

# **REPORT AND ACCOUNTS**

**1st Half of 2017**



**JOSÉ DE MELLO · SAÚDE**

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## **CONSOLIDATED MANAGEMENT REPORT**

### 1.1. OVERVIEW

Throughout the first half of 2017, José de Mello Saúde maintained its growth trajectory at operational and financial levels, with the following highlights:

- Operating income of 320.7 million euros (7.5% growth year-on-year, with 10.6% increase in private hospitals and 1.8% in public healthcare).
- EBITDA of 39.1 million euros, which represented an increase of 6.5% in comparison with the adjusted EBITDA of the same period last year (excluding the 3.7 million euros of operating income concerning the Vertical Programmes to fund HIV and multiple sclerosis treatments recorded in Hospital de Braga PPP accounts' for the first half 2016, which were considered Contingent Assets by the end of 2016).
- EBIT of 24.7 million euros (6.0% increase year-on-year).
- Reinforcement of the financial strength with the improvement of the financial expenses coverage ratio (EBIT / Financial Expenses) to 4.4x (from 4.1x in the first half 2016);
- Net Profit growth of 4.3% vis-à-vis the first half of 2016, reaching 13.3 million euros.

Concerning its operational activity, José de Mello Saúde presented a positive performance across most of its business lines, when compared with the first half of 2016:

- 10.3% increase in the number of consultations (total of 1.2 million consultations carried out);
- 8.1% increase in the number of patients operated (total of 47.4 thousand);
- 1.6% increase in the number of patients leaving inpatient care, totalling 38.4 thousand;
- 1.5% increase in emergencies, totalling 325 thousand;
- 9.6% billing increase in Complementary Diagnostic Procedures and Treatment (MCDTs);

### Relevant facts of the activity

The first half of 2017 was marked by the opening of **CUF** São João da Madeira Clinic on the 26 April, with a wide-ranging healthcare offering for the entire family. Located in the city centre, **CUF** São João da Madeira Clinic has over 130 professionals, including doctors, nurses, nursing assistants, technicians and administrative personnel. The Clinic provides consultations for virtually all medical and surgical specialties, as well as complementary diagnostic tests, including Imaging, Clinical Analyses and unscheduled Open Consultations with access to most healthcare insurances and subsystems. Working in close coordination with **CUF** Porto Hospital, the opening of this unit is part of the José de Mello Saúde's expansion strategy in the national territory, bringing the experience and clinical quality of its more than 70 years of healthcare activity to geographical areas not yet covered.

In February, José de Mello Saúde joined the Grow programme, crosscutting all of José de Mello Group's companies, seeking to reinforce the connection to the start-ups' ecosystem, supporting and accelerating the development of innovative projects. Through this programme, a selected number of start-ups will have access to the knowledge, experience and unique infrastructures of the Group and its affiliates, where they will be able to develop joint pilot projects, testing and adapting the products and services in a real market environment. Grow will be developed in a close partnership with the different start-ups' stakeholders, namely accelerators and incubators, venture capital, public funding bodies and entities from the academic community.

Health is one of the pillars of this programme, which is managed by José de Mello Saúde. In the programme's first four months, 37 start-ups were analysed, with six being selected for field tests.

In the most recent assessment of SINAS – Sistema Nacional de Avaliação em Saúde (National Health Evaluation System), under the Healthcare Regulatory Entity responsibility, José de Mello Saúde's units maintained good results. Braga Hospital stood out by continuing to be the hospital in the country with the higher number of specialties with the highest level of clinical excellence (3+): Acute Myocardial Infarction, Outpatient Surgery, Intensive Care Unit, Births and Prenatal Care, Total Arthroplasties of the Hip and Knee and Venous Thromboembolism in Inpatient Care. The maximum distinction in clinical excellence was attributed to the following

four specialties in Vila Franca de Xira Hospital: Outpatient Surgery, Stroke, Births and Prenatal Care, Surgical treatment of proximal femur fracture.

**CUF** Descobertas Hospital was considered the best private hospital in the country in terms of the number of specialties with the highest level of clinical excellence (3+) and the tenth in the national ranking, having obtained this distinction in Outpatient Surgery, Total Arthroplasties of the Hip and Knee and Intensive Care Unit. Also worth highlight that **CUF** Torres Vedras Hospital and **CUF** Cascais Hospital, achieved the highest level of clinical excellence in the Outpatient Surgery specialty.

SINAS objectively and consistently evaluates the quality of healthcare in Portugal based on evaluation indicators, which allow for a ranking across providers.

During the first semester of 2017, version 2.0 of My **CUF** app was released, in association with an advertising campaign launched on the 26 June with TV, radio and digital ads, along with ads in the units. This campaign was focused on the innovative service that is My **CUF** and was aimed to reinforce attributes of the brand, such as its unparalleled leadership, network and experience.

## 1.2. OVERALL PERFORMANCE

### Consolidated Income Statement

(Million Euros) - Amounts not Audited	2017 Jun	2016 Jun	Var %
<b>Operating Income</b>	<b>320,7</b>	<b>298,2</b>	<b>7,5%</b>
Operating Costs	(281,6)	(257,9)	9,2%
<b>EBITDA</b>	<b>39,1</b>	<b>40,3</b>	<b>-3,2%</b>
EBITDA Margin	12,2%	13,5%	-1,3 p.p.
<b>Adjusted EBITDA<sup>1</sup></b>	<b>39,1</b>	<b>36,7</b>	<b>6,5%</b>
Adjusted EBITDA Margin	12,2%	12,3%	-0,1 p.p.
Amortization and Provisions	(14,3)	(17,0)	-15,7%
<b>EBIT</b>	<b>24,7</b>	<b>23,3</b>	<b>6,0%</b>
EBIT Margin	7,7%	7,8%	-0,1 p.p.
Financial Results	(4,4)	(4,2)	3,6%
<b>EBT</b>	<b>20,3</b>	<b>19,1</b>	<b>6,5%</b>
Taxes	(6,8)	(6,2)	10,1%
<b>Net Profit</b>	<b>13,5</b>	<b>12,9</b>	<b>4,8%</b>
Net profit attributable to non-controlling interests	0,2	0,2	44,1%
<b>Net profit attributable to JMS Shareholders</b>	<b>13,3</b>	<b>12,7</b>	<b>4,3%</b>

<sup>1</sup> Excluding 3.7M€ of Operating Income in the 1<sup>st</sup>S of 2016 in Braga's PPP related with the vertical programs

The vast majority of José de Mello Saúde's units showed growth in their activity throughout the first half of 2017, in comparison with the same period of the previous year, having a positive impact in the Group's consolidated operating income, which amounted to 320.7 million euros, a growth of 7.5% versus the first half of 2016. Activity grew 10.6% in the private hospital segment and 1.8% in public healthcare.

The strong performance across units enabled EBITDA to reach 39.1 million euros, which represented an increase of 6.5% in comparison with the adjusted EBITDA of the first half of 2016 (excluding the operating income of 3.7 million euros recorded in the Braga PPP first half 2016 accounts', concerning the Vertical Programmes to fund HIV and multiple sclerosis treatments, which were by the end of the year, considered Contingent Assets).

In terms of net profit distributable to equity holders, there was a growth in the first six months of 2017 to 13.3 million euros (+4.3% year-on-year) as a result of the Group's operating performance and the financial costs reduction during this period (-5.7% year-on-year).

### Operating Income by Segment

(Million Euros) - Amounts not Audited	2017 Jun	2016 Jun	Var %
<b>Consolidated Sales and Services Rendered</b>	<b>320,7</b>	<b>298,2</b>	<b>7,5%</b>
Private HealthCare Services	209,8	189,7	10,6%
Public HealthCare Services	114,4	112,3	1,8%
Infrastructures	3,4	2,2	54,4%
Others	41,4	37,4	10,7%
Eliminations	-48,2	-43,4	11,1%

In the first half of 2017, operating income from the private healthcare segment amounted to 209.8 million euros (10.6% growth year-on-year), which represents 63.6% of the consolidated total. Growth was driven by an increase across most of the assistance areas (13.0% increase in consultations, 5.1% increase in emergency assistance, 10.5% in surgeries and 10.0% in medical examinations and treatments).

There was also a positive performance in terms of operating income in the public healthcare segment, which rose 1.8% in comparison with the first half of 2016, reaching a value of 114.4 million euros. The positive performance in the activity of most of the assistance areas is noteworthy in both public units in comparison with the same period last year, except for emergency care, which decreased in both.

### Operating Results by Segment

Amounts not Audited	2017 Jun		2016 Jun		Var Margin
	€ millions	margin	€ millions	margin	
<b>Consolidated EBIT</b>	<b>24,7</b>	<b>7,7%</b>	<b>23,3</b>	<b>7,8%</b>	<b>-0,1 p.p</b>
Private HealthCare Services	25,0	11,9%	23,9	12,6%	-0,7 p.p
Public HealthCare Services	0,8	0,7%	-1,2	-1,1%	1,8 p.p
Infrastructures	2,3	68,8%	1,4	63,4%	5,4 p.p
Others	-3,5	-8,4%	-0,7	0,0	-6,4 p.p



In the private healthcare segment, the year-on-year increase in activity led to a growth in operating profit of approximately 4.9% in comparison with the first half of 2016, reaching 25.0 million euros.

