



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, S.A.

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Share Capital: EUR 53,000,000, corporate number 502884665, registered under the same number at the Commercial Registry Office of Cascais

Notice

Financial Results as of 31 December 2018

In 2018, José de Mello Saúde had a solid operating and financial performance. The trajectory reflects the sustained operational growth, in parallel with the implementation of its investment strategy and geographic expansion, consolidating its leadership position in the private health sector in Portugal.

1. Operational Performance

In 2018, José de Mello Saúde maintained the sustained growth trajectory across all areas of its healthcare activity. Over 2.6 million appointments were performed (8.5% increase vis-à-vis 2017), 98.9 thousand surgeries (+6.5% year-over-year) and 86.8 thousand discharged patients (+15.4% more than in the previous year). There was also a relevant 9.7% increase in births versus 2017.

José de Mello Saúde Healthcare service provision indicators			
(Thousands)	2018	2017	Var. %
Consultations	2,639.8	2,434.1	8.5%
Emergencies	690.5	658.2	4.9%
Surgical Patients	98.9	92.8	6.5%
Discharged patients	86.8	75.2	15.4%
Days of hospitalisation	494.9	470.0	5.3%
Births	8.6	7.8	9.7%

It does not include patients discharged from UCIPs



CUF

In the private sector, more than 2 million appointments were carried out (+10.0% versus 2017), 56.6 thousand surgeries were performed (increase of 7.1% vis-à-vis last year) and 40 thousand discharged patients (+11.0% versus 2017).

Public-Private Partnerships

In the hospitals managed under public-private partnership, 618 thousand appointments were carried out (3.7% increase versus last year), 42.2 thousand surgeries (5.8% more than in 2017) and 46.8 thousand discharged patients (+19.4% vis-à-vis 2017).

2. Investment (CAPEX)

Total investment carried out in 2018 reached 81.2 M€. Recurrent investment was 15.5 M€ (2.6 M€ higher than in 2017) and was mainly composed of replacements of clinical equipment and other technological updates in the CUF units.

The expansion investment, both organic, with the construction of the new CUF Descobertas Hospital's building (inaugurated in July 2018), construction of CUF Sintra and CUF Tejo hospitals' and expansion works performed on CUF Torres Vedras Hospital, as well as geographical, with the opening of CUF Coimbra hospital, represented a total of 65.7 M€.

3. Consolidated Income Statement

In 2018 José de Mello Saúde's operating income reached 683.1 M€, an increase of 7.2% versus 2017, a result of the positive performance across all areas of healthcare activity.

Operating costs amounted to 612.0 M€, 8.2% more than last year. Thus, and despite the strong investment, EBITDA remained in line with last year at 71.2 M€ (1.2% lower than 2017), which represents a decrease of 0.9 pp in EBITDA margin.

(Million Euros)	2018	2017	Var.	Var. %
Operating Income	683.1	637.4	45.7	7.2%
Operating Costs*	(612.0)	(565.4)	(46.5)	-8.2%
EBITDAR	76.2	83.8	-7.7	-9.1%
EBITDAR Margin	11.2%	13.2%	-2.0 p.p.	0.0%
EBITDA**	71.2	72.0	-0.9	-1.2%
EBITDA Margin	10.4%	11.3%	-0.9 p.p.	0.0%
Amortization and Provisions	(40.0)	(29.4)	(10.6)	-35.9%
EBIT	31.2	42.6	-11.4	-26.8%
EBIT Margin	4.6%	6.7%	-2.1 p.p.	0.0%
Financial Results	(8.6)	(10.5)	1.9	18.1%
EBT	22.6	32.1	-9.5	-29.6%
Taxes	(6.8)	(8.8)	2.0	23.2%
Net Profit	15.8	23.3	-7.5	-32.0%
Net Profit attributable to non-controlling interests	0.2	0.5	-0.2391946	-50.4%
Net Profit attributable to JMS Shareholders	15.6	22.8	-7.2	-31.7%

*Total minus Amortization and Provisions

**EBIT plus Amortization and Provisions

CUF

In the private sector (CUF), operating income¹ increased 8.0% versus 2017, reaching 438.3 M€, supported by growth in all areas of healthcare activity. EBITDA was 57.6 M€ (versus 62.6 M€ in 2017) and EBITDA margin decreased 2.3 pp standing at 13.1%, due to the opening of new units namely the significant expansion of CUF Descobertas Hospital building and opening of CUF Coimbra Hospital;

EBIT amounted to 40.2 M€ (versus 48.2 million in 2017) and EBIT margin decreased 2.8 pp to 9.2%.

¹ Includes intersegmental operating income and other operating income.



Public-Private Partnerships

In the public sector, operating income increased 11.8 M€ to 239.2 M€ vis-à-vis 2017 (+5.2%). However, EBITDA decreased 4.1 M€ from 2017, closing the year in 3.5 M€ (down 54.0%). EBIT was negative, amounting to 10.8 M€, resulting in an EBIT margin of -4.5% (-3.3 pp year-over-year).

