

JOSÉ DE MELLO SAÚDE, S.A.

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Share Capital: 53,000,000 euros • Corporate number 502884665 • Registered under the same number at the Commercial Registry Office of Cascais

NOTICE

Consolidated Results as of 31 December 2019

1. Relevant Facts in 2019

- Healthcare activity in 2019 increased across all areas, in both the CUF network (private segment) and the Public-Private Partnership (PPP) side of the business (Hospital de Braga and Hospital de Vila Franca de Xira);
- Operating revenues reached 701.5 million euros, representing a 2.7% growth vis-à-vis 2018 (only 8 months of activity at Hospital de Braga PPP), where CUF network stands out with an impressive growth of 11.8% in the same period;
- Significant EBITDA increase of 37.6%, reaching 97.9 million euros and also a 3.5p.p. increase at EBITDA margin level, registering 14.0% in 2019;
- Strong consolidated Net Profit YOY growth of 86.1% reaching 29.0 million euros in 2019;
- The Net Debt to EBITDA ratio decreased from 4.84x in 2018 to 4.48x in 2019, despite the increase on the Net Debt to 438.9 million euros (+94.5 million euros than in 2018) due to the undergoing CAPEX plan;
- End of Hospital de Braga PPP as of 31 August 2019, which contributed with 4.4 million euros to consolidated Net Profit in 2019FY as a consequence of the favourable Court of Arbitration decision on the State co-payment of HIV programs (it is worth highlighting that in the last 3 years, 2016-2018 period, Hospital de Braga PPP accumulated losses amounted to 21.2 million euros);

- José de Mello Saúde opted for the IFRS 16 modified retrospective approach, under which no restatement of the comparative financial information has to be performed. The IFRS 16 impact on the financial statements was that already mentioned in 2018 Annual Report, as Assets improved 28.5 million euros while the Liabilities' side of the Balance Sheet increased 29.0 million euros.

José de Mello Saúde **operating and financial performance in 2019FY was remarkable**, and achieved in parallel with its undergoing investment plans to renovate existing units and expand geographically to consolidate José de Mello Saúde leadership on the private healthcare sector in Portugal.

Subsequent Events – COVID-19 Pandemic

As a healthcare service provider, José de Mello Saúde is carefully keeping track on this outbreak in close contact with the Portuguese health authorities.

In this context, and to assure people safety, José de Mello Saúde promptly reorganized its healthcare network to better serve the population. Hospital CUF Infante Santo in Lisbon and Hospital CUF Porto, are prepared to receive and treat COVID-19 patients alongside all other patients, who would be directed to other CUF units as appropriate. Hospital de Vila Franca de Xira PPP is part of the SNS (national health system), and therefore has also been providing the required healthcare services to meet the population needs. The other CUF units will remain serving the non-COVID-19 patients.

José de Mello Saúde performed several scenarios which foresee COVID-19 will have a negative impact of 80 million euros at revenue level, assuming the epidemic curve will begin to decline in 2020H1 and progressively revenue stream starts to pick up.

José de Mello Saúde is taking the necessary actions to minimize the negative impact of this situation on its own economic and financial position (including impacts on its financial ratios).

2. Operating Performance

José de Mello Saúde Healthcare Performance Indicators

	Private HealthCare Services			Public HealthCare Services		
(thousands)	2019	2018	Δ %	2019	2018	Δ %
Appointments ¹	2,191.2	1,982.3	10.5%	466.0	618.0	-24.6%
Emergencies	365.9	337.8	8.3%	284.7	352.7	-19.3%
Surgical Patients ²	50.5	46.8	7.8%	32.9	42.2	-22.1%
Inpatient Days ³	151.9	151.6	0.2%	260.6	332.5	-21.6%
Births	3.8	3.5	6.8%	4.0	5.1	-21.4%

¹ New classification criteria, for instance, Dental is no longer included (2018 value was restated).

² New classification criteria as minor surgery is no longer included (2018 value was restated).

³ New classification criteria as nursery is no longer included (2018 value was restated)

CUF Network

In 2019, the private side of José de Mello Saúde business (CUF network) kept its steady growth at healthcare activity, reaching a yearly growth of 10.5% in appointments (2,191 thousands), 8.3% in urgencies (366 thousands), 7.8% in surgeries (51 thousands) and 6.8% in births (3,800), when compared to 2018FY.

Public-Private Partnerships (PPP)

In the hospitals managed under PPP, the activity figures declined, essentially due to the end of Hospital de Braga PPP as of 31 August 2019, as per Hospital de Vila Franca de Xira PPP, all the healthcare performance indicators improved in 2019 (as well as in Hospital de Braga PPP during its 8-months period).

