

FINANCIAL STATEMENTS REPORT

2019

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GOVERNING BODIES

Board of Directors

Chairman: Salvador Maria Guimarães José de Mello

Vice-Chairman: Pedro Maria Guimarães José de Mello

Directors: Rui Alexandre Pires Diniz

Catarina Marques Rocha Gouveia

Celine Dora Judith Abecassis Moedas

Guilherme Barata Pereira Dias de Magalhães

Inácio António da Ponte Metello de Almeida e Brito

Luis Eduardo Brito Freixial de Goes

Raúl Catarino Galamba de Oliveira

Vasco Luís José de Mello

Vera Margarida Alves Pires Coelho

Executive Committee

Salvador Maria Guimarães José de Mello (Chairman)

Rui Alexandre Pires Diniz (Vice-Chairman)

Catarina Marques Rocha Gouveia

Guilherme Barata Pereira Dias de Magalhães

Inácio António da Ponte Metello de Almeida e Brito

Vasco Luís José de Mello

Presiding Board of the Shareholders' Meeting

Chairman: João Vieira de Almeida

Secretary: Sofia Isabel Rosado Barata dos Santos

Supervisory Board

Chairman: José Manuel Gonçalves de Morais Cabral

Directors: Miguel Racanello Carneiro Pacheco

João Filipe de Moura-Braz Corrêa da Silva

Alternate: Miguel Luís Cortês Pinto de Melo

Statutory Auditor

Ernst & Young Audit & Associados – SROC, S.A., represented by Luís Miguel Gonçalves Rosado

Remuneration Committee

Luís Miguel Cortes Martins (Chairman)

Pedro Norton de Matos

Maria Luísa José de Mello Amaral Cabral

Vasco Guimarães José de Mello

Pedro Maria Guimarães José de Mello

Company Secretary

Rui Manuel da Costa Ramalhal

MANAGEMENT REPORT

José de Mello Saúde S.A. reports on the consolidated net profit for 2019.

Note: Applying the new accounting standard IFRS16, José de Mello Saúde adopted the modified retrospective method, according to which there is no mandatory restatement of comparative information. The impact on the financial statements is in line with that disclosed in the 2018 R&A, with an increase in Assets of EUR 28.5 million and Liabilities of EUR 29.0 million in December 2019.

2019 ACTIVITY HIGHLIGHTS

During the 2019 financial year, José de Mello Saúde's operational and financial performance was sound. This performance reflects a path of sustained operational growth, in parallel with the implementation of its investment strategy and geographical expansion:

- ▶ The operating income amounted to EUR 701.5 million, which represents an increase of 2.7% year-on-year. It was negatively impacted by the end of the Braga PPP, which only contributed with 8 months of activity in 2019. On the other hand, there is a positive effect on the operational income of the extraordinary receipt in Braga (EUR 15.3 million, of which EUR 13.0 million relates to the activity of previous years), resulting from the favourable decision of the Arbitration Tribunal on the State's participation in vertical HIV programmes.
- ▶ Increase in EBITDA to EUR 97.9 million (+37.6%), essentially through sustained growth in healthcare activity, new expansion projects, implementation of IFRS 16 and extraordinary receipt from the Braga Public-Private Partnership. The Adjusted Recurring EBITDA, which excludes the extraordinary receipt of EUR 13.0 million in Braga for previous years mentioned in the previous paragraph and annuls the effect of IFRS16, amounts to EUR 79.9 million (+12.3%) and a margin of 11.6% (+1.2 p.p.).
- ▶ Consolidated Net Profit Growth of 86.1%, reaching EUR 29.0 million.
- ▶ The net debt ratio on EBITDA decreased from 4.84x at the end of 2018 to 4.48x, given the significant evolution of EBITDA and despite the growth of the consolidated net financial debt of EUR 95.0 million to EUR 438.9 million, in line with the ongoing investment plan, notably at the CUF Tejo Hospital, the CUF Sintra Hospital – the first phase of which opened to the public in June – and at the CUF Torres Vedras Hospital.
- ▶ In the private sector, the 2019 activity was marked by growth in all the healthcare areas, with a particular focus on Consultations (10.5%), Emergencies (8.3%) and Surgeries (7.8%). Operating income in the CUF network reached EUR 490.1 million, increasing by 11.8%. EBITDA grew significantly by 39.5%, and the margin improved to 16.4%.
- ▶ Public sector revenues fell by 13.9%, explained by the end of the Public-Private Partnership at the Braga Hospital on 31 August. Nevertheless, EBITDA had a significant increase of EUR 14.5 million, reflecting the positive impact of the extraordinary receipt of EUR 13.0 million (out of a total of EUR 15.3 million) relating to the state's participation in the vertical HIV programmes from previous years in Braga.

The end of the Braga Hospital partnership on 31 August 2019 definitely marks the year for José de Mello Saúde. Despite the recognition by UTAP – Unidade Técnica de Acompanhamento de Projetos (Technical Unit for Project Follow-up) that the Public Private Partnership (PPP) model is the one that best guarantees the public interest in the Braga Hospital, the State has not been able to guarantee the necessary economic and financial balance conditions for the extension of the Management Contract, which therefore came to an end naturally and as foreseen on 31 August 2019, 10 years after the start of the public-private partnership. The Braga Hospital has maintained its important position within the National Health Service, representing a significant weight in terms of activity and making a decisive contribution to the increase in the NHS' response to citizens.

OPERATING PERFORMANCE

JOSÉ DE MELLO SAÚDE HEALTHCARE SERVICE PROVISION INDICATORS

	Private Healthcare			Public Healthcare		
(Thousands)	2019	2018	Change %	2019	2018	Change %
Medical Appointment 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%
Days of Hospitalisation 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 A new criterion has been applied for the classification of the Consultations, namely Dental Medicine, which is now considered to be MCDT (2018 restated value).