On the public side, despite a very challenging context, the growth in activity was accompanied by an improvement in operational efficiency with a positive impact on results, which in the first six months of 2017 recorded a positive value of 0.8 million euros. However, the almost inexistent operating margin in Vila Franca de Xira's PPP and the negative margin in Braga's PPP constitute a risk regarding potential unforeseen facts.

The proven economic benefits to the Portuguese State of the Braga and Vila Franca de Xira partnerships, which exceed 30 million euros per year, coexist with the lack of profitability and shareholder returns for José de Mello Saúde. The future sustainability of Public-Private partnerships will have to presume a higher balance of benefits between the State and the private operator.

## Financial position

(Million Euros) - Amounts Not Audited	2017 Jun	2016 Dec	Var.	(Million Euros) - Amounts Not Audited	2017 Jun	2016 Dec	Var.
<b>Non-current Assets</b>	<b>267,5</b>	<b>252,5</b>	<b>15,0</b>	<b>Total Equity</b>	<b>88,6</b>	<b>81,7</b>	<b>6,9</b>
Goodwill	34,1	33,4	0,7	Share capital	53,0	53,0	0,0
Intangible assets	12,0	12,9	-0,9	Retained earnings + Reserves	18,3	12,2	6,1
Tangible fixed assets	202,5	189,8	12,8	Net income	13,3	23,9	-10,6
Investments in associates	2,5	0,2	2,4	Interim dividends	0,0	-11,4	11,4
Other investments	0,7	0,5	0,1	Non-controlling interests	4,0	4,0	0,1
Other non-current assets	8,3	8,3	0,0	<b>Financial Liabilities</b>	<b>234,2</b>	<b>219,6</b>	<b>14,6</b>
Deferred tax assets	4,3	4,3	0,0	Borrowings	166,2	150,0	16,2
Non-current assets held for sale	3,1	3,2	-0,1	Finance lease creditors	68,0	69,6	-1,6
<b>Current Assets</b>	<b>264,7</b>	<b>250,4</b>	<b>14,3</b>	<b>Non-Financial Liabilities</b>	<b>209,3</b>	<b>201,6</b>	<b>7,8</b>
Inventories	11,5	11,3	0,2	Employee benefits	1,5	1,5	0,0
Trade receivables and advances to suppliers	93,9	95,4	-1,5	Provisions	14,4	14,0	0,3
Other current debtors	7,1	5,1	2,0	Trade payables and advances from clients	98,5	87,5	10,9
State and other public entities	3,1	13,5	-10,4	Other current creditors	8,7	8,5	0,2
Cash and cash equivalents	20,1	16,1	4,0	State and other public entities	20,1	19,3	0,9
Other financial instruments	48,7	48,7	0,0	Deferred tax liabilities	2,9	2,9	0,0
Other current assets	80,4	60,4	20,0	Other current and non-current liabilities	63,3	67,9	-4,6
<b>Total Assets</b>	<b>532,2</b>	<b>502,9</b>	<b>29,3</b>	<b>Total Liabilities</b>	<b>443,5</b>	<b>421,2</b>	<b>22,3</b>
				<b>Total Equity + Liabilities</b>	<b>532,2</b>	<b>502,9</b>	<b>29,3</b>

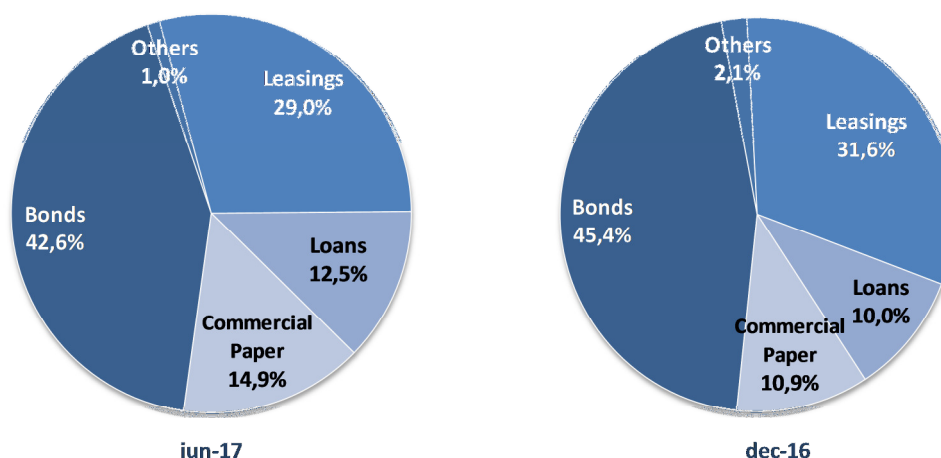
In the first half of 2017, total assets increased 29.3 million euros in comparison with the end of 2016, reaching 532.2 million euros, which was largely due to the increase in tangible fixed assets, as a result of the different expansion works and building acquisitions.

Equity at the end of June 2017 reached 88.6 million euros, which represented a positive variation of 6.9 million euros vis-à-vis 2016, mostly due to reserves and retained earnings.

At the end of the first half 2017, consolidated gross financial debt recorded a value of 234.2 million euros, which represented an increase of 16.2 million euros in comparison with the end of 2016. This increase is driven mainly by the effort to invest in new units. Additionally, net financial debt also increased by 10.6 million euros during the same period, amounting to 165.5 million euros at the end of June 2017.

Following its policy of financial sustainability and funding sources diversification, José de Mello Saúde maintained its debt profile mostly unchanged during the first six months of 2017, as can be seen in the following charts:

**Financial Debt Profile of José de Mello Saúde**



### Financial Ratios

(Million Euros) - Amounts Not Audited	2017 Jun	2016 Dec
Financial Autonomy	16,6%	16,2%
Solvency	20,0%	19,4%
Net Financial Debt (million euros)	165,5	154,9
Net Financial Debt <sup>1</sup> /EBITDA	2,5	2,3
EBIT/Financial Charges	4,4	4,1

<sup>1</sup> Considers Gross Financial Debt less Cash and Cash Equivalents and Other Financial Instruments

The Financial Autonomy and Solvency ratios registered an improvement throughout the first half of 2017, as a result of the proportionally higher increase of Equity Capital in comparison with Assets and Liabilities, respectively.

On the other hand, the effort to invest in new units and its subsequent impact on Net Financial Debt had some impact on the leverage ratio (which increase from 2.3x to 2.5x). However, the financial charges coverage ratio improved compared to 2016, reaching a value of 4.4x.

### **1.3. PROSPECTS FOR 2017**

#### **Economic framework**

The Portuguese economy is expected to maintain a recovery trajectory with GDP growths of 2.5% in 2017, 2.0% in 2018 and 1.8% in 2019, a higher rate than the ones observed in recent years.

In this favourable context, a recovery is expected for the general activity across main sectors of the economy, reflecting the growth of domestic and foreign demand, which has been supported, to a large extent, by the growth of the service sector since 2013.

#### **Healthcare sector**

In 2016, it is estimated that current expenditure on healthcare has grown 2.7%, amounting to 16,545 million euros. This nominal growth rate was below that of the GDP, which grew 3.0%, a trend that has been observed since 2010. This development resulted in the continued decreased of the relative weight of healthcare current expenditure in the GDP that, in 2016, reached 8.9%, the same value as in 2003<sup>1</sup>.

Preliminary results for 2016 point to a 2.8% increase of public current expenditure, a slightly higher variation than estimated for private expenditure (2.6%). Public current expenditure per capita amounted to 1,061 euros while private current expenditure per capita reached 541 euros.

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<sup>1</sup> INE, “Destaque Informação à Comunicação Social”, June 2017

The health insurance market maintained a historical trajectory of growth, with an increase of 5% year-over-year, with a total of 620 million euros in issued premiums. It is estimated that over 2.2 million Portuguese have this type of insurance, which, along with the remaining public and private healthcare subsystems, enables over 4.2 million people to have access to private healthcare in Portugal - in addition to SNS.

### **José de Mello Saúde**

Following this macroeconomic and healthcare sector context, José de Mello Saúde maintains its future ambitions, the will to strengthen and expand the **CUF** network, according to a model that enables differentiation, through large hospitals that include subspecialisation in reference areas, and convenience, through a network of clinics and local hospitals. In this regard, the expansion of the **CUF** Descobertas Hospital and the construction of the new **CUF** Tejo Hospital continue to progress, with additional expansions being planned in several CUF units.

José de Mello Saúde recently presented the project for a new hospital unit, **CUF** Sintra Hospital, with an opening scheduled for the first half of 2018. **CUF** Sintra Hospital will be built next to IC19, replacing the current **CUF** Sintra Clinic, which began its activity in 2014. With this future hospital unit, José de Mello Saúde will ensure the reinforcement of the complexity and differentiation of healthcare provided to the population of the municipality of Sintra, and will create 345 additional jobs.

The schedule foresees the phased opening of the Hospital, beginning with Permanent Care, Consultations, Imaging and Special Examinations in the first half of 2018. In a second phase, still in 2018, the Outpatient Surgery Block and Special Examinations come into operation. In 2020, the Conventional Block, Inpatient Care, Intermediate Care and Day Hospital will be fully operational.

