FULL YEAR RESULTS RELEASE

2017

LUZ SAÚDE

Announcement – Lisbon, 9th of March of 2018

Luz Saúde S.A. (public company) informs about its consolidated results for 2017.

HIGHLIGHTS

In 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 7.3% vis-à-vis 2016, reaching €483.8 million, influenced by the 8.0% growth of the private segment and by the 4.5% growth of the public segment;
- Consolidated EBITDA of €53.7 million in 2017 representing 3.1% growth vs. 2016 and EBITDA margin of 11.1%, (0.5 p.p. decrease versus 2016);
- Net Income attributable to shareholders was €17.0 million (in line with 2016);
- Total investment of €69 million, of which €50 million represents private network expansion investment, both geographically with the acquisition of two units in Madeira, the acquisition of British Hospital in Lisbon, the construction of a new unit in Vila Real and the opening of a new unit 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 January of 2018, the opening of Hospital da Luz Clinica de Odivelas took place, an ambulatory unit with 17 consultation offices, a full imaging service, one operating room and several complementary diagnostic and treatment facilities, with the objective of expanding the coverage area of Luz Saúde units in the Lisbon region. In addition, the investment in Idealmed group was made, composed by one hospital and four outpatient clinics in the Coimbra region, with the acquisition of control currently waiting for the Competition Authority decision (notification on January 2018).

OVERALL PERFORMANCE

Consolidated Income Statement

(Million Euro)	2016	2017[1]	Var.
Operating revenues	**450.7**	**483.8**	**7.3%**
Operating costs	(398.6)	(430.1)	7.9%
EBITDA	**52.1**	**53.7**	**3.1%**
EBITDA margin	11.6%	11.1%	-0.5 p.p.
Depreciation	(24.2)	(25.7)	6.2%
EBIT	**27.9**	**28.0**	**0.4%**
EBIT margin	6.2%	5.8%	-0.4 p.p.
Financial results	(6.0)	(7.1)	18.2%
EBT	**21.9**	**21.0**	**-4.4%**
Taxes	(5.0)	(3.7)	-25.3%
Net Income	**17.0**	**17.3**	**1.6%**
Non-controlling interests	(0.4)	0.3	N.A.
Net Income attributable to Shareholders	**17.4**	**17.0**	**-2.0%**
EPS (Euro)	0.182	0.181	-0.5%

[1] Non-audited values

In 2017, Luz Saúde consolidated operating revenues increased by 7.3% vis-à-vis 2016, reaching €483.8 million, driven by activity growth of 8.0% on the private healthcare segment and of 4.5% on the public segment.

EBITDA reached €53.7 million in 2017, representing a 3.1% growth vs. 2016 and EBITDA margin reached 11.1% (0.5 p.p. decrease vis-à-vis 2016). This evolution was reflected on the net income attributable to shareholders of €17.0 million, maintaining 2016 levels.

OPERATING REVENUES PERFORMANCE

Operating revenues by segment

(Million Euro)	2016	2017[1]	Var.
Consolidated operating revenues	**450.7**	**483.8**	**7.3%**
Private Healthcare	354.4	382.9	8.0%
Public Healthcare	93.1	97.3	4.5%
Other businesses	9.9	15.1	51.9%
Corporate center	14.2	17.3	21.6%
Eliminations	(21.0)	(28.8)	37.0%

[1] Non-audited values

The private healthcare segment operating revenues totaled €382.9 million, 8.0% above 2016. This growth was mainly fueled by the acquisition of two units in Madeira, by the acquisition of British Hospital in Lisbon, 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 4.5% to €97.3 million, as a consequence of price evolution with inflation and of an increase of complexity levels in the Hospital's activity.

The other businesses segment obtained €15.1 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, research and innovation.

RESULTS PERFORMANCE

Consolidated EBITDA and EBITDA margin

	2016		2017[1]		
	€ million	Margin	€ million	Margin	Var.
Consolidated results	**52.1**	**11.6%**	**53.7**	**11.1%**	**3.1%**
Private Healthcare	60.0	16.9%	59.2	15.5%	-1.3%
Public Healthcare	(6.3)	-6.8%	(3.4)	-3.5%	45.9%
Other businesses	0.3	2.8%	0.4	2.9%	58.4%
Corporate center	(1.9)	N.A.	(2.5)	N.A.	N.A.

[1] Non-audited values

In consolidated terms, Luz Saúde's EBITDA was €53.7 million and EBITDA margin decreased from 11.6% in 2016 to 11.1% in 2017.