² Not including minor surgery. A new criterion was applied for the classification of minor surgery (2018 restated value).

³ A new trading criterion has been applied for the classification of Hospitalisation, and no longer includes nursery (2018 restated value).

In 2019, José de Mello Saúde maintained sustained growth in its care activity in the private sector, reaching 10.5% increases in consultations, 8.3% in emergencies, 7.8% in surgical patients, 0.2% in days of hospitalisation and 6.8% in childbirths, compared to the same period in 2018.

In the public sector, the reduction in healthcare activity in all the indicators presented is due essentially to the end of the public-private partnership contract at the Braga Hospital on 31 August, since at the Vila Franca de Xira Hospital growth occurred in all the healthcare areas.

CONSOLIDATED INCOME STATEMENT

(Millions of Euros)	2019	2018	Change %
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%	+3.5 p.p.
Recurring EBITDA¹	84.9	71.2	19.3%
Recurring EBITDA Margin	12.3%	10.4%	+1.9 p.p.
Adjusted Recurring EBITDA²	79.9	71.2	12.3%
Adjusted Recurring EBITDA Margin	11.6%	10.4%	+1.2 p.p.
Amortisations and Provisions	(44.3)	(40.0)	10.7%
EBIT	53.6	31.2	72.0%
EBIT Margin	7.6%	4.6%	+3.1 p.p.
Financial Results	(16.1)	(8.6)	86.8%
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 Excludes extraordinary receipt of EUR 13.0 million from the Public-Private Partnership in Braga

² The recurring EBITDA cancels the effect of IFRS 16

In 2019, José de Mello Saúde's consolidated operating income amounted to EUR 701.5 million, which represents a 2.7% increase over the same period last year, while operating costs decreased by 1.4% year-on-year.

The consolidated EBITDA reached EUR 97.9 million in the 2019 financial year (an increase of 37.6%) and the EBITDA margin was 14.0%, an increase of 3.5 p.p. year-on-year. The Adjusted Recurring EBITDA, which cumulatively excludes the extraordinary receipt for previous years resulting from the Arbitration Tribunal's favourable decision on the State's participation in vertical HIV programmes of EUR 13.0 million (the total amount of the receipt is EUR 15.3 million) from the Braga Public-Private Partnership and annuls the effect of IFRS 16, amounts to 79.9 EUR million (+12.3%), maintaining a positive development of the adjusted recurring EBITDA margin (+1.2 p.p.), reaching 11.6%.

The consolidated EBIT reached EUR 53.6 million in 2019 (an increase of 72.0%) and the EBIT margin was 7.6%, an increase of 3.1 p.p. against the same period. It is important to note that in this financial year there was a positive impact on EBIT, quantified at EUR 1.7 million, which resulted from the valuation of the Group's real estate assets and which allowed the reversal of the impairment in previous years. Without considering the effect of the application of IFRS 16 and the extraordinary receipt in Braga, the consolidated EBIT would nevertheless have a positive performance, reaching a value of EUR 38.9 million (+24.6% year-on-year).

CUF

In the private healthcare segment, increase in revenues (+11.8%) through the consistent growth of healthcare activity across the CUF network, including in the longer-established units. However, the particular contribution of the new building of the CUF Descobertas Hospital, which in 2019 registered its first full year of activity (opening in July 2018), and the

inauguration of the first phase of the CUF Sintra Hospital in June 2019, which replaced the former CUF Sintra Clinic with an expanded range of consultation, examination and healthcare services.

EBITDA increased by 39.5% to EUR 80.3 million, which enabled the margin to increase to 16.4% (+3.3 p.p. compared with the previous year). At the EBIT level, there was an improvement of 8.3% as a result of the growth in healthcare activity compared to 2018. Despite the context of strong expansion, which included in the last two years not only the inaugurations mentioned but also the new CUF Coimbra Hospital, the operating margin in the private sector had a slight reduction of 0.3 p.p. year-on-year.

In this context, CUF Descobertas Hospital should be highlighted, as although its installed capacity was increased by 50% in July 2018 with the opening of the new building, it has already registered an increase in EBIT by 2019 (+48.0%), accompanied by an increase in the EBIT margin by +3.2 p.p.

An additional feature was the update at the beginning of 2019 of the price table by an average increase of 1.8%. The main items rose by 3.0%.

Braga Hospital

At the Braga Hospital, it is important to note two important events with contrasting effects on the performance of its activities in 2019:

- ▶ The favourable decision of the Arbitration Tribunal on the State's contribution to vertical HIV/AIDS programmes, which resulted in the receipt of EUR 15.3 million (plus EUR 0.5 million in default interest), of which EUR 13.0 million relates to the activity of previous years, and is therefore considered as an extraordinary receipt, and EUR 2.3 million relates to the 2019 activity;
- ▶ Termination of the Public-Private Partnership contract on 31 August.

The operating income of Braga Hospital fell by 21.6% to EUR 131.1 million. Without considering the extraordinary receipt for previous years of EUR 13.0 million, referred to in the previous paragraphs, the Braga Hospital would end 2019 with operating income of EUR 118.1 million, -29.4% compared to 2018, as a consequence of the cessation of activity at the end of August.

At the EBITDA level, it amounted to EUR 12.2 million, representing an increase of EUR 15.7 million compared to 2018. EBIT amounted to EUR 3.6 million, an increase of 15.3 million compared to the previous year (minus EUR 11.7 million). The decision of the Arbitration Tribunal has a positive impact on EBIT, totalling EUR 15.3 million. Excluding from this amount the extraordinary receipt for previous years of EUR 13.0 million, EBIT increases by EUR 2.3 million compared to the previous year, but still shows a negative figure of EUR 9.4 million.