In parallel with this growth ambition, the Group's strategic lines were defined for a sustained development and adapted to the main clinical, market, consumption and technology trends:

- To demonstrate the differentiating clinical quality through by maintaining the accreditation process of the various units by the Joint Commission International (JCI), with **CUF** Porto Hospital being the first in line;

- Offering a flawless customer experience through the streamlining and digitization of processes and enhancing humanization in customer interaction;
- To ensure the efficiency of the operation through the optimization, simplification and standardization of systems and processes, capturing the benefits of network operation;
- To value human talent as a way to ensure excellence in performance, namely maintaining the focus on training through **CUF** Academy.

The current socio-economic framework presents some challenges to the achievement of these ambitions, namely:

- Increased pressure in the negotiation of prices by the Responsible Funding Entities, namely the changes introduced by ADSE with the reduction of payments to providers and the increase in the co-payment by beneficiaries;
- Uncertainty in the contract renewal of the Public-Private Partnerships;
- Interruption of access by Braga Hospital to the vertical funding programmes for HIV/AIDS and Multiple Sclerosis with a strong impact on treasury activity;
- Limitations in the volume of activity contracted by the Government, limiting the possibility to adequately respond to existing demand;
- Legislative instability in work schemes, namely regarding the work's duration and general conditions;
- Financial risks such as the reversal of the interest rate curves in the long term, rising inflation and the increase in the funding cost of the Portuguese debt in comparison with Germany's debt funding cost.

#### 1.4. FINAL REMARKS

Under the terms of subparagraph c), No. 1 of article 246 of the Portuguese Securities Code, and following the legal and statutory provisions, the Board of Directors presents the condensed financial statements and the intermediate management reports concerning the first semester of 2017, firmly believing that, as far as it knows, the information there contained conforms to the applicable accounting standards, providing a true and adequate picture of the assets and liabilities, of the financial position and of the issuer's profit and loss, and that the management report faithfully describes the required information.

José de Mello Saúde also advises that the report and consolidated accounts concerning the first semester of 2017 were not subject to a review by an external auditor registered in the CMVM.

#### Board of Directors

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Salvador Maria Guimarães José de Mello

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Pedro Maria Guimarães José de Mello

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João Gonçalves da Silveira

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Rui Alexandre Pires Diniz

---

Rui Manuel Assoreira Raposo

---

Vasco Luís José de Mello

---

Inácio António da Ponte Metello de Almeida e Brito

---

Guilherme Barata Pereira Dias de Magalhães

---

Paulo Jorge Cleto Duarte

---

Luís Eduardo Brito Freixial de Goes

---

Vera Margarida Alves Pires Coelho

---

Céline Dora Judith Abecassis-Moedas

---

Raúl Galamba de Oliveira

Lisbon, 28<sup>th</sup> July 2017

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**APPENDIX IN ACCORDANCE WITH ART. 9 OF CMVM  
REGULATION 5/2008**



	BALANCE AT 31-12-2016	DATE	ACQUISITIONS / SHARE CAPITAL INCREASE		SALES		BALANCE AT 30-06-2017
	Quantity		Quantity	Ammount €	Quantity	Ammount €	Quantity
<b>Salvador Maria Guimarães José de Mello</b> Hospital CUF Descobertas, S.A.	236		69	119,15			305
<b>Rui Manuel Assoeira Raposo</b> Hospital CUF Descobertas, S.A.	100		37	119,15			137
<b>Guilherme Barata Pereira Dias de Magalhães</b> Hospital CUF Descobertas, S.A.	100		37	119,15			137
<b>Vasco Luís José de Mello</b> Hospital CUF Descobertas, S.A.	100		16	119,15			116
<b>Inácio António da Ponte Metello de Almeida e Brito</b> Hospital CUF Descobertas, S.A.	92						92
<b>Rui Alexandre Pires Diniz</b> Hospital CUF Descobertas, S.A.	200		127	119,15			327

## **CONSOLIDATED FINANCIAL STATEMENTS**

JOSÉ DE MELLO SAÚDE, S.A.

CONSOLIDATED INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT  
AS OF 30 JUNE 2017 AND 2016

(Amounts in Euros)

	Notes	30-06-2017	30-06-2016
<b>Operating income:</b>			
Sales and services rendered	5, 6	317 039 526	294 321 142
Other operating income	5	3 673 737	3 879 449
<b>Total operating income</b>		<b>320 713 263</b>	<b>298 200 591</b>
<b>Operating costs:</b>			
Cost of sales		(58 776 690)	(55 519 084)
External supplies and services	7	(121 122 494)	(110 854 110)
Personnel costs	8	(99 989 496)	(90 100 279)
Amortisations and depreciations	5	(12 952 106)	(11 700 497)
Provisions and impairment losses, net	5	(1 383 620)	(5 309 711)
Other operating costs		(1 755 754)	(1 378 706)
<b>Total operating costs</b>	5	<b>(295 980 159)</b>	<b>(274 862 387)</b>
<b>Operating profit</b>	5	<b>24 733 103</b>	<b>23 338 204</b>
Financial expenses and losses	5, 9	(4 747 196)	(5 019 309)
Financial income and gains	5, 9	341 773	420 389
Profit/loss of associates	5, 9	(73 920)	403 590
Profit/loss of investment activities	5, 9	86 187	(44 695)
<b>Financial results</b>	5	<b>(4 393 155)</b>	<b>(4 240 025)</b>
<b>Pre-tax profit</b>	5	<b>20 339 948</b>	<b>19 098 179</b>
Income tax	5	(6 841 637)	(6 214 369)
<b>Consolidated net profit for the year</b>		<b>13 498 311</b>	<b>12 883 810</b>
Net profit for the year attributable to non-controlling interests	5	218 152	151 373
<b>Net profit for the year attributable to equity holders</b>	5	<b>13 280 160</b>	<b>12 732 437</b>
<b>Other items of Comprehensive Income:</b>			
<b>Other income and expenses directly recognised in equity that will not be reclassified to profit:</b>			
Revaluation of tangible fixed assets		-	-
Changes in the equity of associates		-	407 358
<b>Other income and expenses directly recognised in equity that might be reclassified to profit:</b>			
Changes in fair value of hedging instruments		527 006	(1 538 006)
		527 006	(1 130 648)
<b>Consolidated comprehensive income</b>		<b>14 025 318</b>	<b>11 753 162</b>
Comprehensive income for the year attributable to non-controlling interests		218 152	151 373
<b>Comprehensive income for the year attributable to equity holders</b>		<b>13 807 166</b>	<b>11 601 789</b>
<b>Earnings per share:</b>			
Basic	10	1,25	1,20
Diluted	10	1,25	1,20

The accompanying notes form an integral part of the consolidated income and other comprehensive income statement for the semester ended 30 June 2017.

The Chartered Accountant

The Board of Directors

JOSÉ DE MELLO SAÚDE, S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 30 JUNE 2017 AND 31 DECEMBER 2016

(Amounts in Euros)

	Notes	30-06-2017	31-12-2016
<b>Non-current assets:</b>			
Goodwill	5 , 11	34 103 722	33 366 429
Intangible assets		11 950 896	12 877 217
Tangible fixed assets	5 , 12	202 543 412	189 789 608
Investments in associates		2 539 625	168 111
Other investments		653 352	509 672
Deferred tax assets		4 291 945	4 291 945
Other non-current assets		8 296 945	8 296 945
<b>Total non-current assets</b>		<b>264 379 897</b>	<b>249 299 926</b>
<b>Current assets:</b>			
Inventories		11 453 328	11 262 856
Trade receivables and advances to suppliers	5 , 13	93 851 454	95 377 577
Other current debtors		7 130 262	5 088 234
State and other public entities		3 119 947	13 540 692
Other current assets	5	80 413 954	60 410 979
Other financial instruments	14	48 650 000	48 650 000
Cash and cash equivalents	15	20 058 969	16 067 394
<b>Total current assets</b>		<b>264 677 915</b>	<b>250 397 732</b>
Non-current assets held for sale		3 092 197	3 168 613
<b>TOTAL ASSETS</b>	5	<b>532 150 009</b>	<b>502 866 271</b>
<b>Equity:</b>			
Share capital	16	53 000 000	53 000 000
Additional capital paid in		-	-
Legal reserve	17	5 811 644	4 356 460
Other reserves and retained earnings		12 504 992	7 839 302
Consolidated net income		13 280 160	23 918 981
Interim dividends		-	(11 408 000)
<b>Equity attributable to shareholders</b>		<b>84 596 795</b>	<b>77 706 743</b>
Non-controlling interests		4 016 075	3 960 796
<b>Total equity</b>		<b>88 612 870</b>	<b>81 667 539</b>
<b>Non-current liabilities:</b>			
Borrowings	18	123 852 702	117 984 922
Finance lease creditors		57 719 557	59 964 427
Employee benefits	19	1 461 775	1 461 775
Provisions	19	14 371 032	14 021 234
Other non-current liabilities		1 774 114	2 301 121
<b>Non-current liabilities</b>		<b>202 036 628</b>	<b>198 590 928</b>
<b>Current liabilities:</b>			
Borrowings	17	42 353 499	32 025 005
Finance lease creditors		10 278 133	9 650 238
Trade payables and advances from clients	5 , 20	98 476 343	87 534 852
State and other public entities		20 129 523	19 252 327
Other current creditors		8 735 483	8 547 200
Other current liabilities	21	61 527 529	65 598 181
<b>Total current liabilities</b>		<b>241 500 511</b>	<b>222 607 805</b>
<b>TOTAL LIABILITIES</b>	5	<b>443 537 139</b>	<b>421 198 732</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>532 150 009</b>	<b>502 866 271</b>

The accompanying notes form an integral part of the consolidated statement of financial position for the period ended 30 June 2017.