On the private healthcare segment, EBITDA was €59.2 million and the EBITDA margin decreased from 16.9% in 2016 to 15.5% in 2017. 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 evolved positively from -6.8% to -3.5%, as a result of the implementation of efficiency improvement initiatives, with impact on drugs and consumables costs as well as personnel costs, and as a result of lower net provision levels regarding management contract related penalties. These improvements were partially offset by an increase of personnel costs (increase in the number of residents and full year effect of personnel expenses growth in 2016) and by the growth in costs with anti-retroviral therapy for HIV.

In relation to the acknowledgment of the right of Hospital Beatriz Ângelo to receive payment for additional healthcare services rendered in outpatient context to HIV/AIDS patients, the manager entity of the Hospital has in the past triggered the mechanisms of dispute resolution set out in the Management Contract. This corresponds to a measure with significant impact in the hospitals' financial performance. In particular, for Hospital Beatriz Ângelo, the recognition of this right would represent an estimated impact of € 4.5 million for 2017.

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 Dec[1]
Fixed assets	377.3	420.6
Working capital	50.8	28.6
Net debt	212.6	241.8
Net debt / EBITDA	4.1	4.5

[1] Non-audited values

In 2017, Luz Saúde consolidated CAPEX was €69 million, of which €50 million corresponded to expansion CAPEX, whether in geographic expansion, through the acquisition of two units in Madeira, the acquisition of British Hospital in Lisbon, the construction of a new unit in Vila Real, the opening of a new unit in Odivelas in the beginning of 2018, 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 €19 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 € 420.6 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 €22.2 million, reaching €28.6 million by the end of 2017, as a result of the reduction of client receivables days and of the increase in supplier payables days.

By the end of 2017, Luz Saúde consolidated financial debt totaled €299.5 million, with €267.0 million in bank loans and €32.5 million in financial leases, with an overall average maturity of 4.4 years. Net debt reached €241.8 million, representing a €29.2 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 4.5 times, comparing to 4.1 in 2016 EOY.

OUTLOOK FOR 2018

In 2017, the Portuguese economy grew by 2.7% (National Bureau of Statistics data), a figure above the growth experienced by the Euro Zone (2.5%). Unemployment, as of December 2017, was 8.0%, bringing Portugal below to the level of unemployment in the Euro zone (8.6%).

The health insurance market in Portugal maintained high growth levels in 2017, with a 9.1% increase in the amount of premiums issued compared to 2016, and this growth path is expected to continue in 2018.

In 2018, Luz Saúde will maintain its focus on leveraging the high demand for its services in the private health care segment, specifically in response to the high growth of health insurance, by continuously improving the utilization of installed capacity, asset turnover and, consequently, overall profitability.

At the same time, the company will continue its expansion plans, namely the doubling of the installed capacity of Hospital da Luz Lisboa and the development of a new Hospital in Vila Real. In addition, Luz Saúde will be focused in the ramp-up of recently acquired units (British Hospital and Madeira) and of units representing organic growth (capacity increase and service portfolio expansion in Hospital da Luz Oeiras and opening of Hospital da Luz Odivelas), in order to potentiate their growth and improve their profitability. Regarding the Idealmed Group, with the expectation of a favorable decision by the Competition Authority, Luz Saúde's focus will be on the development of its operational activity, as well as on the articulation with the other units, which will consolidate Luz Saúde Group's position in the Center region. Finally, Luz Saúde will continue to be active in materializing consolidation opportunities in the domestic market.

On the public healthcare segment, the Group will be focused on maintaining the high standards of quality and clinical effectiveness of the services provided to its patients and on efficiency enhancement initiatives, in 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 insurance company Fidelidade Angola. At the same time, the active analysis of expansion opportunities for other geographies will be maintained, in the context of the shareholder Fidelidade / Fosun.

Luz Saúde, S.A.

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Certain statements in this document are not historical facts but constitute “forward-looking statements” that are subject to risks and uncertainties. Examples of such forward-looking statements include, but are not limited to statements of possible or assumed future results of our business, financial position, results of operations, liquidity, plans, objectives, goals or strategies; statements relating to our expectations of demand for our services, the evolution of the healthcare market in Portugal or changes in policy of the government of Portugal; and the assumptions underlying such forward-looking statements. Words such as “targets”, “believes”, “anticipates”, “expects”, “estimates”, “intends”, “plans”, “continues”, “projects”, “predicts”, “foresees”, “likely”, “will”, “may”, “could” or “should” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

Any forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. Current and prospective investors as well as analysts should not rely upon forward-looking statements as predictions of future events and should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate.