Vila Franca de Xira Hospital

At the Vila Franca de Xira Hospital, there was an increase in operating income of 3.9% to EUR 75.0 million, a result of the sustained growth in healthcare indicators, but EBITDA fell by 11.4% to EUR 6.2 million. In addition, EBIT improved from the previous year by reducing the value of provisions to EUR 1.3 million, representing a margin of 1.7% (+0.5 p.p. compared to 2018).

FINANCIAL RESULTS

Financial Results - (EUR millions)	2019	2018	Change %
Financial expenses and losses	(16.7)	(15.5)	7.8%
Financial income and gains	1.0	0.7	46.2%
Profit/loss of associates	(0.4)	0.1	-367.1%
Profit/loss on investment activities	(0.0)	6.1	-100.3%
Financial Results	-16.1	-8.6	86.8%

Excluding the non-recurring effect of the financial gain of EUR 6.1 million recorded in 2018 from the sale of José de Mello Saúde's stake in the building and parking management companies of the Braga Public-Private Partnership, there is a reduction of EUR 1.4 million (-9.5%) in the financial result for 2019 year-on-year. Two important and contradictory factors are highlighted: on the one hand, the receipt of default interest of EUR 0.5 million in respect of the Arbitration Tribunal's decision on the Braga Hospital and, on the other hand, the increase in financial costs by EUR 1.2 million from the application of IFRS 16 and the increase in debt linked to expansions.

NET INCOME

The consolidated net income in December 2019 was EUR 29.0 million, an increase of 86.1% year-on-year.

INVESTMENT

The total investment made in the 2019 financial year was EUR 118.5 million.

Recurrent investment amounted to EUR 30.1 million, and essentially consisted of clinical equipment replacements and other technological innovations and updates at the CUF units.

Expansion investment totalled EUR 88.4 million and consisted of the works on the CUF Sintra and CUF Tejo Hospitals and the expansion of the CUF Torres Vedras Hospital.

FINANCIAL POSITION

(Millions of Euros)	2019	2018	Change
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 assets	445.0	438.9	6.1
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
Stock	14.9	12.7	2.2
Customers	93.0	99.5	-6.5
Other Debtors	11.5	10.9	0.6
State	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 Of the total of EUR 109.0 million, EUR 28.5 million results from the application of IFRS 16 accounting standards

(Millions of Euros)	2019	2018	Change
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
Minority interests	3.9	4.2	-0.2
Financial Liabilities	534.3	446.9	87.4
Borrowings	446.2	382.2	64.0
Leasings 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
Suppliers	106.4	121.1	-14.7
Other Creditors	16.7	19.0	-2.2
State	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
Liabilities + Equity	911.2	817.3	93.9

² Out of the total of EUR 88.1 million, EUR 29.0 million results from the application of IFRS 16 accounting standards

In the 2019 financial year, the total asset increased by EUR 93.9 million compared to the end of 2018, reaching EUR 911.2 million (+11.5%). The growth recorded was largely due to the increase in property, plant and equipment through expansion projects valued at EUR 88.4 million, and to the application of the IFRS 16 accounting standard, which results in an increase of EUR 28.5 million in assets.

As regards equity, it reached a total value of EUR 126.0 million at the end of the year, an increase of EUR 27.1 million compared to the end of 2018.

The consolidated gross financial debt amounted to EUR 534.3 million at the end of the 2019 financial year, an increase of EUR 87.4 million compared to the end of 2018, largely explained by the application of IFRS 16, which increases liabilities by EUR 29.0 million, as well as the use of financing in connection with the expansion of the CUF network.

FINANCIAL DEBT PROFILE

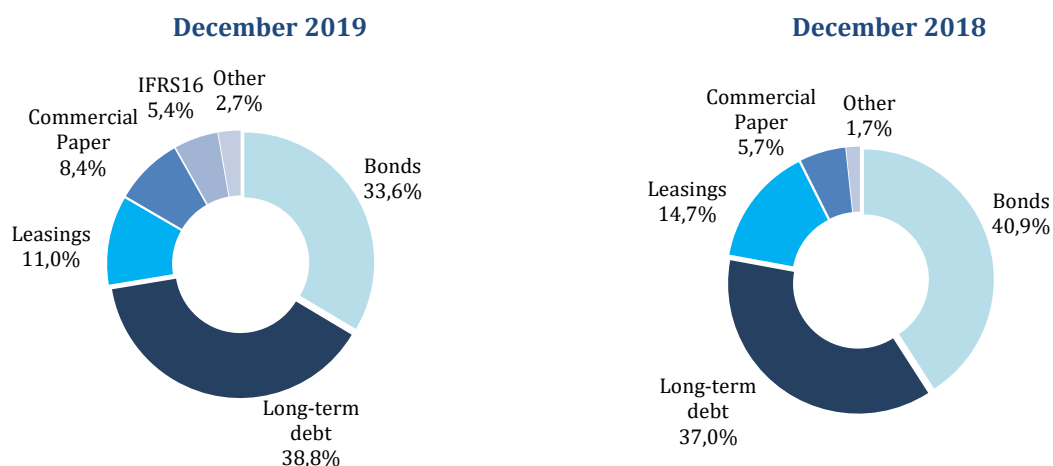
José de Mello Saúde has pursued a policy of financial sustainability and a sound capital structure that supports its growth strategy. Under this policy, it has carried out active management of its debt profile, both with regard to diversification of sources of financing and in reducing the risk of refinancing and extending the average maturity of its debt. Thus, in 2019 José de Mello Saúde completed the issuance of two new bond loans.

