,143,822)
Net cash flow generated from operating activities		**21,803,289**	**5,696,253**
Investing activities			
Proceeds from:			
Sale of property, plant and equipment	6	35,988	21,282
Investments in associates and joint-ventures		90,000	82,000
Investment grants		49,000	-
Interest received		275	759
Payments related with:			
Purchase of property, plant and equipment	6	(20,747,458)	(11,582,330)
Purchase of intangible assets	6	(19,840)	(15,485,324)
Investments in associates		(8,475,468)	(86,927)
Loans to subsidiaries		(26,100,000)	-
Net cash flow used in investing activities		**(55,167,503)**	**(27,050,540)**
Financing activities			
Proceeds from:			
Proceeds from borrowings		295,222,854	281,424,254
Share capital increase		-	375,015
Payments related with:			
Repayment of borrowings		(263,825,943)	(261,299,087)
Repayment of financial lease liabilities		(2,897,332)	(3,393,195)
Interest and other similar expenses paid		(3,252,549)	(2,548,653)
Net cash flow used in financing activities		**25,247,030**	**14,558,334**
Change in cash and cash equivalents	8	**(8,117,184)**	**(6,795,953)**
Changes in perimeter	15	141,849	-
Cash and cash equivalents at the beginning of the period	8	41,486,834	29,407,691
Cash and cash equivalents at the end of the period	8	**33,511,499**	**22,611,738**

Notes are an integral part of these condensed consolidated financial statements

Notes to the condensed consolidated financial statements for the period of six months ended 30 June 2017

(Amounts expressed in Euros)

(FREE TRANSLATION FROM THE ORIGINAL VERSION IN PORTUGUESE)

1. INTRODUTORY NOTE 6
2. SEGMENT REPORTING 7
3. REVENUE FROM SERVICES RENDERED 11
4. COSTS OF SERVICES AND MATERIALS 11
5. PERSONNEL EXPENSES 12
6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS 12
7. TRADE AND OTHER RECEIVABLES 13
8. CASH AND CASH EQUIVALENTS 14
9. TREASURY SHARES 14
10. EARNINGS PER SHARE 14
11. TRADE AND OTHER PAYABLES 15
12. INTEREST-BEARING LIABILITIES 16
13. DERIVATIVE FINANCIAL INSTRUMENTS 17
14. RELATED PARTIES 18
15. BUSINESS COMBINATIONS 19
16. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 20
17. MAIN ACCOUNTING POLICIES 21
18. SUBSEQUENT EVENTS 21

1. INTRODUTORY NOTE

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

Luz Saúde, SA (hereinafter Luz Saúde, or the Company) is a limited liability company, with registered office in Lisbon, being the parent company of Luz Saúde Group, a Group 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 NHS hospitals under Public Private Partnership (PPP).

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

These condensed consolidated financial statements, for the period of six months ending on 30 June 2017 were approved and authorised by the Board of Directors on 28 August 2017.

In the period of six months ended 30 June 2017, the financial position and economic performance of the Group was affected by the following events:

- Acquisition of control of the healthcare units of "Clínica de Santa Catarina" and "Policlínica do Caniço" located in Madeira Autonomous region;
- Continuation of the expansion work of the health units of "Hospital da Luz Lisboa", "Hospital da Luz Clínica de Oeiras", "Hospital da Luz Clínica de Odivelas" and "Hospital da Luz Vila Real";
- Formalization of the partnership with the Cascais City Hall, the Portuguese Catholic University and the University of Maastricht with the creation of the first medical course and creation of a hospital unit in Cascais;
- Financial investments in the companies with the aim of expanding the Group's operations.

1.2. CHANGES IN GROUP COMPOSITION

The composition of the Group as at 30 June 2017 is presented in Annex I to these condensed consolidated financial statements. In the periods ended 30 June 2017 and 2016, the following operations changed the Group composition, the businesses acquired were fully consolidated, since the date that control is acquired:

i. 2017: Acquisition of 81.35% of "S.C.H. Sociedade Clínica Hospitalar, SA"

In 15 march 2017, Luz Saúde acquired 81,35% of S.C.H. Sociedade Clínica Hospitalar, SA and Núcleo de Imagem Diagnóstica, Lda.

ii. 2016: Acquisition of the businesses of "Hospital Privado de Guimarães" and "Clihotel de Gaia"

In 19 January 2016, the subsidiary "Hospital da Luz – Guimarães, SA" (HLG) completed the operation of acquisition of the businesses and assets previously operated by "Casa de Saúde Guimarães".