JOSÉ DE MELLO SAÚDE, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS OF 30 JUNE 2017 AND 2016

(Amounts in Euros)

	Share capital	Additional capital paid in	Legal reserve	Other reserves and Retained earnings	Net profit	Interim dividends	Non-controlling interests	Total
Balance at 1 January 2016	53 000 000	14 350 000	3 430 501	(15 113 286)	21 893 940	-	3 708 111	81 269 266
Appropriation of consolidated net profit for 2015:								
Transfer to retained earnings	-	-	925 958	20 967 982	(21 893 940)	-	-	-
Dividends paid out	-	-	-	-	-	-	(1 189 191)	(1 189 191)
Changes in the fair value of financial instruments	-	-	-	(1 538 006)	-	-	-	(1 538 006)
Changes resulting from change of equity in associates	-	-	-	(519 601)	-	-	-	(519 601)
Changes in non-controlling interests resulting from changes in consolidation perimeter	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Repayment of accessory contributions	-	(5 700 000)	-	-	-	-	-	(5 700 000)
Others	-	-	-	-	-	-	-	-
Consolidated net income for the semester of 2016	-	-	-	-	12 732 437	-	151 373	12 883 810
Other items of Comprehensive Income:								
Changes in the equity of associates	-	-	-	407 358	-	-	1 160 537	1 567 895
Fair value of financial assets available for sale	-	-	-	-	-	-	-	-
Total comprehensive income for the semester	-	-	-	407 358	12 732 437	-	1 311 910	14 451 705
Balance at 30 June 2016	53 000 000	8 650 000	4 356 460	4 204 447	12 732 437	-	3 830 829	86 774 173
Balance at 1 January 2017	53 000 000	-	4 356 460	7 839 302	23 918 981	(11 408 000)	3 960 796	81 667 539
Appropriation of consolidated net profit for 2016:								
Transfer to retained earnings	-	-	-	4 555 797	(15 963 797)	11 408 000	-	-
Dividends paid out	-	-	1 455 184	-	(1 455 184)	-	-	-
Changes in the fair value of financial instruments	-	-	-	527 006	-	-	-	527 006
Changes resulting from change of equity in associates	-	-	-	4 043	-	-	-	4 043
Changes in non-controlling interests resulting from changes in consolidation perimeter	-	-	-	(461 488)	-	-	-	(461 488)
Capital decrease	-	-	-	32 285	-	-	-	32 285
Repayment of accessory contributions	-	-	-	-	-	-	-	-
Others	-	-	-	8 047	-	-	(6 256)	1 791
Consolidated net income for the semester of 2017	-	-	-	-	13 280 160	-	218 152	13 498 311
Other items of Comprehensive Income:								
Changes in the equity of associates	-	-	-	-	-	-	-	-
Fair value of financial assets available for sale	-	-	-	-	-	-	-	-
Total comprehensive income for the semester	-	-	-	-	13 280 160	-	218 152	13 498 311
Balance at 30 June 2017	53 000 000	-	5 811 644	12 504 992	13 280 160	-	4 016 075	88 612 870

The accompanying notes form an integral part of the consolidated statement of financial position for the period ended 30 June 2017.

The Chartered Accountant

The Board of Directors

JOSÉ DE MELLO SAÚDE, S.A.

CONSOLIDATED CASH FLOW STATEMENTS  
AS OF 30 JUNE 2017 AND 2016

(Amounts in Euros)

	30-06-2017	30-06-2016
<b>OPERATING PROFIT</b>		
Cash receipts from clients	271 303 686	269 849 031
Cash paid to suppliers	(155 368 834)	(162 580 984)
Cash paid to employees	(96 096 283)	(87 978 821)
Income tax received/paid	(909 139)	(5 636 048)
Other cash receipts/payments relating to operating activities	1 137 004	4 746 723
<b>Net cash from operating activities (1)</b>	<b>20 066 434</b>	<b>18 399 901</b>
<b>INVESTING ACTIVITIES:</b>		
<i>Cash receipts relating to:</i>		
Financial assets and other investments	225 213	120 000
Tangible fixed assets	9 662	18 722
Interest and similar income	326 601	231 082
Dividends	-	243 268
	<b>561 476</b>	<b>613 072</b>
<i>Payments regarding:</i>		
Financial assets and other investments	(3 482 513)	(624 000)
Tangible fixed assets	(10 270 474)	(5 275 117)
Intangible assets	(488 481)	(127 133)
	<b>(14 241 468)</b>	<b>(6 026 250)</b>
<b>Net cash from investment activities (2)</b>	<b>(13 679 992)</b>	<b>(5 413 179)</b>
<b>FINANCING ACTIVITIES:</b>		
<i>Cash receipts relating to:</i>		
Borrowings	161 201 200	129 950 000
Borrowings to group companies	1 141 738	3 990 000
Others	1 505 367	369 642
	<b>163 848 305</b>	<b>134 309 642</b>
<i>Payments regarding:</i>		
Borrowings	(145 259 437)	(121 049 776)
Capital reductions and other equity instruments	-	(5 700 000)
Borrowings to group companies	(3 310 966)	(376 000)
Payment of finance lease liabilities	(4 675 752)	(4 856 952)
Interest and similar expenses	(4 599 710)	(4 532 182)
Dividends paid and profit distributed	(7 034 617)	(1 189 191)
Others	(944 284)	(1 907 649)
	<b>(165 824 766)</b>	<b>(139 611 751)</b>
<b>Net cash from financial activities (3)</b>	<b>(1 976 461)</b>	<b>(5 302 108)</b>
<b>Changes in cash and equivalents (4)=(1)+(2)+(3)</b>	<b>4 409 982</b>	<b>7 684 613</b>
Effect of change in consolidation perimeter	250	-
<b>Cash and cash equivalents at the start of the period</b>	<b>15 814 660</b>	<b>82 431 428</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>20 224 893</b>	<b>90 116 041</b>

The accompanying notes form an integral part of the consolidated cash flow statement for the period ended 30 June 2017.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30 JUNE 2017**

(Amounts in Euros)

### **1. INTRODUCTION**

José de Mello Saúde, S.A. ("Company" or "JMS") has its registered office in Lisbon at na Av. do Forte, nº 3, Edifício Suécia III, Piso 2, 2790-073 Carnaxide. It was incorporated in December 1992 with the core business of the provision of healthcare, particularly in the area of private healthcare, public-private partnerships, the provision of services in the area of medicine, occupational health and hygiene, and also providing home-based healthcare. The corporate universe of JMS ("Group" or "JMS Group") is formed of the subsidiaries, associates and jointly controlled entities described in Note 3.

The Company's share capital, as stated in Note 15, is majority-owned by José de Mello, SGPS, S.A. its parent company and, consequently, the operations and transactions of the Company (Note 21) are influenced by the decisions of José de Mello Group.

### **2. ACCOUNTING POLICIES**

#### **2.1. Basis of presentation**

The consolidated financial statements were prepared in accordance with provisions in IAS 34 – Interim Financial Report; accordingly, they should be read jointly with the financial statements for the year ended at 31 December 2016.

#### **2.2. Changes in accounting policies**

Accounting policies adopted are consistent with those followed in the preparation of the financial statements for the year ended as of 31 December 2016 and referred in respective notes.

#### **2.3. Critical judgments / estimates**

The preparation of financial statements in accordance with the principles of recognition and measurement of IFRS requires that the Board of Directors make judgments, estimates and assumptions that may affect the value of assets and liabilities presented, in particular amortisation and depreciation,

adjustments, impairment losses and provisions, disclosures of contingent assets and liabilities at the date of the financial statements, as well as the income and expenses.

Those estimates are based on the best knowledge available at any time and on the actions that are planned, and they are constantly revised based on the available information. Changes in facts and circumstances may lead to the revision of estimates, so the actual results in the future may differ from those estimates.

#### **2.4. Consolidation principles**

The adopted consolidation principles are consistent with those followed in the preparation of the financial statements for the year ended as of 31 December 2016 and referred in respective notes.