This decrease can be explained by the significant cost increase with personnel, drugs and clinical consumables in the Braga partnership, namely the impact of non-revalidation by ARS Norte of the HIV and Multiple Sclerosis vertical funding programs, amounting to approximately 7.5 M€ per year.

As a result of this negative impact on the Braga Hospital operation, a Request for Financial Rebalancing which was decided by an Arbitral Court. The result of this process was only known in January 2019, and was favorable to José de Mello Saúde in the HIV financing for a total amount of 16 M€, related to the period between January 2016 and August 2019. From this value, 13.4 M€ regarding 2016, 2017 and 2018 were received in February 2019, with the additional 2.6 M€ regarding 2019's activity to be received during the current year.

Net Profit

José de Mello Saúde's consolidated net profit was 15.6 M€, calculated based on a Pre-Tax Result of 22.6 M€ and on Income Tax of 6.8 M€.

4. Debt Indicators and Main Financial Ratios

On 31 December 2018, net financial debt² amounted to 344.4 M€, an increase of 5.8 M€ versus 2017. In 2018, José de Mello Saúde was able to reduce its average cost of funding, while maintaining its average debt maturity.

(Million Euros)	2018	2017
Gross financial debt	446.9	421.6
Net financial debt*	344.4	338.6
Average maturity of debt (years)**	4.06	4.08
Average spread	2.56%	2.77%

* Considers gross financial debt less cash and cash equivalents and other financial instruments

** Excluding leasing

Main Financial Ratios

Although in 2018 José de Mello Saúde presented a consistent financial performance, the evolution of its main ratios reflects the strong investment effort across multiple expansion works. For this reason, and considering the reduction of EBITDA, there is an increase of the Net Debt to EBITDA ratio to 4.84x, with the Financial Autonomy ratio stable versus last year.

	2018	2017
Financial Autonomy	12.1%	12.4%
Solvency	13.8%	14.2%
Net financial debt ¹ /EBITDA	4.84	4.70
EBIT/Financial Charges	2.0	3.5

¹ Considers gross financial debt less cash and cash equivalents and other financial instruments

² Considers Gross Financial Debt less Cash and Cash Equivalents (including factoring advances) and Other Financial Instruments



5. Financial Position

(Million Euros)	2018	2017	Var.
Non-current Assets	504.5	452.5	52.0
Goodwill	45.6	43.9	1.7
Intangible assets	10.3	13.4	-3.1
Tangible fixed assets	438.9	378.4	60.5
Investments in associates	0.3	0.2	0.0
Other investments	2.1	0.8	1.4
Other non-current assets	2.7	8.3	-5.6
Deferred tax assets	4.6	3.8	0.8
Non-current assets held for sale	0.0	3.7	-3.7
Current Assets	312.7	292.9	19.8
Inventories	12.7	14.2	-1.5
Trade receivables and advances to suppliers	99.5	122.9	-23.4
Other current debtors	10.9	3.3	7.6
State and other public entities	4.0	16.7	-12.7
Cash and cash equivalents	67.4	47.9	19.5
Other financial instruments	35.2	35.2	0.0
Other current assets	83.0	52.7	30.2
Total Assets	817.3	745.4	71.8
(Million Euros)	2018	2017	Var.
Total Equity	98.9	92.4	6.5
Share capital	53.0	53.0	0.0
Retained earnings + Reserves	30.4	26.5	3.9
Net Income	15.6	22.8	-7.2
Interim dividends	-4.2	-14.1	9.9
Non-controlling interests	4.2	4.2	-0.1
Financial Liabilities	446.9	421.6	25.3
Borrowings	382.2	351.6	30.6
Financial lease creditors	64.7	70.0	-5.3
Non-Financial Liabilities	271.4	231.4	40.1
Employee benefits	1.3	1.4	-0.1
Provisions	15.6	12.3	3.4
Trade payables and advances from clients	121.1	94.5	26.5
Other current creditors	19.0	10.8	8.2
State and other public entities	10.5	22.0	-11.5
Deferred tax liabilities	13.3	11.7	1.6
Other current and non-current liabilities	90.7	78.7	12.0
Total Liabilities	718.4	653.0	65.4
Total Equity + Liabilities	817.3	745.4	71.8



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Total assets increased 71.8 M€ (+9.6%) in comparison with 2017, reaching 817.3 M€ at the end of 2018. This variation is mostly due to the increase in tangible fixed assets (+60.5 M€), as a result of the multiple expansion works in progress, namely the new building of CUF Descobertas Hospital, inaugurated in July 2018, CUF Sintra Hospital and CUF Tejo Hospital.

José de Mello Saúde closed 2018 with an equity increase of 6.5 M€ versus 2017, to 98.9 M€.

24 de abril 2019

The financial statements for the year 2018 of José de Mello Saúde, S.A., were prepared in accordance with International Financial Reporting Standards (IFRS).