2. SEGMENT REPORTING

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

- Private healthcare;
- Public healthcare;
- Other activities;
- Corporate center (before named as Holding company and shared services).

The private healthcare segment includes the following units:

- Eight 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.

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

- Two residential hospitals, 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. This segment also includes the logistics and learning businesses.

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

The main information on the results for the financial periods ended on 30 June 2017 and 2016 of the different business segments is as follows:

June 2017

	Private healthcare	Public healthcare	Other activities	Corporate Center	Eliminations and adjustments	Consolidated
Operating Income						
External clients	189,274,156	48,696,272	2,587,110	-	117,085	240,674,623
Intersegment	759,452	-	4,835,227	7,907,128	(13,501,807)	-
Other operating income and gains	440,824	125,572	52,239	108,811	(191,457)	535,989
Total operating income	**190,474,432**	**48,821,844**	**7,474,576**	**8,015,939**	**(13,576,179)**	**241,210,612**
Total operating costs	(169,600,449)	(53,378,232)	(7,531,326)	(9,983,933)	13,576,179	(226,917,761)
Operating result by segment	**20,873,983**	**(4,556,388)**	**(56,750)**	**(1,967,994)**	**-**	**14,292,851**
Finance costs						(3,342,466)
Finance income						3,585
Financial results						**(3,338,881)**
Profit before income tax						**10,953,970**
Income tax expense						(2,075,030)
Profit/(loss) attributable to non-controlling interests	144,982	(1,987)	-	-	-	142,995
Profit attributable to equity holders of the parent						**8,735,945**

June 2016

	Private healthcare	Public healthcare	Other activities	Corporate Center	Eliminations and adjustments	Consolidated
Operating Income						
External clients	180,992,154	47,442,310	2,135,764	4,457	74,819	230,649,504
Intersegment	73,188	-	2,702,292	6,648,234	(9,423,714)	-
Other operating income and gains	504,088	114,439	26,336	119,581	(209,460)	554,984
Total operating income	**181,569,430**	**47,556,749**	**4,864,392**	**6,772,272**	**(9,558,355)**	**231,204,488**
Total operating costs	(159,864,165)	(51,463,672)	(4,943,831)	(8,193,729)	9,558,355	(214,907,042)
Operating result by segment	**21,705,265**	**(3,906,923)**	**(79,439)**	**(1,421,457)**	**-**	**16,297,446**
Finance costs						(3,494,311)
Finance income						33,398
Financial results						**(3,460,913)**
Profit before income tax						**12,836,533**
Income tax expense						(2,946,759)
Profit/(loss) attributable to non-controlling interests	(146,015)	(3,553)	-	-	-	(149,568)
Profit attributable to equity holders of the parent						**10,039,342**

As regards the size of the Group's main clients, only three represent more than 10% of the operating income of the respective segment. In the private healthcare segment, ADSE and Multicare, represent approximately 42% 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.

The break down of assets and liabilities by business segment and respective reconciliation with the consolidated figures as at 30 June 2017 and 31 de December of 2016 is as follows:

June 2017

	Private healthcare	Public healthcare	Other activities	Corporate Center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	238,372,379	6,699,681	37,484,426	1,067,711	-	283,624,197
Intangible assets	110,122,863	54,882	56,198	5,293,779	-	115,527,722
Inventories, trade and other receivables	147,942,278	36,134,442	4,103,692	48,796,581	(30,764,907)	206,212,086
Other assets	20,821,790	3,348,227	73,021	424,065,460	(413,333,334)	34,975,164
Investments in associates and joint-ventures	-	-	-	922,433	-	922,433
Total consolidated assets						**641,261,602**
Liabilities						
Trade and other payables	80,413,029	19,128,722	7,083,294	11,070,383	(1,379,966)	116,315,462
Other liabilities	231,600,009	41,735,878	4,806,520	231,400,500	(211,744,640)	297,798,267
Total consolidated liabilities						**414,113,729**