### **3. COMPANIES INCLUDED IN THE CONSOLIDATION**

#### **3.1. Companies consolidated by the full consolidation method**

The consolidation included, through full consolidation method, the parent company and the following subsidiaries in which control is held:



Company	Registered office	Effective percentage	Business activity
<b>Private healthcare services:</b>			
Hospital CUF Descobertas, S.A.	Oeiras	99,9049%	Management and operation of a hospital
Hospital CUF Infante Santo, S.A.	Oeiras	100%	Management and operation of a hospital and nursing units
Hospital CUF Porto, S.A.	Oeiras	100%	Management and operation of a hospital and nursing units
Hospital CUF Torres Vedras, S.A.	Oeiras	100%	Management and operation of a hospital and nursing units
Hospital CUF Cascais, S.A.	Oeiras	100%	Management and operation of a hospital and nursing units
Hospital CUF Viseu, S.A.	Viseu	100%	Management and operation of a hospital
Hospital CUF Santarém, S.A.	Oeiras	100%	Management and operation of a hospital
Clínica CUF Alvalade, S.A.	Lisboa	100%	Provision of medical and nursing services
Clínica CUF Belém, S.A.	Lisboa	62,8068%	Provision of medical and nursing services
Clínica de Serviços Médicos Computorizados de Belém, S.A.	Lisboa	33,6490%	Provision of medical and nursing services
Instituto CUF - Diagnóstico e Tratamento, S.A.	Matosinhos	95,9955%	Operation of health unit
HD Medicina Nuclear, S.A.	Lisboa	69,9294%	Provision of diagnosis services and therapy in the nuclear medicine field
Ecografia de Cascais, Lda.	Cascais	99,9995%	Operation of a diagnosis and radiology medical centre
Nova Imagem - Centro Radiodiagnóstico, S.A.	Oeiras	99,9995%	Operation of a diagnosis and radiology medical centre
SIM-X - Serviço de Imagem Médica, Lda.	Viseu	100%	Operation of a diagnosis and radiology medical centre
<b>Public healthcare services:</b>			
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	Braga	99,9809%	Management and operation of a public hospital
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	V.F. de Xira	99,9760%	Management and operation of a public hospital
<b>Infrastructures:</b>			
Infrahealth – Gestão de Infraestruturas, Lda.	Oeiras	100%	Operation, management and marketing of healthcare infrastructure, commercial areas and car parks
Imo health - Investimentos Imobiliários, S.A.	Lisboa	100%	Buying and selling real estate, exchange and renting property
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Oeiras	100%	Buying and selling real estate, exchange and renting property
<b>Others:</b>			
José de Mello Saúde, S.A.	Lisboa	Parent company	Purchase and sale of equipment and provision of management and consultancy services
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Porto	95,9955%	Management of shareholdings
Vramondi International BV	Roterdão	99,9995%	Management of shareholdings
PPPS - Gestão e Consultoria, S.A.	Lisboa	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
JMS - Prestação de Serviços Administrativos e Operacionais, ACE	Oeiras	99,0933%	Provision of IT, operational, administrative and negotiation services
JMS - Prestação de Serviços de Saúde, ACE	Oeiras	99,2404%	Provision of operational, administrative and health services
José de Mello Saúde - Serviços de Logística, ACE	Oeiras	99,1714%	Provision of operating services (catering, cleaning and maintenance)
Academia CUF, Sociedade Unipessoal, Lda.	Oeiras	100%	Provision of training services in the nursing and clinical services field
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	Oeiras	70,4997%	Provision of external services of occupational safety, hygiene and health
Loja Saúdecef - Produtos e Serviços de Saúde e Bem Estar, S.A.	Oeiras	100%	Sale of parapharmaceutical products

### 3.2. Associates

The associates registered through the equity method as of 30 June 2017 are as follows:

Company	Registered office	Effective percentage	Business activity
Centro Gamma Knife-Radiocirurgia, S.A.	Lisboa	34%	Operation of radiosurgery treatment units
Escala Braga - Sociedade Gestora do Edifício, S.A.	Braga	33,995%	Management and operation of Braga hospital
Escala Parque – Gestão de Estacionamento, S.A.	Sintra	33,995%	Management, operation and maintenance of car parks

## 4. CHANGES IN THE CONSOLIDATION SCOPE

The main changes occurred in the consolidation scope for the semester ended as of 30 June 2017 were essentially the following:

### 4.1. Newly consolidated companies

Company	Registered office	Percentage of capital held	
		Control	Effective
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Oeiras	100%	100%

A SIMPLYGREEN – Investimentos Imobiliários, S.A. was acquired by the José de Mello Saúde Group on 18 April 2017. It is a unit dedicated to buy and sell real estate, exchange and rent properties. On that date, the entry of this company into the consolidation scope had the following impact on Consolidated Financial Statements:

**SIMPLYGREEN**

<b>Net assets acquired:</b>	
Intangible assets	-
Tangible fixed assets	3 029 846
Other investments	-
Trade receivables and advances to suppliers	-
State and other public entities	29 625
Other debtors	-
Other assets	-
Cash and cash equivalents	-
Borrowings	(3 152 707)
Trade payables and advances from clients	-
State and other public entities	-
Other liabilities	(8 251)
Other creditors	<u>(360 000)</u>
	(461 488)
Goodwill (Note 11)	737 293
Badwill	<u>(461 488)</u>
Acquisition price	<u><u>737 293</u></u>

## 5. BUSINESS SEGMENTS

The main activities undertaken by the Group are classified into the following business segments:

- Private healthcare services;
- Public healthcare services;
- Infrastructures; and,
- Others

The Private healthcare business area includes the following units:

- seven hospitals providing a total of 566 inpatient beds; 385 consultation rooms; 40 operating theatres, 6 delivery rooms, and a wide offer of specialty consultations, exams, dental care, check-ups, physical medicine and rehabilitation;
- eight outpatient units providing a total of 192 consultation rooms offering specialty consultations, exams, dental care, check-ups, physical medicine and rehabilitation and also the possibility of carrying out minor surgery;
- one high technology diagnosis and treatment unit including 56 consulting rooms and 2 operating theatres; and,
- five clinical imaging units with a wide range of exams (bone densitometry, ultrasound scan, mammography, radiology, magnetic resonance imaging and computed tomography).

The “Public Healthcare” business area results from two partnership contracts with the Portuguese State, in which the Group manages two hospitals:

- Braga Hospital – resulting from a public-private partnership established in December 2008, the new Braga Hospital opened on 9 May 2011. It has a total hospital floor area of 102 000 m<sup>2</sup>, 705 inpatient beds, 109 consultation rooms, 12 operating theatres and six delivery rooms, serving a population of 1.2 million inhabitants in the Braga and Viana do Castelo districts; and,
- Vila Franca de Xira Hospital – the Escala Vila Franca de Xira consortium took over the management of Reynaldo dos Santos Hospital on 1 June 2011, being responsible for the entire operations of this hospital which belongs to the Portuguese National Health Service. The management of the previous hospital infrastructure was assured for the period of 2 years. In April 2013, the new Vila Franca de Xira Hospital opened, with a gross construction area of 49 000 m<sup>2</sup>, 233 beds, 33 consulting rooms, nine operating theatres and six delivery rooms, serving about 235,000 inhabitants of the Alenquer, Arruda dos Vinhos, Azambuja, Benavente and Vila Franca de Xira municipalities.

The “Infrastructure” segment includes three entities whose corporate object is the management and marketing of health infrastructure, commercial spaces and car parks; this way, with this separation, it was possible to separate the clinical business units from the ancillary activities. In its entirety, this segment includes the management and operation of five buildings and two car parks.

The “Other” segment integrates, in addition to the management of holdings, six entities providing management, training, accounting, consulting, cleaning and maintenance services, and also IT, operational, administrative, leasing of medical equipment, negotiation and procurement services. The Group also has units that (i) provide occupational safety and health services essential for the monitoring of the health of workers and of environmental working conditions and (ii) trade practice of parapharmacy products, which include dermocosmetics, personal hygiene, child care and orthopaedic products, and food and food supplements, dietary food, natural products and non-prescription pharmaceuticals.

The main information regarding income for the semesters ended as of 30 June 2017 and 2016 in the different business segments is as follows:

## 2017

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
<b>Services rendered</b>						
External clients	202 074 107	113 508 171	-	1 457 247	-	317 039 526
Intersegment	4 639 623	-	2 476 831	20 295 467	(27 411 921)	-
<b>Total sales and services rendered</b>	<b>206 713 730</b>	<b>113 508 171</b>	<b>2 476 831</b>	<b>21 752 714</b>	<b>(27 411 921)</b>	<b>317 039 526</b>
<b>Other operating income</b>	3 109 066	845 714	931 974	19 613 323	(20 826 339)	3 673 737
<b>Operating costs</b>	(184 774 167)	(113 535 698)	(1 063 948)	(44 836 462)	48 230 115	(295 980 159)
<b>Segment operating profit</b>	<b>25 048 629</b>	<b>818 188</b>	<b>2 344 857</b>	<b>(3 470 425)</b>	<b>(8 145)</b>	<b>24 733 103</b>
Financial expenses and losses	(2 286 834)	(311 891)	(1 930 154)	(2 853 134)	2 634 817	(4 747 196)
Financial income and gains	290 534	5 644	-	2 672 267	(2 626 672)	341 773
Profit/loss of associates	20 845	-	-	(94 764)	-	(73 920)
Profit/loss of investment activities	-	-	-	86 187	-	86 187
<b>Financial results</b>	<b>(1 975 455)</b>	<b>(306 248)</b>	<b>(1 930 154)</b>	<b>(189 443)</b>	<b>8 145</b>	<b>(4 393 155)</b>
Pre-tax profit	23 073 174	511 940	414 703	(3 659 868)	-	20 339 948
Income tax	(6 872 647)	(373 661)	(346 630)	751 301	-	(6 841 637)
Profit attributable to non-controlling interests	204 638	57	-	13 457	-	218 152
<b>Net profit for the year attributable to shareholders</b>	<b>15 995 889</b>	<b>138 223</b>	<b>68 072</b>	<b>(2 922 024)</b>	<b>-</b>	<b>13 280 160</b>

### Other information:

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 12)	5 353 653	1 904 035	12 258 025	1 763 037	-	21 278 750
Depreciation and amortisation in profit/loss	(7 249 228)	(4 763 055)	(42 551)	(897 272)	-	(12 952 106)
Provisions and impairment losses, net	(995 280)	(459 476)	(12 168)	83 303	-	(1 383 620)