In May, a bond loan of EUR 35 million with six years maturity was issued, with a variable interest rate of 3.75%, to institutional investors, which enabled existing debt to be refinanced.

In November an exchange operation was carried out on its 2015/2021 bond loan, with new bonds of EUR 50 million maturing in January 2027 and a floating interest rate of 3.875%. This operation has reduced the nominal amount of the 2015-2021 bonds to EUR 14.3 million and has thus already reduced the risk of future refinancing, taking advantage of the favourable conditions in the financial markets.

In 2019, José de Mello Saúde maintained its diversified debt profile, as can be seen from the following graphs:

FINANCIAL RATIOS



	2019	2018
Financial Autonomy	13.8%	12.1%
Solvency	16.0%	13.8%
Net Financial Debt ¹ (EUR million)	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 deducted from Cash and Equivalents and Other Financial Instruments

In terms of financial ratios, the emphasis is on the positive development of Financial Autonomy and Solvency compared to December 2018, which is explained by the more than proportional increase in Equity against Assets and Liabilities respectively.

We also highlight the reduction in the Net Financial Debt to EBITDA ratio from 4.84x to 4.48x, explained by the improvement in José de Mello Saúde's operational performance, despite the increase in Net Financial Debt in 2019.

Jose de Mello Saúde's bond loans placed on financial markets include the obligation of the Net Financial Debt/EBITDA ratio to be below 6.0x. As at 31 December 2019, José de Mello Saúde, S.A. was in compliance with the financial covenants on all its bond loans.

PROPOSED APPROPRIATION OF NET PROFIT

The Board of Directors proposes that the net profit of the individual accounts of José de Mello Saúde SA for 2019, in the amount of EUR 6,185,910.39, be appropriated as follows:

Legal Reserve: EUR 309,295.52

Retained Earnings: EUR 5,876,614.87

INDIVIDUAL FINANCIAL INFORMATION 2019

INDIVIDUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2019



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, SA
STATEMENT OF FINANCIAL POSITION
ON 31 DECEMBER 2019 AND 2018

(Amounts in thousands of euros)

	Notes	31/12/2019	31/12/2018
Assets			
Non-current assets			
Property, Plant and Equipment	6	428	5,872
Right of Use	7	10,435	-
Intangible Assets	8	8	11
Investments in Subsidiaries and Affiliates	9	99,662	70,260
Other Investments	10	978	983
Other Financial Assets	11	136,456	188,199
Other Receivables	11	404	404
Deferred Tax Assets	16	625	759
Total non-current assets		248,997	266,487
Current assets			
Customers	11	8,803	9,708
State and Other Public Entities	13	16,036	15,058
Other Financial Assets	11	54,754	14,327
Other Receivables	11	4,350	4,458
Other Financial Instruments	11	16,500	16,500
Cash and cash equivalents	4	18,750	108
Total current assets		119,192	60,159
TOTAL ASSETS		368,189	326,646
Equity and Liabilities			
Equity			
Share Capital	12	53,000	53,000
Legal Reserves	12	8,444	7,289
Other Reserves	12	(578)	(944)
Retained Earnings	12	58,218	40,489
Adjustments to Financial Assets	12	(37,435)	(37,435)
Net Profit for the Period	12	6,186	23,083
Interim Dividends	12	-	(4,200)
TOTAL EQUITY		87,835	81,283
Liabilities			
Non-current liabilities			
Provisions	15	30,494	27,219
Borrowings	11	156,194	106,029
Other Financial Liabilities	11	2,987	29,869
Other Payables	11	1,050	1,050
Derivatives	11	761	1,058
Non-current liabilities		191,485	165,225
Current liabilities			
Suppliers	11	838	391
State and Other Public Entities	13	101	76
Other Financial Liabilities	11	29,786	2,899
Borrowings	11	55,104	71,977
Other Payables	11	3,039	4,619
Derivatives	11	-	176
Total current liabilities		88,868	80,139
TOTAL LIABILITIES		280,354	245,363
TOTAL EQUITY AND LIABILITIES		368,189	326,646

Certified Accounting Officer,

Administration



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, SA
PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts in thousands of euros)

	Notes	2019	2018
INCOME AND EXPENSES			
Sales and Services Rendered	17	2,610	1,918
Gains/Losses Allocated to Subsidiaries	18 / 21	(25)	5,508
External Supplies and Services	20	(4,226)	(5,828)
Personnel Costs	19	(2,260)	(2,360)
Provisions	15	(3,275)	(11,386)
Other Income and Gains	18	127	1,499
Other Expenses and Losses	21	(1,182)	(240)
Results before Depreciation, Financing Expenses and Taxes		(8,231)	(10,890)
Depreciation and Amortisation Expenses/Reversals	22	(2,031)	(1,436)
Operating profit (before financing expenses and taxes)		(10,261)	(12,326)
Interest and Similar Income Obtained	23	21,486	38,133
Interest and Similar Expenses Borne	24	(7,811)	(7,980)
Pre-tax profit		3,414	17,828
Income tax for the period	16	2,772	5,256
Net Profit for the Period		6,186	23,083
Other items of Comprehensive Income That might be subsequently reclassified to profit and loss:			
Hedging Financial Instruments (net of tax)	11.2.5	366	305
Comprehensive Income		6,552	23,389
Earnings per share		0.62	0.21

Certified Accounting Officer,

Administration



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, SA
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts in thousands of euros)