December 2016

	Private healthcare	Public healthcare	Other activities	Corporate Center	Eliminations and adjustments	Consolidated
Assets						
Property, plant and equipment	212,540,419	8,136,847	38,181,941	989,539	3,294,147	263,142,893
Intangible assets	109,536,649	50,061	66,688	3,462,362	(14,135)	113,101,625
Inventories, trade and other receivables	141,873,750	27,449,127	3,413,365	15,006,910	(25,900,018)	161,843,134
Other assets	31,786,382	10,538,660	388,943	416,078,866	(416,308,111)	42,484,740
Investments in associates and joint-ventures	-	-	-	1,007,433	-	1,007,433
Total consolidated assets						**581,579,825**
Liabilities						
Trade and other payables	83,778,359	22,192,636	7,152,921	10,466,441	(21,818,423)	101,771,934
Other liabilities	227,119,257	35,581,717	4,218,690	185,257,129	(189,416,074)	262,760,719
Total consolidated liabilities						**364,532,653**

3. REVENUE FROM SERVICES RENDERED

	30-jun-17	30-jun-16
Hospitals and outpatient clinics	183,340,391	175,218,742
NHS hospitals	48,696,272	47,442,310
Residential hospitals	5,741,148	5,310,443
Senior residences with services	2,149,461	2,043,554
Other services	747,351	634,455
	240,674,623	**230,649,504**

Increase of the captions Hospitals and outpatient clinics and Residential hospitals includes the effects of (i) consolidation of the businesses of "Clínica de Santa Catarina" and "Policlínica do Caniço" (note 1.2 e 15) acquired in March 2017, (ii) consolidation of the activity of 6 months of the healthcare units of "Hospital da Luz Guimarães" and "Hospital do Mar Cuidados Especializados de Gaia" which in 2016 have contributed with the activity of 5 months, given its acquisition by the Group in February 2016, and (iii) the general increase of activity towards the comparative period.

The caption of Other services includes mainly the amounts related with the rental of the parking areas of the healthcare units of the Group.

4. COSTS OF SERVICES AND MATERIALS

	30-jun-17	30-jun-16
Subcontracts	47,609,490	47,421,660
Professional fees	34,376,936	32,826,478
Specialised work	7,677,780	6,735,225
Maintenance and repair	4,785,878	4,441,079
Rent and leases	4,335,003	3,550,360
Electricity	2,737,101	2,387,131
Security services	1,247,418	1,166,650
Communication	763,319	823,702
Fuel and other fluids	761,855	898,988
Advertising	923,985	750,851
Travel and accommodation	898,905	619,107
Insurance	610,888	571,895
Water	432,174	612,368
Materials	482,790	399,100
Other materials and services consumed	873,214	676,515
	108,516,736	**103,881,109**

The increase of this heading is due to (i) the inclusion in the consolidation scope of the subsidiaries "SCH Sociedade Clínica Hospitalar, SA" and "Núcleo de Imagem Diagnóstica, Lda", (ii) the consolidation of the activity of 6 months of" Hospital da Luz Guimarães" and "Hospital do Mar Cuidados Especializados de Gaia" (note 1.2) and (iii) the general increase of activity towards the comparative period.

Professional fees and subcontracts record mainly the amounts paid to healthcare professionals in the Group's units.

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

5. PERSONNEL EXPENSES

	30-jun-17	30-jun-16
Corporate body remunerations	1,813,918	2,088,747
Personnel wages and salaries	51,424,165	47,549,143
Payroll related expenses	11,282,565	10,573,876
Insurance	869,137	976,922
Other personnel expenses	770,914	1,041,860
	66,160,699	**62,230,548**

The average number of Group employees at the end of the period ended at 30 June 2017 was 5.837 (June 2016: 5.327).

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment					Intangible assets		
	Land and buildings	Basic and transport equipment	Other assets	In progress	Total	Goodwill	Other assets	Total
Net book value								
Balance as at 1 January 2017	191,524,929	34,163,118	2,381,173	35,073,673	**263,142,893**	110,506,459	2,595,166	**113,101,625**
Additions	302,699	9,675,405	481,570	16,858,714	**27,318,388**	-	276,886	**276,886**
Disposals and write-offs	(20,054)	(107,832)	(12,558)	(1,829)	**(142,273)**	-	(1,107)	**(1,107)**
Transfer and adjustments	3,094,004	81,112	(3,157)	(3,091,484)	**80,475**	-	-	**-**
Acquisition of new entities (note 15)	3,225,367	213,946	14,430	1,971,241	**5,424,984**	2,480,649	1,066	**2,481,715**
Depreciation/amortisation for the financial quarter	(5,773,373)	(5,868,505)	(558,392)	-	**(12,200,270)**	-	(331,397)	**(331,397)**
Balance as at 30 June 2017	**192,353,572**	**38,157,244**	**2,303,066**	**50,810,315**	**283,624,197**	**112,987,108**	**2,540,614**	**115,527,722**