## 2016

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
<b>Services rendered</b>						
External clients	182 030 776	110 811 398	-	1 478 968	-	294 321 142
Intersegment	4 664 014	-	2 172 604	20 085 128	(26 921 746)	-
<b>Total sales and services rendered</b>	<b>186 694 790</b>	<b>110 811 398</b>	<b>2 172 604</b>	<b>21 564 096</b>	<b>(26 921 746)</b>	<b>294 321 142</b>
<b>Other operating income</b>	3 030 465	1 507 169	34 535	15 814 032	(16 506 753)	3 879 449
<b>Operating costs</b>	(165 857 087)	(113 515 356)	(808 773)	(38 109 670)	43 428 499	(274 862 387)
<b>Segment operating profit</b>	<b>23 868 168</b>	<b>(1 196 789)</b>	<b>1 398 366</b>	<b>(731 541)</b>	<b>-</b>	<b>23 338 204</b>
Financial expenses and losses	(2 277 369)	(453 012)	(1 587 431)	(2 517 541)	1 816 044	(5 019 309)
Financial income and gains	328 743	346	-	1 907 344	(1 816 044)	420 389
Profit/loss of associates	166 184	-	-	237 406	-	403 590
Profit/loss of investment activities	-	-	-	(44 695)	-	(44 695)
<b>Financial results</b>	<b>(1 782 442)</b>	<b>(452 666)</b>	<b>(1 587 431)</b>	<b>(417 486)</b>	<b>-</b>	<b>(4 240 025)</b>
Pre-tax profit	22 085 726	(1 649 455)	(189 065)	(1 149 027)	-	19 098 179
Income tax	(6 144 194)	(588 425)	(6 904)	525 154	-	(6 214 369)
Profit attributable to non-controlling interests	163 994	(296)	-	(12 325)	-	151 373
<b>Net profit for the year attributable to shareholders</b>	<b>15 777 538</b>	<b>(2 237 583)</b>	<b>(195 970)</b>	<b>(611 548)</b>	<b>-</b>	<b>12 732 437</b>

### Other information:

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 12)	2 592 466	1 297 498	81 871	750 740	-	4 722 576
Depreciation and amortisation in profit/loss	(5 133 449)	(5 046 449)	(603 540)	(917 059)	-	(11 700 497)
Provisions and impairment losses, net	(707 801)	(4 813 317)	-	211 407	-	(5 309 711)

Intersegment transactions are carried out at market prices, on a similar base to third-party transactions.

Assets and liabilities per business segment and corresponding reconciliation with the consolidated total at 30 June 2017 and 31 December 2016 are as follows:

## 2017

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
<b>Assets by segments</b>						
Goodwill	33 331 272	15 896	750 554	6 000	-	34 103 722
Tangible fixed assets	55 192 913	15 437 487	125 070 517	6 842 495	-	202 543 412
Trade receivables and advances to suppliers	88 738 907	11 205 541	651 312	14 848 137	(21 592 443)	93 851 454
Other assets by segments	63 766 655	93 127 285	22 012 002	342 636 527	(319 891 048)	201 651 421
<b>Total consolidated assets</b>	<b>241 029 747</b>	<b>119 786 208</b>	<b>148 484 385</b>	<b>364 333 159</b>	<b>(341 483 491)</b>	<b>532 150 009</b>
<b>Liabilities</b>						
Borrowings	19 732 867	10 000 000	7 907 517	128 565 817	-	166 206 201
Trade payables and advances from clients	44 774 001	70 286 971	2 026 737	2 828 271	(21 439 637)	98 476 343
Other liabilities by segments	124 363 582	56 899 998	113 444 613	37 187 390	(153 040 988)	178 854 595
<b>Total consolidated liabilities</b>	<b>188 870 450</b>	<b>137 186 970</b>	<b>123 378 868</b>	<b>168 581 477</b>	<b>(174 480 626)</b>	<b>443 537 139</b>

## 2016

	Private healthcare services	Public healthcare services	Infrastructures	Others	Eliminations	Consolidated
<b>Assets by segments</b>						
Goodwill	33 331 272	15 896	13 261	6 000	-	33 366 429
Tangible fixed assets	55 849 826	17 125 267	110 925 844	5 888 671	-	189 789 608
Trade receivables and advances to suppliers	81 681 345	16 736 643	64 359	19 148 552	(22 253 322)	95 377 577
Other assets by segments	73 952 640	76 858 534	3 978 412	292 697 687	(263 154 615)	184 332 657
<b>Total consolidated assets</b>	<b>244 815 082</b>	<b>110 736 339</b>	<b>114 981 876</b>	<b>317 740 910</b>	<b>(285 407 936)</b>	<b>502 866 271</b>
<b>Liabilities</b>						
Borrowings	22 971 455	10 000 000	125 734	116 912 739	-	150 009 928
Trade payables and advances from clients	35 581 520	68 170 882	1 383 902	4 659 104	(22 260 555)	87 534 852
Other liabilities by segments	135 322 901	50 104 498	94 939 793	32 369 490	(129 082 729)	183 653 952
<b>Total consolidated liabilities</b>	<b>193 875 876</b>	<b>128 275 379</b>	<b>96 449 429</b>	<b>153 941 333</b>	<b>(151 343 285)</b>	<b>421 198 732</b>

## 6. SALES AND SERVICES RENDERED

Sales and services rendered for the semesters ended as of 30 June 2017 and 2016 are made as follows:

	30-06-2017	30-06-2016
Sales	219 909	238 232
Services rendered:		
Hospital and clinical activity	205 179 094	189 131 994
Public health service	109 719 779	103 177 407
Occupational Hygiene, Safety and Medicine	1 222 486	1 219 661
Home Services	463 497	518 736
Others	234 761	35 112
	<b>317 039 526</b>	<b>294 321 142</b>

## 7. EXTERNAL SUPPLIES AND SERVICES

External supplies and services for the semesters ended as of 30 June 2017 and 2016 are made as follows:

	30-06-2017	30-06-2016
Fees	70 957 961	65 481 621
Subcontracts	13 186 521	12 375 583
Specialised work	11 890 102	11 537 070
Rents and leases	8 225 858	7 959 802
Maintenance and repair	6 717 467	4 081 992
Electricity	3 145 645	2 914 613
Advertising	1 246 489	1 087 190
Communications	931 147	1 189 210
Fuel	844 095	1 035 777
Insurance	731 940	655 991
Water	657 607	562 220
Collection of waste	580 631	555 002
Tools and utensils	449 049	432 096
Air conditioning	225 818	242 442
Travel and accommodation	195 681	214 205
Office material	166 035	122 929
Road tolls	124 623	109 180
Litigation and notary public fees	64 561	67 040
Cleaning, hygiene and comfort	66 024	64 109
Books and technical documentation	21 769	22 475
Articles for free distribution	26 501	21 128
Transport of goods	4 136	5 021
Other supplies and services	662 836	117 413
	<b>121 122 494</b>	<b>110 854 110</b>

## 8. PERSONNEL COSTS

The personnel costs for the semesters ended as of 30 June 2017 and 2016 were as follows:

	30-06-2017	30-06-2016
Wages	70 687 272	65 866 399
Wage-related expenses	16 558 632	15 528 673
Social security contributions	4 076 470	3 911 254
Insurance	1 648 587	1 402 882
Indemnities	225 984	241 009
Other personnel costs	6 792 550	3 150 061
	<b>99 989 496</b>	<b>90 100 279</b>

Other personnel costs include expenses with prizes, vocational training, medical care and food allowance.

## 9. FINANCIAL RESULTS

The financial results for the semesters ended as of 30 June 2017 and 2016 is broken down as follows:

	30-06-2017	30-06-2016
<b>Financial expenses and losses:</b>		
Interest expenses	(3 381 705)	(3 966 853)
Bank fees and services	(960 008)	(757 449)
Derivative financial instruments - Interest rate	(401 450)	(294 956)
Other financial losses and expenses	(4 034)	(51)
	<b>(4 747 196)</b>	<b>(5 019 309)</b>
<b>Financial income and gains:</b>		
Interest earned	330 252	414 185
Returns on properties	6 000	6 000
Other financial income and gains	5 521	205
	<b>341 773</b>	<b>420 389</b>
<b>Profit/loss of associates:</b>		
Losses in associates and other investments	(94 764)	-
Gains on associates and other investments	20 845	403 590
Gains/losses on the sale of associated companies	-	-
	<b>(73 920)</b>	<b>403 590</b>
<b>Gains /(Losses) relating to investment activities:</b>		
Dividends	-	-
Gains/losses in financial instruments at fair value	86 187	(44 695)
	<b>86 187</b>	<b>(44 695)</b>



## 10. EARNINGS PER SHARE

The basic and diluted earnings per share for the semesters ended 30 June 2017 and 2016 was calculated considering the following amounts:

	30-06-2017	30-06-2016
<b>Basic earnings per share</b>		
Profit for the purpose of calculating basic earnings per share (profit for the semester)	13 280 160	12 732 437
Weighted average number of shares for calculation of basic earnings per share	10 600 000	10 600 000
<b>Net basic earnings per share (Euro)</b>	<b>1,25</b>	<b>1,20</b>

At 30 June 2017 and 2016 there were no dilutive effects of earnings per share, so the diluted earnings per share are equal to basic earnings per share.