Description	Notes	Paid-Up Capital (Note 12.1)	Legal Reserves (Note 12.3)	Other Reserves (Note 12.3)	Retained Earnings (Note 12.3)	Adjustments to Financial Assets (note 12.3)	Interim Dividends (Note 12.4)	Net Profit for the Period	Total Equity
POSITION AT THE BEGINNING OF THE 2018 PERIOD		53,000	5,812	(1,249)	40,012	(37,435)	(14,100)	29,554	75,594
APPROPRIATION OF NET PROFIT									
Constitution of Legal Reserve	12.2 / 12.3		1,478					(1,478)	-
Transfer of financial year Profit to Retained Earnings	12.2 / 12.3				476			(476)	-
		-	1,478	-	476	-	-	(1,954)	-
CHANGES IN THE PERIOD									
Net gains in hedging	11.2.5			305					305
		-	-	305	-	-	-	-	305
NET PROFIT IN THE PERIOD								23,083	23,083
FULL PROFIT/LOSS								23,083	23,389
OPERATIONS WITH EQUITY HOLDERS									
Distribution of Interim Dividends	12.4 / 12.2						(4,200)		(4,200)
Distribution of Dividends	12.4 / 12.2						14,100	(27,600)	(13,500)
Other Operations									-
		-	-	-	-	-	9,900	(27,600)	(17,700)
POSITION AT THE END OF THE 2018 PERIOD		53,000	7,289	(944)	40,489	(37,435)	(4,200)	23,083	81,283
POSITION AT THE BEGINNING OF THE 2019 PERIOD		53,000	7,289	(944)	40,489	(37,435)	(4,200)	23,083	81,283
APPROPRIATION OF NET PROFIT									
Constitution of Legal Reserve	12.2		1,154					(1,154)	-
Transfer of financial year Profit to Retained Earnings	12.2				17,729			(17,729)	-
		-	1,154	-	17,729	-	-	(18,883)	-
CHANGES IN THE PERIOD									
Net gains in hedging	11.2.5			366					366
		-	-	366	-	-	-	-	366
NET PROFIT FOR THE PERIOD								6,186	6,186
FULL PROFIT/LOSS								6,186	6,552
OPERATIONS WITH EQUITY HOLDERS									
Distribution of Interim Dividends							-		-
Distribution of Dividends							4,200	(4,200)	-
Other operations									-
		-	-	-	-	-	4,200	(4,200)	-
POSITION AT THE END OF THE 2019 PERIOD		53,000	8,444	(578)	58,218	(37,435)	-	6,186	87,835

Certified Accounting Officer,

administration,



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, SA
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts in thousands of euros)

	Notes	31/12/2019	31/12/2018
<u>Cash flow from operational activities - direct method</u>			
Receipts from customers		5,591	3,914
Payments to suppliers		(6,515)	(7,232)
Payments to personnel		(2,073)	(1,727)
Cash receipts from operations		(2,997)	(5,045)
Income tax received/paid		2,505	4,210
Other receipts/payments		(1,760)	(1,471)
Cash flow from operational activities (1)		(2,252)	(2,307)
<u>Cash flow from investment activities</u>			
Payments relating to:			
Property, Plant and Equipment		(276)	(589)
Intangible Assets		-	(17)
Financial Investments		(11,570)	(2,795)
		(11,846)	(3,402)
Receipts relating to:			
Financial investments		-	5,508
Interest and similar income		6,879	624
Dividends	23	14,121	30,535
		21,001	36,667
Cash flow from investment activities (2)		9,155	33,265
<u>Cash flow from financing activities</u>			
Receipts relating to:			
Borrowings	11.2.2	486,100	78,950
Other financing operations (Shareholder Loans)		44,478	66,308
		530,578	145,258
Payments relating to:			
Borrowings	11.2.2	(443,277)	(90,243)
Amortisation of Lease Contracts	11.2.2	(2,303)	(1,523)
Interest and similar expenses		(8,369)	(7,180)
Dividends	12.4	(38)	(17,662)
Other financing operations (Shareholder Loans)		(51,047)	(92,696)
		(505,035)	(209,305)
Cash flow from financing activities (3)		25,543	(64,048)
Changes in cash and cash equivalents (1+2+3)		32,446	(33,089)
Effect of currency conversion differences			
Cash and cash equivalents at the start of the period	4	(13,696)	19,393
Cash and cash equivalents at the end of the period	4	18,750	(13,696)

Certified Accounting Officer,

Administration

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS ON 31 DECEMBER 2019

1 GENERAL INFORMATION ON THE ENTITY'S ACTIVITY

José de Mello Saúde, S.A. (hereinafter "Company" or "JMS") is a public limited company, with its registered office at, in Av. do Forte, No. 3, Suécia III Building, Floor 2, 2790-073 Carnaxide, incorporated in December 1992.

The Company has as its company object the purchase, sale and rental of equipment, as well as the provision of management, consulting, IT, administrative, negotiation/provisioning services, and also the provision of services in the healthcare sector.

José de Mello Saúde is the holding company of a group whose main activity is the provision of healthcare, especially the provision of private healthcare, in the public-private partnership, the provision of services in the field of medicine, occupational hygiene and health, the provision of home healthcare and also the provision of logistics and reprocessing services for medical devices. The Group also carries out other secondary activities in the property and infrastructure, training and research sectors.

The Company's equity is owned by José de Mello Capital, S.A. (65.85%), its parent company, by Fundação Amélia da Silva de Mello (4.15%) and by Farminveste – Investimentos, Participações e Gestão, S.A. (30%).

The Financial Statements of José de Mello Saúde, S.A. for the period ending 31 December 2019 were approved by the Board of Directors on 8 April 2020.

2 SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 PREPARATION BASES

The Financial Statements José de Mello Saúde, S.A. have been prepared on a going-concern basis in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, in force for the financial years beginning on or after 1 January 2019. The IFRS issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and respective interpretations – IFRIC and SIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretation Committee (SIC), respectively, are deemed to form part of those standards. Hereinafter, this set of standards and interpretations will be generally referred to as "IFRS".