The Group's investment during the first half of 2017 amounted to approximately €35.5 million (June 2016: €32.3 million), of which €24,5 million refer to the expansion of the operations of the Group (of which €7.9 million refers to the acquisition of the assets in Madeira Autonomous region, €1.8 million to the new units in Vila Real and Odivelas, and the remaining amounts to the expansion of the units of "Hospital da Luz Lisboa", Clinica de Oeiras" and "Hospital da Arrábida-Gaia". In addition to the investment of expansion, the Group invested approximately €11 million in the acquisition/substitution of technological equipment in the Group units.

Some of the Group's real estate has been given as guarantee to financial institutions to secure bank loans.

7. TRADE AND OTHER RECEIVABLES

	30-jun-17	31-dec-16
Trade receivables	96,044,370	101,277,473
Trade receivables - related parties (note 14)	9,530,949	6,166,742
Doubtful trade receivables	6,989,860	7,000,725
Impairment of trade receivables	(9,432,483)	(8,874,148)
	103,132,696	**105,570,792**
Accrued income	53,021,741	38,076,241
State and other public entities	2,426,507	2,717,246
Advances to suppliers	268,833	159,272
Other debtors	6,911,951	1,959,277
Other debtors - related parties (note 14)	26,549,533	432,951
Impairment of other receivables	(1,729,194)	(1,120,341)
Deferred expenses	4,226,883	3,154,071
	91,676,254	**45,378,717**
Deferred expenses - non current	1,036,057	1,064,830
	195,845,007	**152,014,339**

Accrued income includes mainly the clinical procedures to be invoiced, and the amount not yet invoiced in respect of Hospital Beatriz Ângelo (HBA) 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 this caption is due (i) to the increase of the accrued income in respect of HBA management contract and (ii) to the difficulties faced in the implementation of invoicing procedures in respect of one public healthcare sub-system.

Amounts to be received from the State and other public entities consist primarily of recoverable VAT.

The caption of Other debtors includes the advance payment of €6 million performed in relation to the operation of acquisition of British Hospital Group (note 18).

The balance of the caption Other debtors – related entities, includes the balances related with (i) loans to the investee Capital Criativo Health Care Investments II, SA in the amount of €26.1 million, and (ii) balance with Longrun Portugal, SGPS, SA in respect of corporate income tax (CIT) of 2016 related to the special tax regime for corporate groups (tax Group).

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows are the following:

	30-jun-17	31-dec-16
Cash	651,353	310,875
Bank deposits	32,521,902	40,778,267
Cash equivalents	338,244	397,692
	33,511,499	**41,486,834**

9. TREASURY SHARES

In the period of six months ended 30 June 2017, the last tranche of shares of the share based plan of the company (170.000 shares) was delivered to the covered persons. The share base plan in place has reached its end.

10. EARNINGS PER SHARE

	30-jun-17	30-jun-16
Income attributable to equity holders of the parent	8,735,945	10,039,342
Average number of shares	95,513,921	95,045,276
Basic earnings per share	**0.091**	**0.106**

As at 30 June 2016 and 2015, Luz Saúde had no financial instruments with a diluting effect. The basic earnings per share are therefore equal to the diluted earnings per share.

11. TRADE AND OTHER PAYABLES

	30-jun-17	31-dec-16
Trade payable	30,333,937	29,303,041
Trade payable - related entities (note 14)	24,022	84,590
Fixed asset suppliers	4,953,465	5,578,691
	35,311,424	**34,966,322**
Advances from clients	7,225,502	5,203,559
State and other public entities	7,571,020	4,279,524
Other creditors	5,222,492	2,311,002
Other creditors - related entities (note 14)	2,245,998	-
Professional fees payable	17,062,805	17,664,189
Deferred income ROUs	3,757,226	3,690,618
Accrued expenses ROUs	925,723	992,421
Personnel related expenses	24,665,564	21,418,860
Interest payable	68,674	67,260
Other accrued expenses	12,259,034	11,178,179
	81,004,038	**66,805,612**
Income tax payable	133,298	221,216
Current total	**116,448,760**	**101,993,150**
Total trade and other payables	**116,448,760**	**101,993,150**

The balance of Advances from clients, relates mainly to the down payments performed by the Portuguese State in respect of the production of Hospital Beatriz Ângelo.