3. Consolidated Results

Income Statement

(million euros)	2019	2018	Δ %
Operating Income	701.5	683.1	2.7%
Operating Costs	(603.6)	(612.0)	-1.4%
EBITDA	97.9	71.2	37.6%
EBITDA Margin	14.0%	10.4%	+3.5p.p.
Recurring EBITDA ¹	84.9	71.2	19.3%
Recurring EBITDA Margin	12.3%	10.4%	+1.9p.p.
Adjusted Recurring EBITDA ²	79.9	71.2	12.3%
Adjusted Recurring EBITDA Margin	11.6%	10.4%	+1.2p.p.
Amortisation and Provisions	(44.3)	(40.0)	10.7%
EBIT	53.6	31.2	72.0%
EBIT Margin	7.6%	4.6%	+3.1p.p.
Financial Income	1.0	0.8	20.8%
Financial Costs	(17.1)	(9.4)	81.0%
EBT	37.6	22.6	66.4%
Taxes	(8.6)	(6.8)	27.0%
Net profit attributable to non-controlling interests	0.0	0.2	-109.2%
Net profit attributable to JMS Shareholders	29.0	15.6	86.1%

¹ The 13,0 millions euros paid to Hospital de Braga PPP were excluded

² Recurring EBITDA less the IFRS 16 effect

In 2019, José de Mello Saúde's operating income reached 701.5 million euros, 2.7% more than 2018, being negatively impacted by the end of Hospital de Braga PPP, which had a limited 8-months contribution to 2019 income. On the other hand, it was positively impacted by the Court of Arbitration decision on the State co-payment of HIV programs in Hospital de Braga PPP determining the payment of 15.3 million euros (13.0 million euros of which being related with past years' activity). Operating costs decreased 1.4% in the same period.

Therefore, consolidated EBITDA improved 37.6% and amounted to 97.9 million euros in 2019. The EBITDA margin stood at 14.0%, an increase of 3.5p.p. vis-à-vis 2018. The Adjusted Recurring EBITDA, which excludes the 13.0 million euros State payment to Hospital de Braga PPP and the IFRS 16 impact, reached 79.9 million euros (+12.3% than 2018), and the Adjusted Recurring EBITDA margin also raised to 11.6% in 2019 (+1.2p.p.).

CUF Network

In the private sector (CUF network), operating income¹ increased 11.8% versus 2018, reaching 490.1 million euros, supported by growth in all areas of healthcare activity and generally across CUF network (even more mature units experienced growth in 2019). The expanded Hospital CUF

¹ Includes intragroup transactions.

Descobertas (+50% of previous installed capacity), had a significant contribution to 2019 operating revenues as it was its first complete year of activity (the new building opened in July, 2018). In this respect, it is also worth mentioning, the first phase of Hospital CUF Sintra, replacing the former CUF Sintra Clinic, which was launched in June 2019 offering a large range of healthcare services among appointments, exams and urgencies.

EBITDA reached 80.3 million euros, a YOY growth of 39.5%, allowing the EBITDA margin to increase 3.3p.p. to 16.4% in 2019.

It should also be highlighted that prices to self-pay clients were updated in early 2019 leading to an average increase of 1.8% (however, there was a 3.0% increase regarding the main items).

Public-Private Partnerships (PPP)

As previously mentioned, there were to significant events concerning Hospital de Braga PPP in 2019 with opposite impacts on its performance:

- The favourable Court of Arbitration decision on the State co-payment of HIV programs determining the payment of 15.3 million euros (plus 0.5 million euros of interests), 13.0 million euros of which being related with past years' activity and 2.3 million euros referring to 2019 activity;
- The end of Hospital de Braga PPP as of August 31, 2019, limiting its contribution to a 8-month period;

Thus, operating income of Hospital de Braga PPP decreased 21.6% versus 2018 and stood at 131.1 million euros. Disregarding the non-recurring payment made by the State (13.0 million euros), the operating income would have been 118.1 million euros, less 29.4% than in 2018 as a result of the PPP termination.

At EBITDA level, the Hospital de Braga PPP achieved more 15.7 million euros than in 2018, reaching 12.2 million euros.

Hospital de Vila Franca de Xira PPP presented 75.0 million euros of operating revenues, an increase of 3.9% versus 2018, as a result of the improved activity, however EBITDA decreased 11.4% to 6.2 million euros.

4. Investment (CAPEX)

Total CAPEX carried out in 2019 reached 118.5 million euros.