Such forward-looking statements speak only as of the date on which they are made. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee the events and circumstances reflected in the forward-looking statements will materialize or will occur. Accordingly, except as required by law or regulation, we do not undertake any obligation to update or review any of them after the date of this document to conform these statements to actual results or to changes in our expectations, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

APPENDIX

Consolidated Income Statement

(Million Euro)	2016	2017[1]	Var.
Revenue from sales and services provided	449.4	481.9	7.2%
Other operating income and earnings	1.3	1.9	42.7%
Other financial income and earnings	0.1	0.1	30.5%
Total income and earnings	**450.8**	**483.9**	**7.4%**
Inventory consumed	(69.7)	(76.0)	9.0%
Cost of services and materials	(203.3)	(217.7)	7.1%
Personnel expenses	(122.0)	(132.1)	8.3%
Depreciation and amortization	(24.2)	(25.7)	6.2%
Other operating expenses and losses	(1.7)	(3.3)	97.7%
(Accrual to)/release of provisions	(1.5)	(0.3)	-80.8%
Write-off and impairment losses	(0.4)	(0.7)	55.7%
Interest and other financial expenses and losses	(6.0)	(7.1)	18.3%
Total expenses and losses	**(428.8)**	**(462.9)**	**8.0%**
Income/(loss) before taxes	**21.9**	**21.0**	**-4.4%**
(Income taxes)/tax benefit	(5.0)	(3.7)	-25.3%
Net income before non-controlling interests	**17.0**	**17.3**	**1.6%**
Income/(loss) attributable to non-controlling interests	(0.4)	0.3	N.A.
Net income attributable to equity holders	**17.4**	**17.0**	**-2.0%**
Earnings per Share (Euros)	**0.182**	**0.181**	**-0.5%**

[1] Non-audited values

Consolidated Statement of Financial Position

(Million Euro)	2016 Dec	2017 Dec[1]	Var.
Assets			
Property, plant and equipment	263.1	294.1	11.8%
Intangible assets	113.1	125.5	10.9%
Investments in associates and joint ventures	1.0	27.1	N.A.
Other receivables	1.1	1.0	-5.4%
Tax receivable	1.0	1.3	+27.0%
Total non-current assets	**379.3**	**449.0**	**18.4%**
Inventories	9.8	11.5	17.4%
Trade receivables	105.6	89.9	-14.8%
Other receivables	45.4	51.0	12.4%
Cash and cash equivalents	41.5	57.8	39.2%
Total current assets	**202.3**	**210.2**	**3.9%**
Total assets	**581.6**	**659.2**	**13.3%**
Shareholders' Equity			
Share capital	95.5	95.5	0.0%
Own shares	(0.7)	0.0	N.A.
Share premiums	61.8	61.8	0.0%
Reserves and retained earnings/(losses)	58.7	76.2	29.7%
Shareholders' equity attributable to equity holders	**215.4**	**233.5**	**8.4%**
Shareholders' equity attributable to non-controlling interests	1.6	1.9	14.7%
Total shareholders' equity	**217.0**	**235.4**	**8.4%**
Liabilities			
Provisions for risks and charges	8.4	10.1	19.6%
Non-current bank loans	207.7	240.6	15.9%
Financial derivatives instruments	4.7	3.1	-34.3%
Non-current financial lease liabilities	22.4	27.5	22.9%
Total non-current liabilities	**243.2**	**281.3**	**15.7%**
Trade payables	35.0	42.4	21.4%
Other payables	66.8	71.4	6.9%
Current bank loans	13.5	23.3	72.5%
Tax payable	0.2	0.4	61.8%
Current financial lease liabilities	5.9	5.1	-13.6%
Total current liabilities	**121.4**	**142.6**	**17.5%**
Total liabilities	**364.5**	**423.8**	**16.3%**
Total shareholders' equity and liabilities	**581.6**	**659.2**	**13.4%**

[1] Non-audited values

Income Statement by segment – 2017[1]

(Million Euro)	Private Healthcare	Public Healthcare	Other businesses	Corporate Center	Eliminations	Consolidated
Operating revenues						
Sales of goods and services	381.6	96.7	15.0	17.0	(28.4)	481.9
Other operating revenues	1.3	0.5	0.1	0.3	(0.3)	1.9
Total operating revenues	**382.9**	**97.3**	**15.1**	**17.3**	**(28.8)**	**483.8**
Operating costs	(323.7)	(100.7)	(14.7)	(19.8)	28.8	(430.1)
EBITDA	**59.2**	**(3.4)**	**0.4**	**(2.5)**	**(0.0)**	**53.7**
EBITDA margin	**15.5%**	**-3.5%**	**2.9%**	**-14.6%**	**0.0%**	**11.1%**
Depreciation and amortization	(20.6)	(3.4)	(1.0)	(0.8)	0.0	(25.7)
EBIT	**38.6**	**(6.8)**	**(0.5)**	**(3.3)**	**(0.0)**	**28.0**
Financial results						(7.1)
EBT						**21.0**
Income taxes						(3.7)
Income/(loss) attributable to non-controlling interests						0.3
Net income attributable to equity holders						**17.0**