The caption Other creditors – related entities includes the balance with Longrun Portugal, SGPS, SA in respect of the corporate income tax accrual of the companies of the Group that meet the conditions to be included in the tax Group from which Longrun Portugal, SGPS, SA is the holding company.

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 losses associated with lifetime rights of use agreements.

12. INTEREST-BEARING LIABILITIES

	30-jun-17	31-dec-16
Interest-bearing liabilities		
Non-current		
Borrowings and bank overdrafts		
Commercial paper	211,325,061	189,500,000
Bank loan	16,131,649	18,155,198
	227,456,710	207,655,198
Finance lease liabilities	26,411,307	22,360,697
	253,868,017	**230,015,895**
Current		
Borrowings and bank overdrafts		
Commercial paper	18,444,011	8,742,787
Bank loan	5,452,688	4,759,160
	23,896,699	13,501,947
Finance lease liabilities	7,038,791	5,862,996
	30,935,490	**19,364,943**
Interest-bearing liabilities	**284,803,507**	**249,380,838**
Cash and cash equivalents	(33,511,499)	(41,486,834)
Interest-bearing net debt	**251,292,008**	**207,894,004**

12.1. BORROWINGS AND BANK OVERDRAFTS

As at 30 June 2017 and 31 December 2016, the borrowings caption presents the following maturities:

	Up to 12 months	12-24 months	24-36 months	36-48 months	More than 48 months	Total 30-jun-17	Total 31-dec-16
Commercial paper	18,444,011	32,694,562	28,650,000	39,897,773	110,082,726	229,769,072	198,242,787
Bank loans	5,452,688	3,134,117	7,571,617	1,105,271	4,320,644	21,584,337	22,914,358
	23,896,699	**35,828,679**	**36,221,617**	**41,003,044**	**114,403,370**	**251,353,409**	**221,157,145**

Conditions of the credit lines

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. Some of the Group's real estate properties have been given as guarantee to financial institutions to secure some of the credit lines of the Group.

Credit lines availabe

On 30 June 2016, the contracted credit line (included commercial paper programs) unused is approximately €4.7 million (December 2016: €7.7 million).

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

	30-jun-17	31-dec-16
Interest rate swap contracts - cash flow hedges	3,192,369	4,731,582
Interest rate swap contracts - held for trading	-	-
Total	**3,192,369**	**4,731,582**
Non-current		
Interest rate swap contracts - cash flow hedges	(3,192,369)	(4,731,582)
Interest rate swap contracts - held for trading	-	-
Current	**-**	**-**

The fair value of these derivatives was determined by banking entities based on models and valuation techniques generally accepted based on observable inputs in the market.

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

The notional of the interest rate swap contracts outstanding at 30 June 2017 amounted to €180 million (being totally considered as cash flow hedge), which have originated a positive recognition of a change in fair value in Other comprehensive income of the Group on the period of six months ended 30 June 2017, in respect of the effective part of the hedging derivatives, of some €1,211 thousand (June 2016: negative €5,181 thousand). The portion considered as inefficient in previous periods in terms of hedging was reversed in the income statement of the present period in the amount of €328 thousand (June 2016: negative €816 thousand).

14. RELATED PARTIES

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 84.986% by Longrun Portugal, SGPS, SA which is fully owned by Millennium 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 71.65% by Fosun Holdings Ltd (BVI), which is owned by Fosun International Holdings, Ltd. whose ultimate beneficial owner is Mr. Guo Guangchang.

The following tables present a summary of the balances and transactions with related entities:

	30-jun-17		31-dec-16	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Fosun Group				
Shareholders				
Companhia de Seguros Fidelidade	4,820,983	24,022	2,238,344	84,590
Other related parties				
Capital Criativo Health Care Investments II, SA	26,100,000	-	-	-
Multicare	4,710,588	-	3,490,897	-
Longrun (Portugal) SGPS, SA	449,533	2,245,998	432,950	-
Via Direta – Companhia de Seguros, SA	-	-	5,171	-
Cares – Companhia de Seguros, SA	(621)	-	(621)	-
	36,080,482	**2,270,020**	**6,166,742**	**84,590**

	30-jun-17		30-jun-16	
	Income	**Expenses**	**Income**	**Expenses**
Fosun Group				
Shareholders				
Companhia de Seguros Fidelidade	6,367,203	548,275	2,743,142	618,752
Other related parties				
Multicare	19,982,327	-	17,309,536	-
Via Direta – Companhia de Seguros, SA	-	-	2,336	-
	26,349,530	**548,275**	**20,055,014**	**618,752**

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.