Recurring investment was 30.1 million euros and was mainly due to clinical equipment replacement and other technological updates across the CUF network.

The expansion CAPEX amounted to 88.4 million euros and mainly referred to the construction of Hospital CUF Sintra and Hospital CUF Tejo (expected to open in 2020H2) and the expansion works of Hospital CUF Torres Vedras.

5. Debt Indicators and Main Financial Ratios

	2019	2018
Financial Autonomy	13.8%	12.1%
Solvency	16.0%	13.8%
Net Financial Debt (million euros)	438.9	344.4
Net Financial Debt ¹ /EBITDA	4.48	4.84
EBIT/Financial Charges	3.21	2.01

¹ Considers Gross Financial Debt less Cash and Cash Equivalents and Other Financial Instruments

José de Mello Saúde has been pursuing a solid and sustainable debt-capital structure to allow for its expansion plans. Financial strategy is therefore focused on reducing refinancing risk, diversifying funding sources and extending the average maturity of its debt.

Consolidated gross financial debt amounted to 534.3 million euros at 2019 year-end, an increase of 87.4 million euros versus 2018, significantly due to IFRS 16 (which led to an increase of 29.0 million euros on the liabilities side of the balance sheet), as well as José de Mello Saúde need to fund its greenfield projects. On 31 December 2019, Net Debt was 438.9 million euros, more 94.5 million euros than the previous year.

Among the main financial ratios, the positive evolution of the Financial Autonomy and Solvency ratios stand out in 2019, supported by a more than proportionally increase in Equity versus Assets and Liabilities, respectively.

The Net Debt-to-EBITDA ratio also witnessed a favourable evolution, from 4.84x to 4.48x, on the back of José de Mello Saúde's positive operating performance in 2019, more than offsetting the increase of the Net Debt in that period.

6. Financial Position

Balance Sheet

(millions euros)	2019	2018	Δ
Non-current Assets	622.1	504.5	117.6
Goodwill	46.1	45.6	0.5
Intangible assets	10.0	10.3	-0.3
Right of use ¹	109.0	0.0	109.0
Tangible fixed assets	445.0	438.9	6.0
Investments in associates	1.9	0.3	1.7
Other investments	2.0	2.1	-0.1
Deferred tax assets	5.5	4.6	0.9
Other non-current debtors	0.4	0.6	-0.2
Other non-current assets	2.2	2.2	0.0
Current Assets	289.1	312.7	-23.7
Inventories	14.9	12.7	2.2
Trade receivables and advances to suppliers	93.0	99.5	-6.5
Other current debtors	11.5	10.9	0.6
State and other public entities	6.9	4.0	2.9
Cash and cash equivalents	60.3	67.4	-7.1
Other financial instruments	35.2	35.2	0.0
Other current assets	67.4	83.0	-15.6
Total Assets	911.2	817.3	93.9

¹ 28.5 million euros out of the 109.0 million euros derive from IFRS16

(millions euros)	2019	2018	Δ
Total Equity	126.0	98.9	27.1
Share capital	53.0	53.0	0.0
Reserves + Retained earnings	40.0	30.4	9.7
Net income	29.0	15.6	13.4
Interim dividends	0.0	-4.2	4.2
Non-controlling interests	3.9	4.2	-0.2
Financial Liabilities	534.3	446.9	87.4
Borrowings	446.2	382.2	64.0
Leases ²	88.1	64.7	23.4
Non-Financial Liabilities	250.9	271.4	-20.6
Employee benefits	1.3	1.3	0.0
Provisions	20.6	15.6	4.9
Trade payables and advances from clients	106.4	121.1	-14.7
Other current creditors	16.7	19.0	-2.2
State and other public entities	8.9	10.5	-1.5
Deferred tax liabilities	17.8	13.3	4.5
Other current and non-current liabilities	79.2	90.7	-11.5
Total Liabilities	785.2	718.4	66.8
Total Equity + Liabilities	911.2	817.3	93.9

² 29.0 million euros out of the 88.1 million euros derive from IFRS16

In 2019 year-end, total assets increased 93.9 million euros versus 2018, reaching 911.2 million euros (+11.5%). The increase was essentially due to the greenfield projects (+88.4 million euros), as well as IFRS 16 impact (which cause the asset side of the balance sheet to rise 28.5 million euros).

José de Mello Saúde closed 2019 with an Equity of 126.0 million euros, further 27.1 million euros than the previous year.

19 April 2020

José de Mello Saúde, S.A. 2019 financial statements were prepared in strict respect of International Financial Reporting Standards (IFRS).