[1] Non-audited values

Income Statement by segment – 2016

(Million Euro)	Private Healthcare	Public Healthcare	Other businesses	Corporate Center	Eliminations	Consolidated
Operating revenues						
Sales of goods and services	353.2	92.7	10.0	14.0	(20.6)	449.4
Other operating revenues	1.2	0.4	(0.0)	0.2	(0.4)	1.3
Total operating revenues	**354.4**	**93.1**	**9.9**	**14.2**	**(21.0)**	**450.7**
Operating costs	(294.4)	(99.4)	(9.7)	(16.1)	21.0	(398.6)
EBITDA	**60.0**	**(6.3)**	**0.3**	**(1.9)**	**(0.0)**	**52.1**
EBITDA margin	**16.9%**	**-6.8%**	**2.8%**	**-13.2%**	**0.0%**	**11.6%**
Depreciation and amortization	(19.6)	(3.6)	(0.4)	(0.7)	0.0	(24.2)
EBIT	**40.5**	**(9.9)**	**(0.2)**	**(2.5)**	**(0.0)**	**27.9**
Financial results						(6.0)
EBT						**21.9**
Income taxes						(5.0)
Income/(loss) attributable to non-controlling interests						(0.4)
Net income attributable to equity holders						**17.4**

Cash Flow

(Million Euro)	2016	2017[1]
EBITDA	52.1	53.7
Financial Results	(6.0)	(7.1)
Income Tax	(5.0)	(3.7)
Cash Flow from Operations	**41.2**	**43.0**
Capex	(53.6)	(69.1)
Working Capital Variation	(9.8)	22.2
Free Cash Flow	**(22.2)**	**(3.9)**

[1] Non-audited values

Working Capital

(Million Euro)	2016 Dec	2017 Dec[1]
Inventories	9.8	11.5
in days of inventory consumed	*51*	*55*
Clients	150.9	140.9
in days of revenues from sales and services provided	*123*	*107*
Suppliers	(101.8)	(113.9)
in days of inventory consumed, costs of services and materials and personnel expenses	*94*	*98*
Others	(8.2)	(10.0)
Working capital	**50.8**	**28.6**

[1] Non-audited values

Debt Breakdown

(Million Euro)	2016 Dec	2017 Dec[1]
Commercial Paper and other financial instruments	198.2	226.4
Medium-Long Term Loans	24.4	37.2
Short Term Loans	3.3	3.4
Financial Leases	28.2	32.5
Total Financial Debt	**254.1**	**299.5**
Cash and Cash Equivalents	41.5	57.8
Net Debt	**212.6**	**241.8**
Net Debt / Recurrent EBITDA	**4.1**	**4.5**

[1] Non-audited values

Activity Volumes

(Thousands)	2016	2017	Var.
Consultations	1.820	1.875	+3.0%
Emergency Visits	628	610	-2.9%
Surgeries and Deliveries	62	62	+0.1%
Imaging Exams	1.055	1.081	+2.5%

For comparison purposes, 2016 values are presented accordingly with the criteria used in the 2017 exercise

Glossary

CAPEX: Investments in tangible and intangible assets, excluding cash inflows from sale of assets

Days of payables: (Current trade payables + Current other payables + Tax payables) / (Inventory consumed in the period + Cost of services and materials in the period + Personnel expenses in the period) x number of days in the period considered

Days of receivables: (Current trade receivables + Current other receivables) / (Revenue from sales and services provided in the period) x number of days in the period considered

EBIT: EBITDA - Depreciation and amortization

EBIT margin: EBIT / Operating revenues

EBITDA: Operating revenues – Operating costs

EBITDA margin: EBITDA / Operating revenues

EBT: EBIT – Financial results

EPS: Earnings per Share = Net Income attributable to Luz Saúde shareholders / total number of shares

Financial debt: Current bank loans + Non-current bank loans + Current financial lease liabilities + Non-current financial lease liabilities + non recurrent suppliers

Financial results: Other financial income and earnings - Interest and other financial expenses and losses

Fixed assets: Property, plant and equipment + Intangible assets + Investments in associates and joint ventures

Net debt: Financial debt – Cash and cash equivalents

Operating costs: Sum of inventory consumed, cost of services and materials, personnel expenses, other operating expenses and losses, accrual to/release of provisions, write-off and impairment losses

Operating revenues: Revenues from sales and services provided plus other operational income and earnings

Shareholder funds: Share capital + Share premiums + Non-distributable reserves + Distributable reserves + Retained earnings/(losses) + Net income/(loss) attributable to equity holders

Working capital: Inventories + Trade receivables + Other receivables + Current taxes receivable - Trade payables - Other payables - Tax payable - Deferred tax liabilities - Shareholders' equity attributable to non-controlling interests