15. BUSINESS COMBINATIONS

15.1. ACQUISITION OF HEALTHCARE UNITS OF "CLÍNICA DE SANTA CATARINA" AND "POLICLÍNICA DO CANIÇO"

On March 15, 2017, Luz Saúde completed the acquisition of 81.35% of the company SCH Sociedad Clínica Hospitalar, SA (SCH), and as consequence began to explore two healthcare units in the Autonomous Region of Madeira, "Clínica de Santa Catarina" and "Policlinica do Caniço".

On the same date Luz Saúde acquired its shareholding in SCH, this company acquired 100% of the quota-holdings of NID - Núcleo de Imagem Diagnostica, Lda. and the business and assets belonging to the company CRMM - Centro de Resonância Magnética da Madeira, Lda, dedicated to the magnetic resonance tests.

The following table summarizes the operation performed in a preliminary way:

Property, plant and equipment and intangible assets	5,426,050
Cash and cash equivalents	141,849
Trade receivables	1,035,547
Inventories	365,929
Other assets	29,333
Interest bearing liabilities	(2,691,309)
Trade and other payables	(3,356,752)
Identifiable assets and liabilities	**950,647**
	81.35%
	773,351
Acquisition cost	**3,254,000**
Goodwill	**2,480,649**

This transaction, between 15 March 2017 and 30 June 2017, has generated a positive contribute to increase Revenue of services rendered by approximately €2,629 thousand, and a negative contribution for the Group's Operating profit of the period of approximately €356 thousand.

16. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared on a going concern basis from the books and accounting registers of the companies included in the consolidation and based on historical cost, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) as at 1 January 2017. These standards include both the IFRS issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and their respective interpretations – IFRIC and SIC, respectively issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). These standards and interpretations are together known as IFRS.

These condensed consolidated financial statements are presented in accordance with IAS 34 – Interim financial reporting (IAS 34). Consequently, these financial statements do not include all the disclosures required by IFRS, and should be read together with the consolidated financial statements for the year ended on 31 December 2016.

The financial statements are expressed in Euros.

During the first half-year ended at 30 June 2017, 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.

16.1. New standards, amendments and interpretations issued by the IASB and not endorsed by the European Union (EU) up to 30 June 2017

On 30 June 2017, 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
January 2016	IFRS 16 – Leases (new)	1 January 2019
January 2016	IAS 12 – Income tax: Recognition of deferred tax assets for unrealised losses (amendment)	1 January 2017
January 2016	IAS 7 – Statement of cash flows (amendment)	1 January 2017
April 2016	IFRS 15 – Revenue from contracts with customers (amendment)	1 January 2018
June 2016	IFRS 2 – Share based payments (amendment)	1 January 2018
September 2016	IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendement)	1 January 2018
December 2016	Annual improvements 2014–2016 cycle	1 January 2018
December 2016	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (new)	1 January 2018
December 2016	IAS 40: Transfers of Investmenty Property (amendment)	1 January 2018
May 2017	IFRS 17 – Insurance contracts (new)	1 January 2021
June 2017	IFRIC 23 – Uncertainty over Income Tax Treatments (new)	1 January 2019

The impact of the adoption of these standards or amendments is being analyzed by the Group, and except for the adoption of IFRS 16 - Leasing contracts, it is not expected a material impact on the financial statements arising from their adoption.

16.2. ESTIMATES AND JUDGMENTS

Preparing the financial statements according to IFRS requires that the Board of Directors performs judgments, estimates and assumptions that impact the accounting policies applied and the amounts presented as income, expenses, assets and liabilities. Changes to these assumptions or differences they may have with respect to the actual events occurred may have an impact on current estimates and judgments.

The principal estimates and judgments used on the preparation of these condensed consolidated financial statements were similar with those disclosed in the consolidated financial statements of the year ended on 31 December 2016, with exception of determining the provision for income tax, which was performed based on the expected tax rate for the year of 2017.

17. MAIN ACCOUNTING POLICIES

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

The accounting policies applied in these condensed consolidated financial statements are consistent with those used on the preparation of consolidated financial statements of the year ended on 31 December 2016 and disclosed in the respective notes.