## 11. GOODWILL

The amount of goodwill at 30 June 2017 and 31 December 2016, relate to the following entities:

Company	30-06-2017	31-12-2016
Hospital CUF Infante Santo, S.A.	12 432 819	12 432 819
Nova Imagem - Centro Radiodiagnóstico, S.A.	7 269 220	7 269 220
Hospital CUF Santarém, S.A.	7 035 102	7 035 102
VALIR - Sociedade Gestora de Participações Sociais, S.A.	5 220 465	5 220 465
SIMPLYGREEN - Investimentos Imobiliários, S.A.	737 293	-
SIM-X - Serviço de Imagem Médica, Lda.	624 000	624 000
Hospital CUF Cascais, S.A.	482 166	482 166
Hospital CUF Porto, S.A.	160 279	160 279
Hospital CUF Descobertas, S.A.	97 265	97 265
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	15 896	15 896
IMO HEALTH - Investimentos Imobiliários, Unipessoal, Lda.	13 261	13 261
Ecografia de Cascais, Lda.	9 119	9 119
Vramondi International BV	6 000	6 000
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	837	837
	<b>34 103 722</b>	<b>33 366 429</b>

Impairment tests were made using the following methods:

- The recoverable amounts of cash generating units were determined based on the value in use methodology. The use of this method requires the estimate of future cash flows arising from the operations of each cash generating unit and choice of an appropriate discount rate;
- The valuations are supported by past results and future prospects of development of the markets in which the Group operates. Five year projections of future cash flows for each of the businesses have been prepared in accordance with the plans defined by the Board of Directors;
- Each healthcare unit is a cash-generating unit. Valir – Sociedade Gestora de Participações Sociais, SGPS, S.A. includes Instituto CUF – Diagnóstico e Tratamento, S.A. unit, which is analysed together with Hospital CUF Porto, S.A., Nova Imagem – Centro Radiodiagnóstico, S.A. and S.P.S.D. – Sociedade Portuguesa de Serviços Domiciliários, S.A., given the complementarity of provided services and the geographical proximity.

## 12. TANGIBLE FIXED ASSETS

The changes in the value of tangible fixed assets as well as the corresponding depreciation and accumulated impairment losses, in the semesters ended 30 June 2017 and 2016, were as follows:

	30-06-2017					
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Other tangible assets	Tangible assets in progress
<b>Gross assets:</b>						
Balance at 1 January 2017	65 991 502	114 742 314	160 846 804	20 639 128	134 402	2 235 882
Changes in perimeter (Note 5)	-	3 029 846	-	-	-	-
Additions	-	2 038 096	6 119 188	225 971	-	12 895 495
Disposals and write-offs	-	(25 695)	-	(307)	-	-
Transfers	-	7 126	-	713	-	(7 839)
Balance at 30 June 2017	65 991 502	119 791 687	166 965 992	20 865 505	134 402	15 123 538
<b>Depreciation and accumulated impairment losses:</b>						
Balance at 1 January 2017	-	(36 077 226)	(121 027 654)	(17 603 856)	(91 689)	-
Depreciation	-	(3 675 595)	(7 182 386)	(680 236)	(6 577)	-
Disposals and write-offs	-	16 004	-	-	-	-
Balance at 30 June 2017	-	(39 736 816)	(128 210 040)	(18 284 092)	(98 267)	-
<b>Net value</b>	<b>65 991 502</b>	<b>80 054 871</b>	<b>38 755 952</b>	<b>2 581 413</b>	<b>36 135</b>	<b>15 123 538</b>
						<b>202 543 412</b>

	30-06-2016						
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Other tangible assets	Tangible assets in progress	Total
<b>Gross assets:</b>							
Balance at 1 January 2016	20 600 285	108 625 622	145 210 796	21 559 326	134 402	26 323 631	322 454 062
Additions	-	1 134 171	3 014 972	461 361	-	112 071	4 722 576
Transfers	-	908 185	(108 077)	-	108 077	(908 185)	-
Balance at 30 June 2016	20 600 285	110 667 978	148 117 691	22 020 687	242 480	25 527 517	327 176 638
<b>Depreciation and accumulated impairment losses:</b>							
Balance at 1 January 2016	-	(29 039 527)	(108 031 798)	(18 271 054)	(78 424)	-	(155 420 804)
Settlements	-	1 048 297	-	-	-	-	1 048 297
Depreciation	-	(3 017 432)	(6 357 592)	(810 227)	(6 633)	-	(10 191 883)
Transfers	-	(923)	109 000	-	(108 077)	-	-
Balance at 30 June 2016	-	(31 009 585)	(114 280 390)	(19 081 281)	(193 135)	-	(164 564 390)
<b>Net value</b>	<b>20 600 285</b>	<b>79 658 394</b>	<b>33 837 301</b>	<b>2 939 406</b>	<b>49 345</b>	<b>25 527 517</b>	<b>162 612 248</b>

### 13. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

The trade receivables and advances to supplier's item was broken down as follows at 30 June 2017 and 31 December 2016:

	30-06-2017			31-12-2016		
	Gross value	Impairment losses (Note 19)	Net value	Gross value	Impairment losses (Note 19)	Net value
Trade receivables, current account	92 937 138	(1 301 968)	91 635 170	93 353 001	(976 496)	92 376 505
Doubtful receivables	12 331 415	(10 137 985)	2 193 429	12 274 963	(9 296 745)	2 978 218
Advances to suppliers	22 855	-	22 855	22 855	-	22 855
	<b>105 291 407</b>	<b>(11 439 953)</b>	<b>93 851 454</b>	<b>105 650 818</b>	<b>(10 273 241)</b>	<b>95 377 577</b>

The balances in the statement of financial position are net of impairment losses on trade payables balances.

The Board of Directors believes that the carrying value of receivables is close to its fair value.

The Group has no significant concentration of credit risk, as the risk is diluted over a vast range of clients.

#### 14. OTHER FINANCIAL INSTRUMENTS

These captions are made up of debentures loans. At 30 June 2017 and 31 December 2016 this item is detailed in the table below:

Subsidiary	Issuer	Year of issue	30-06-2017	31-12-2016
José de Mello Saúde, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2014	10 000 000	10 000 000
Hospital CUF Descobertas, S.A.	José de Mello, SGPS, S.A.	2007	10 000 000	10 000 000
Hospital CUF Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2010	4 350 000	4 350 000
Hospital CUF Descobertas, S.A.	José de Mello Participações II, SGPS, S.A.	2008	10 000 000	10 000 000
Hospital CUF Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S.A.	2014	4 300 000	4 300 000
Hospital CUF Infante Santo, S.A.	José de Mello, SGPS, S.A.	2007	10 000 000	10 000 000
			<b>48 650 000</b>	<b>48 650 000</b>

These bonds have a put option which gives the Group the right to redeem the amount in question at any time.

#### 15. CASH AND CASH EQUIVALENTS

The Cash and cash equivalents item includes the amounts of cash, bank deposits immediately redeemable, cash investments and term deposits maturing in under three months, and for which there is insignificant risk of a change in value.

This item was broken down as follows at 30 June 2017 and 31 December 2016:

	30-06-2017	31-12-2016
Cash	1 659 729	1 743 953
Current accounts	18 295 917	14 124 477
Term deposits	6 307	6 307
Other cash investments	97 016	192 657
	<b>20 058 969</b>	<b>16 067 394</b>
Bank overdrafts (Note 18)	(101 381)	(252 734)
	<b>19 957 588</b>	<b>15 814 660</b>

## 16. SHARE CAPITAL

The share capital at 30 June 2017 amounted to EUR 53,000,000, fully subscribed and paid-up, and it was represented by 10,600,000 shares each with the nominal value of five euros.

The share capital was held by the following entities at 30 June 2017:

Entity	Shares	Percentage
José de Mello, SGPS, S.A.	6 980 100	65,85%
Fundação Amélia da Silva de Mello	439 900	4,15%
Farminveste - Investimentos, Participações e Gestão, S.A.	3 180 000	30,00%
	<b>10 600 000</b>	<b>100,00%</b>

## 17. LEGAL RESERVE

Commercial legislation establishes that the Company must reinforce the legal reserve by at least 5% of the annual net profit until this reserve equals at least 20% of the share capital. This reserve is not available for distribution to shareholders, however it may be used to absorb losses once the other reserves have been exhausted, or to increase the share capital.

## 18. LOANS

Borrowings at 30 June 2017 and 31 December 2016 were as follows:

	30-06-2017	31-12-2016
<b>Non-current liabilities:</b>		
Bond loans	99 590 024	99 452 814
Other bank loans	24 262 678	18 532 108
	<b>123 852 702</b>	<b>117 984 922</b>
<b>Current liabilities</b>		
Commercial paper	35 000 000	23 900 000
Other bank loans	4 852 118	3 237 272
Secured accounts	2 400 000	4 635 000
Bank overdrafts	101 381	252 734
	<b>42 353 499</b>	<b>32 025 005</b>
	<b>166 206 201</b>	<b>150 009 928</b>

The bond loans relate to the following issues:

“JOSÉ DE MELLO SAÚDE 2014/2019”

Total loan amount: EUR 50,000,000  
 Nominal value: EUR 10,000 per bond  
 Maturity: 9 June 2019  
 Interest rate: 6-month Euribor plus 3.875%

“JOSÉ MELLO SAÚDE 2015/2021”

Total loan amount: EUR 50,000,000  
 Nominal value: EUR 10,000 per bond  
 Maturity: 17 May 2021  
 Interest rate: 6-month Euribor plus 2.95%

These issues were placed with institutional investors and are admitted to trading on the regulated markets of Euronext Lisbon and Luxembourg Stock Exchange.