The financial statements are presented in thousands of euros.

2.1.1 New rules, amendments or interpretations applicable for the 2019 financial year

As a result of the endorsement by the European Union (EU), the following issues, revisions, changes and improvements in standards and interpretations took effect from 1 January 2019, which were adopted by the Company when applicable:

Standard	Application Date
IFRS 16 - Leases	1 January 2019
IFRS 9 - Prepayment features with negative compensation (amendments)	1 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments (interpretation)	1 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (amendments)	1 January 2019
IAS 19 - Employee Benefits: Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
Improvements relating to the 2015-2017 cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Tax and IAS 23 Borrowing Costs	1 January 2019

IFRS 16 – Leases

The company adopted the new standard on the effective date of its requirement using the Modified Retrospective approach, in accordance with the provisions of subparagraph C5(b) of IFRS 16 and without the obligation to restate the comparative information. On the transition date, it recognised an asset under right of use at the date of initial application, choosing to measure the assets under right of use at an amount equal to the lease liability, adjusted by the amount of any prior or accrued lease payments related to that lease, recognised in the statement of financial position immediately before the date of initial application (paragraph C8(iii)(b)). Thus, there were no changes in equity.

The company also applied the standard to all contracts that were previously identified as leases under IAS 17 and IFRIC 4. Consequently, the Company did not apply the standard to contracts that had not previously been identified as containing a lease. The Company decided to apply the two exceptions provided for in the standard (paragraphs 5 and 6): (1) Contracts with a duration of less than 12 months; and (2) Contracts whose underlying assets are considered to be of low value. For this purpose, the Company defined a low value as EUR 5,000.

In low-value leases, the Company does not recognise the rights to use assets or lease liability but recognises the expenditures associated with these leases as annual expenses over the lifetime of the contracts.

The Company, on the transition date, opted to apply to the asset category "Vehicles" the practical expedient provided for in paragraph 15 of the standard, which makes it possible not to separate non-rental components from rental components, and to account for each rental component and any associated non-rental components as a single rental component.

On the transition date, the Company opted to implement the practical expedient allowing the non-lease components not to be separated from the lease components, as it did not have the information available to do so. However, in 2019 and for the new contracts, this situation was addressed by separating the non-lease components from the lease components as required by the accounting rules.

The reconciliation of the operating lease liabilities disclosed by the Company in the Notes to the Financial Statements of the previous year and the lease liabilities recognised at the initial application date is as follows:

Operating lease liabilities disclosed on 31 December 2018	152
Recognition exceptions:	-
Short-term leases recognised on a linear basis as expenses	(10)
Low-value leases recognised on a linear basis as expenses	-
Adjustments arising from different treatments of extensions and cancellation options	142
Effect of financial discount at the incremental rate	14
Operating lease liabilities on 1 January 2019	298
Financial lease liabilities on 1 January 2019	5,233
Total lease liabilities on 1 January 2019	5,531

The weighted average of the incremental rate of financing applied to leasing liabilities recognised in the Statement of Financial Position at the initial date of application is 2.19 %.

The summary of the impacts of the adoption of IFRS 16 in the Statement of Financial Position on 1 January 2019 is as follows:



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, SA
STATEMENT OF FINANCIAL POSITION
ON 1 JANUARY 2019

(Amounts expressos in thousands of euros)

	Notes	31/12/2018	IFRS 16	01/01/2019
Assets				
Non-current assets				
Property, Plant and Equipment	6	5,872	(5,233)	639
Right of Use	7	-	5,531	5,531
Intangible Assets	8	11		11
Investments in Subsidiaries and Affiliates	8	70,260		70,260
Other Investments	10	983		983
Other Financial Assets	11	188,199		188,199
Other Receivables	11	404		404
Deferred Tax Assets	16	759		759
Total non-current assets		266,487	298	266,785
Current assets				
Customers	11	9,708		9,708
State and Other Public Entities	13	15,058		15,058
Other Financial Assets	11	14,327		14,327
Other Receivables	11	4,458		4,458
Other Financial Instruments	11	16,500		16,500
Cash and cash equivalents	4	108		108
Total current assets		60,159	-	60,159
TOTAL ASSETS		326,646	298	326,944
Equity and Liabilities				
Equity				
Share Capital	12	53,000		53,000
Legal Reserves	12	7,289		7,289
Other Reserves	12	(944)		(944)
Retained Earnings	12	40,489		40,489
Adjustments to Financial Assets	12	(37,435)		(37,435)
Net Profit for the Period	12	23,083		23,083
Interim Dividends	12	(4,200)		(4,200)
TOTAL EQUITY		81,283	-	81,283
Liabilities				
Non-current liabilities				
Provisions	15	27,219		27,219
Borrowings	11	106,029	221	106,250
Other Financial Liabilities	11	29,869		29,869
Other Payables	11	1,050		1,050
Derivatives	11	1,058		1,058
Non-current liabilities		165,225	221	165,445
Current liabilities				
Suppliers	11	391		391
State and Other Public Entities	13	76		76
Other Financial Liabilities	11	2,899		2,899
Borrowings	11	71,977	77	72,054
Other Payables	11	4,619		4,619
Derivatives	11	176		176
Total current liabilities		80,139	77	80,216
TOTAL LIABILITIES		245,363	298	245,661
TOTAL EQUITY AND LIABILITIES		326,646	298	326,944

The lessor's accounting remains substantially unchanged compared to the treatment in IAS 17. The lessor continues to classify all leases using the same principles as in IAS 17 and distinguishes between two types of leases: operating and finance leases.