18. SUBSEQUENT EVENTS

Further to the notice of 7 July 2017 of the Competition Authority's decision not to oppose the acquisition of the entire share capital and voting rights of British Hospital – Lisbon XXI, SA, Microcular – Centro Microcirurgia Ocular, Laser e Diagnóstico, SA, and 90.41% of the company British Hospital Management Care, SA (together the “British Hospital Group"), Luz Saúde, SA completed the acquisition of the British Hospital Group, and the acquired companies entered the Group consolidation perimeter using the full method.

In addition to what was disclosed in the previous paragraph from the closing date of the period to which the present financial statements refer up to the date of their approval, there were no significant events with impact in these financial statements.

The Accountant

(Sónia Amoedo Matos)

The Board of Directors

(Jorge Manuel Batista Magalhães Correia)

(Chen Qiyu)

(Isabel Maria Pereira Aníbal Vaz)

(José Manuel Alvarez Quintero)

(Rogério Miguel Antunes Campos Henriques)

(Tucson Dunn II)

(Ivo Joaquim Antão)

(João Paulo da Cunha Leite de Abreu Novais)

(Tomás Leitão Branquinho da Fonseca)

Annex I

Group composition as at 30 June 2017

	Registered office	Percentage of share capital held	
		30-jun-17	31-dec-16
Parent company:			
Luz Saúde, SA	Lisbon	-	-
Subsidiaries:			
Casas da Cidade - Residências Sénior de Carnaxide, SA ("CASAS CARNAXIDE")	Oeiras	100,00%	100,00%
Casas da Cidade - Residências Sénior, SA ("CASAS")	Lisbon	100,00%	100,00%
Clínica Parque dos Poetas, SA ("CPP")	Oeiras	100,00%	100,00%
CLIRIA - Hospital Privado de Aveiro, SA ("CLIRIA")	Aveiro	93,45%	93,45%
CRB - Clube Residencial da Boavista, SA ("CRB")	Oporto	100,00%	100,00%
GLSMED Learning Health, SA ("GLSLH")	Lisbon	100,00%	100,00%
GLSMED Trade, SA ("GLST")	Lisbon	100,00%	100,00%
HME - Gestão Hospitalar, SA ("HME")	Évora	100,00%	100,00%
Hospital da Arrábida - Gaia, SA ("HAG")	V. N. Gaia	100,00%	100,00%
Hospital da Luz - Centro Clínico da Amadora, SA ("HL-CCA")	Amadora	100,00%	100,00%
Hospital da Luz - Guimarães, SA ("HLG")	Lisbon	100,00%	100,00%
Hospital da Luz, SA ("HL")	Lisbon	100,00%	100,00%
Hospital Residencial do Mar, SA ("HRM")	Loures	75,00%	75,00%
HOSPOR - Hospitais Portugueses, SA ("HOSPOR")	Póvoa de Varzim	100,00%	100,00%
Instituto de Radiologia Dr. Idálio de Oliveira - Centro de Radiologia Médica, SA ("IRIO")	Lisbon	100,00%	100,00%
Luz Saúde - Serviços, ACE ("ACE")	Lisbon	100,00%	100,00%
Luz Saúde - Unidades de Saúde e de Apoio à Terceira Idade, SA ("USATI")	Lisbon	100,00%	100,00%
RML - Residência Medicalizada de Loures, SGPS, SA ("RML")	Lisbon	75,00%	75,00%
SGHL - Sociedade Gestora do Hospital de Loures, SA ("SGHL")	Lisbon	99,99%	99,99%
Surgicare - Unidades de Saúde, SA ("SURGICARE")	Lisbon	100,00%	100,00%
Vila Lusitano - Unidades de Saúde, SA ("VLUSITANO")	Lisboa	75,00%	75,00%
NID - Núcleo de Imagem Diagnostica, Lda ("NID")	Madeira	81,35%	-
SCH - Sociedade de Clínica Hospitalar, SA ("SCH")	Madeira	81,35%	-

	Registered office	Percentage of share capital held	
Associated and participated companies		30-jun-17	31-dec-16
GENOMED - Diagnósticos de Medicina Molecular, SA ("GENOMED")	Lisbon	37,50%	37,50%
HL - Sociedade Gestora do Edifício, SA	Oeiras	10,00%	10,00%
Capital Criativo Health Care Investments II, SA	Lisbon	10,00%	-