Other bank loans were broken down as follows at 30 June 2017 and 31 December 2016:

Company	30-06-2017		31-12-2016	
	Current	Non-current	Current	Non-current
Montepio Geral	1 245 318	1 293 241	1 265 698	1 899 523
Banif	523 273	10 382 293	273 176	10 368 108
Santander Totta	592 230	2 213 091	587 525	2 506 317
BIC	698 682	4 446 164	129 936	278 449
Popular	992 615	2 994 557	980 937	3 479 712
Abanca	800 000	2 933 332	-	-
	<b>4 852 118</b>	<b>24 262 678</b>	<b>3 237 271</b>	<b>18 532 108</b>

## 19. PROVISIONS, ACCUMULATED IMPAIRMENT LOSSES AND CONTINGENT ASSETS

### Provisions

The changes occurred in provisions in the semesters ended on 30 June 2017 and 2016 were as follows:

	Employee benefits	Provisions				Total liabilities
		Taxes	Environmental issues	Others	Total	
Balance at 1 January 2016	1 762 373	390 811	5 000	12 579 097	12 974 908	14 737 281
Increase	-	-	-	4 743 448	4 743 448	4 743 448
Reversal	-	-	-	(42 500)	(42 500)	(42 500)
Balance at 30 June 2016	<b>1 762 373</b>	<b>390 811</b>	<b>5 000</b>	<b>17 280 045</b>	<b>17 675 856</b>	<b>19 438 229</b>
Balance at 1 January 2017	1 461 775	390 811	5 000	13 625 422	14 021 234	15 483 009
Increase	-	-	-	472 397	472 397	472 397
Reversal	-	-	-	(122 599)	(122 599)	(122 599)
Balance at 30 June 2017	<b>1 461 775</b>	<b>390 811</b>	<b>5 000</b>	<b>13 975 221</b>	<b>14 371 032</b>	<b>15 832 807</b>

The Others item mainly includes provisions for risks arising from the business of providing hospital services. It also includes a provision intended to address the liability for replacing equipment as established in Annex V of the Management and operation contract of Vila Franca Hospital; this provision was set up in the 2013 year against intangible assets following the transfer to the new facility, which was when new capacity was acquired and an investment plan was prepared which envisages the recognition of the future liability to replace the referred equipment by the end of the contract.

### Impairment losses

The changes occurred in accumulated impairment losses on current assets in the semesters ended 30 June 2017 and 2016 were as follows:

Impairment losses on current assets					
	Accrued income	Inventories	Trade receivables (Note 13)	Other debtors	Total
Balance at 1 January 2016	-	21 523	9 637 528	-	9 659 051
Increase	-	-	1 050 706	-	1 050 706
Use	-	-	219	-	219
Reversal	-	-	(219)	-	(219)
Balance at 30 June 2016	-	<b>21 523</b>	<b>10 688 234</b>	-	<b>10 709 757</b>
Balance at 1 January 2017	-	32 501	10 273 241	-	10 305 742
Increase	-	-	1 166 712	-	1 166 712
Use	-	(21 523)	-	-	(21 523)
Balance at 30 June 2017	-	<b>10 978</b>	<b>11 439 953</b>	-	<b>11 450 930</b>

The changes occurred in accumulated impairment losses on non-current assets in the semesters ended 30 June 2017 and 2016 were as follows:

Impairment losses on non-current assets				
	Investments in associates	Other investments	Non-current assets held for sale	Total
Balance at 1 January 2016	543 941	1 315 853	97 000	1 956 794
Reversal	(441 723)	-	-	(441 723)
Balance at 30 June 2016	<b>102 218</b>	<b>1 315 853</b>	<b>97 000</b>	<b>1 515 071</b>
Balance at 1 January 2017	35 890	1 315 853	97 000	1 448 743
Reversal	(35 890)	-	(97 000)	(132 890)
Balance at 30 June 2017	<b>0</b>	<b>1 315 853</b>	-	<b>1 315 853</b>

### Contingent assets

After two years in a row with positive net profit, in 2016 Escala Braga presented a loss of approximately 4 million euros. This situation results from the Government not renewing the vertical funding programmes for HIV (AIDS) and Multiple Sclerosis, with an approximate total value of 7.5 million euros. It is the JMS Group's strong belief that this behaviour by the state-owned partner contributed mercilessly to the current financial situation and is a very serious contractual non-compliance situation.



This way, a Request for Financial Recovery was lodged as a protection at the end of 2016 for the purposes of clause 127, paragraph 9, subparagraph (b) of the Management Contract, proposing, in a spirit of loyal cooperation and good faith, that a process of arbitration be initiated as soon as possible to settle this dispute.

The JMS Group considers the success of this litigation likely and the best estimate of this contingent asset to amount to 7.5 million euros.

Therefore, apart from this impact, which we consider a surprise given that, in the past, these programmes were even taken into consideration by the Court of Auditors, which we hope can be reversed soon, Escala Braga, specifically, and JMS Group in general, maintained (and reinforced) its operating performance.

## 20. TRADE PAYABLES AND ADVANCES FROM CLIENTS

These items were broken down as follows at 30 June 2017 and 31 December 2016:

	30-06-2017	31-12-2016
Trade payables, current account	79 677 115	74 547 613
Trade payables, invoices pending	14 988 234	9 432 203
Advances from clients	3 810 994	3 555 036
	<b>98 476 343</b>	<b>87 534 852</b>

## 21. OTHER NON-CURRENT LIABILITIES

At 30 June 2017 and 31 December 2016 this caption was made up as follows:

	30-06-2017	31-12-2016
<b>Accrued costs:</b>		
Wages payable	26 062 025	26 367 628
Medical fees	11 895 367	20 387 581
Operating costs (a)	21 570 168	15 039 509
Financial expenses	79 709	72 798
Escala Braga increase costs	-	3 190 437
Other accrued costs	-	-
	<u>59 607 270</u>	<u>65 057 952</u>
<b>Deferred income:</b>		
Financial income	519 082	525 275
Rents and leases	-	14 141
Other deferred income	2 713	814
	<u>1 920 260</u>	<u>540 230</u>
	<u><b>61 527 529</b></u>	<u><b>65 598 181</b></u>

(a) This caption contains the accrued expenses incurred at the closing of the year for Costs of sales, External supplies and services (Complementary Diagnostic and Treatment Means, Insurance and Clinical Specialist Works), Personnel expenditure and Other operating costs.

## 22. RELATED PARTIES

Transactions and balances between José de Mello Saúde, S.A. (the parent company) and the Group companies have been eliminated in the consolidation process and are not disclosed in this note. Balances and transactions at 30 June 2017 between the Group and associates and other related parties are detailed below:

Related party	Debit balances			Credit balances
	Clients	Shareholders and subsidiaries	Other assets	Suppliers
<b>Shareholders:</b>				
José de Mello, SGPS, S.A.	1 449	122 780	20 000 585	9 490
Farminveste - Investimentos, Participações e Gestão, S.A.	-	711 720	18 884 466	-
<b>Other related parties:</b>				
Grupo MGI Capital	-	-	-	-
Grupo Brisa - Auto-estradas de Portugal	58 420	-	-	(12 228)
MGICAPITAL- Sistemas de Gestão, S.A.	11 028	-	-	1 447 482
José de Mello Participações II, SGPS, S.A.	-	-	10 180 458	-
Grupo José de Mello Residências e Serviços	4 827	-	-	8 171
Grupo CUF	1 439	-	-	-
Grupo José de Mello Imobiliária	284	-	-	-
José de Mello Serviços, Lda.	-	-	-	2 139
José de Mello Energia, S.A.	-	-	-	-
M Dados – Sistemas de Informação, S.A.	-	-	-	167 705
Digihealth, S.A.	-	-	-	-
	<b>77 447</b>	<b>834 500</b>	<b>49 065 508</b>	<b>1 622 759</b>

Related party	Transactions		
	Sales and services rendered	Financial income	External supplies and services
<b>Shareholders:</b>			
José de Mello, SGPS, S.A.	4 065	84 092	24 368
Farminveste - Investimentos, Participações e Gestão, S.A.	-	94 575	-
<b>Other related parties:</b>			
Grupo MGI Capital	-	-	-
Grupo Brisa - Auto-estradas de Portugal	88 026	-	187 539
MGICAPITAL- Sistemas de Gestão, S.A.	21 979	-	1 304 675
José de Mello Participações II, SGPS, S.A.	-	28 284	-
Grupo José de Mello Residências e Serviços	22 884	-	37 674
Grupo CUF	12 168	-	-
Grupo José de Mello Imobiliária	284	-	-
José de Mello Serviços, Lda.	3 595	-	95 031
José de Mello Energia, S.A.	454	-	-
M Dados – Sistemas de Informação, S.A.	-	-	303 990
Digihealth, S.A.	-	-	-
	<b>153 456</b>	<b>206 951</b>	<b>1 953 278</b>

The terms and conditions of transactions between the Group companies and related parties are substantially identical to those normally contracted, accepted and practiced between independent entities in comparable transactions.

### **23. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements for the semester ended 30 June 2017 were approved by the Board of Directors on 28 July 2017.

The Chartered Accountant

The Board of Directors