As for the remaining standards, interpretations, amendments and revisions mentioned in the table above, no effects were produced in the Company's financial statements in the period ended 31 December 2019 as a result of their adoption.

2.1.2 New standards, alterations and interpretations already issued but not yet mandatory

New standards, changes, amendments, interpretations and revisions now exist that have already been published but whose application is only mandatory for annual periods starting after 1 January 2020 and which the Company decided not to adopt ahead of time:

a) Already endorsed by the European Union

On 31 December 2019, the following Standards, Interpretations, Amendments, and Revisions issued by the IASB were already endorsed by the EU; however, their application is only mandatory for the financial years beginning after 1 January 2020:

Standard	Application Date
Amendment to IAS 1 and 8 - Definition of Material	1 January 2020
Conceptual Structure of Financial Statements	1 January 2020
Interest Rate Benchmark Reform - Amendment to IFRS 9, IAS 39 and IFRS 7	1 January 2020

The Company has assessed the impacts of these changes and concluded that they will not have materially relevant effects on the Financial Statements.

b) Not yet endorsed by the European Union:

The following Standards, Interpretations, Amendments and Revisions issued by the IASB were not yet endorsed by the European Union on 31 December 2019:

Standard	Application Date
Amendment to IFRS 3 - Definition of a Business	1 January 2020
IFRS 17 - Insurance Contracts	1 January 2021

With regard to the standards presented, the Company has not yet completed the assessment of all the impacts arising from their application. However, their adoption is not expected to have materially relevant effects on the Financial Statements. IFRS 17 does not apply to the activity of the Company.

2.2 MAIN ACCOUNTING POLICIES

2.2.1 Property, Plant and Equipment

Property, Plant and Equipment are the goods used in the provision of services or administrative procedures.

Property, Plant and Equipment are valued according to their respective acquisition cost, including all related costs, less corresponding accrued depreciation and impairment losses.

Depreciation is calculated on a duodecimal base, from the time the good is available for use, according to the straight-line method, so the value of the assets is depreciated by the end of their estimated service lives, with the following rates being applied:

Asset	2019	2018
Buildings and other constructions	5% - 10%	5% - 10%
Basic equipment	14.28% - 33.33%	14.28% - 33.33%
Transport equipment	25%	25%

The impairment of these assets is determined on the basis of the criteria set out in note 2.2.4 Impairment of non-current assets.

The gains or losses resulting from the sale or disposal of property, plant and equipment are determined as the difference between the sale price and net book value on the date of sale/disposal, and are included in the Net profit of the period in the year in which the asset is derecognised.

The residual value is considered null and void, whereby the depreciable value on which the depreciations incur coincides with the cost.

Current maintenance and repair costs are recognised as expenses in the period in which they occur.

Improvements are only recognised as assets when it is demonstrated that these increase their useful life or increase their normal efficiency, resulting in increased future economic benefits.

Property, plant and equipment in progress represent assets still under construction, installation or development and are recorded at cost of acquisition, and only amortised when available for use.

Interest on loans directly attributable to the acquisition or construction of assets is capitalised as part of the cost of those assets, as described in note 2.2.15 Interest and Similar Expenses Borne.

2.2.2 Intangible Assets

Intangible assets acquired separately are measured at their cost price on the date of initial recognition. The cost of the intangible assets acquired in a merger of corporate activities is their fair value at the date of acquisition.

Intangible assets generated internally, excluding capitalised development costs, are not capitalised, and expenses are reflected in the Income Statement and Other Comprehensive Income in the year in which the expenses take place.

After initial recognition, intangible assets are recorded at cost price less accrued amortisations and losses due to subsequent impairment.

The useful lives of intangible assets may be finite or indefinite.

Intangible assets with indefinite useful lives are not amortised but undergo impairment tests regardless of whether or not there are indicators that they may be impaired.

Intangible assets with finite useful lives are amortised during their estimated economic life and evaluated with regard to their impairment whenever there are signs that the asset may be impaired.

The impairment of these assets is determined on the basis of the criteria set out in note 2.2.4 Impairment of non-current assets.

Reversals of impairment are recognised in results and only performed up to the limit verified if the impairment had never been recorded.

For an intangible asset with a finite useful life, amortisation methods, estimated useful life and residual value are revised at the end of each year and the effects of changes made are treated as changes to estimates, or rather, prospectively.

The amortisations are calculated on a duodecimal basis using the straight-line method. The residual value is considered null and void, whereby the depreciable value on which the amortisations incur coincides with the cost.

Amortisation rates are defined with a view to the full amortisation of assets until the end of their expected useful life, and are as follows:

Asset	2019	2018
Software	25%	25%

Expenditure incurred from amortisation of intangible assets with finite useful lives is recognised in the Income Statement and Other Comprehensive Income under the heading Depreciation and Amortisation Expenditure/Reversals.

The gains or losses resulting from the sale or disposal of property, plant and equipment are determined as the difference between the sale price and net book value on the date of sale/disposal and are included in the Net Profit of the period in the year in which the asset is derecognised.

2.2.3 Investments in subsidiaries and affiliates

Financial Investments related to equity shares in Subsidiary and Affiliate Entities are valued at their cost considered at the date of transition to IFRS, i.e. 1 January 2012. Under this heading are also recorded, at nominal value, the supplementary payments granted to subsidiaries and affiliates.

Capital share dividends are only recognised as income when their respective receipt is guaranteed and interest from securities are accounted for in the period to which they are related.

Goodwill is included in the value of the carrying amount of the investment and is not amortised nor subject to individual impairment testing. However, if signs of impairment are detected in the Financial Investments, they are subject to impairment testing. The impairment of these assets is determined on the basis of the criteria set out in note 2.2.4 Impairment of non-current assets.



2.2.4 Impairment of non-current assets

At each reporting date, a review of the recorded amounts of non-current assets is carried out to determine whether there is any indication that they may be impaired. If there is an indicator, the recoverable amount of the corresponding assets is estimated to determine the extent of the impairment loss (if any). When it is impossible to determine the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. The recoverable amount of the asset or cash-generating unit is the largest of (i) the fair value minus costs to sell and (ii) the usage value. In the determination of the usage value, the estimated future cash flows are discounted using a discount rate that reflects the market's expectations regarding the time value of money and the specific risks of the asset or cash-generating unit for which the future cash flow estimates have not been adjusted. Whenever the recorded amount of the asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised. The impairment loss is recorded immediately in the Statement of Income and Other Comprehensive Income, unless the loss offsets a revaluation surplus recorded in the equity.

The reversal of impairment losses recognised in previous years is recorded whenever there are changes in the estimates used to determine the recoverable amount of the asset. The reversal of impairment losses is recognised in the Statement of Income and other comprehensive income. The reversal is carried out up to the limit of the amount that would be recognised (net of amortisations) if the previous impairment loss had not been recorded.

2.2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

(i) Financial Assets

Initial recognition and measurement

Financial assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss.

The initial classification of financial assets depends on the contractual characteristics of the cash flows and on the business model that the Company adopts to manage them. The Company measures a financial asset at its fair value, plus, in the case of an asset not classified as fair value through profit or loss, the transaction costs at the beginning. Trade receivables that do not contain a significant financial component, or for which the Company adopts the practical expedient, are measured at the transaction price determined in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must provide cash flows that represent only capital repayments and interest payments (solely payments of principal and interest – SPPI) on the outstanding principal. This evaluation, known as the test of the cash flows from principal repayments and interest payments only, is performed for each financial instrument.

The business model established for the management of financial assets concerns the way in which the Company manages the financial assets to obtain cash flows. The business model may be designed to obtain the contractual cash flows, to dispose of the financial assets or both.

Subsequent measurement

For their subsequent measurement, the financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income, with recycling of accumulated gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income, without recycling of accumulated gains and losses at the time of their derecognition (capital instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant for the Company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within the scope of a business model whose objective is to hold the financial asset in order to obtain the cash flows contractually provided for, and
- The contractual terms of the financial asset give rise, on defined dates, to cash flows that correspond only to capital repayments and payments of interest on the outstanding principal.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or is impaired.

The financial assets that the Company measures at amortised cost include trade receivables, other accounts receivable, other financial assets, other financial instruments and shareholders.

Financial assets at fair value through other comprehensive income (equity instruments)

On initial recognition, the Company may elect to irrevocably classify the equity instruments held as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity in IAS 32 Financial Instruments: Presentation and not held for trading. Classification is determined on an instrument-by-instrument basis. Equity instruments held as equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Company decided to irrevocably classify its investments in equity instruments of entities not listed in this category.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised (i.e., removed from the Statement of Financial Position) when:

- The contractual rights to receive cash flows from the financial asset expire; or
- The Company has transferred its contractual rights to receive cash flows from the financial asset or assumed an obligation to pay the cash flows received, under an arrangement in which the Company (i) has no obligation to pay amounts to the final recipients unless it receives equivalent amounts from the original asset; (ii) is prohibited by the terms of the contract from transferring, selling or pledging the original asset other than as security to the final recipients for the obligation to pay them cash flows; and (iii) the Company has an obligation to remit any cash flows it receives on behalf of the final recipients without significant delays; and

- The Company has substantially transferred all the risks and benefits of the asset, or the Company has not transferred nor retained substantially all the assets and benefits of the asset but has transferred control over the asset.

When the Company transfers its rights to receive cash flows from an asset or is part of an arrangement that may enable derecognition, it assesses whether, and to what extent, the risks and rewards associated with ownership of the asset have been retained.

When all the risks and benefits arising from ownership of an asset have not been substantially transferred or retained, nor has control of the asset been transferred, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Company also recognises the corresponding liability. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations retained by the Company.

Impairment of financial assets

Trade, Other Receivables and Other Financial Assets

The Company recognises an adjustment for expected credit losses for all debt instruments not measured at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows that are due and all the cash flows that the Company expects to receive, discounted at a rate close to the original effective interest rate. Cash flows expected to be received include cash flows arising from collateral held or from other credit guarantees that are an integral part of the contractual terms.

For trade receivables and accounts receivable concerning contracts with customers, the Company adopts the simplified approach when determining expected credit losses. Thus, the Company does not monitor changes in credit risk, but instead recognises an impairment loss at each reporting date based on the expected credit loss over the life of the asset. The Company established an impairment matrix based on the loans that were lost in the past, adjusted for prospective factors specific to the debtors and to the economic environment.

Other Financial Instruments

For Other Financial Instruments, the Company applies simplification to low credit risks. At each reporting date, the Company assesses whether the debt instrument can be considered to be of low credit risk using all relevant and reasonable information that is available at an acceptable cost/effort. In making this assessment, the Company takes into account the credit rating of the debt instrument.

Other Financial Instruments concern exclusively bonds issued by the company's shareholders, which are therefore considered investments with low credit risk. The Company uses the DB rating information to determine whether the debt instrument has significantly increased its credit risk. Additionally, the most recent available financial information is analysed to detect risk situations.

The Company considers that a financial asset is in default when it is more than 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when there is internal and external information indicating that it is unlikely that the Company will receive the loan's full amount without having to activate the guarantees it has. A financial asset is derecognised when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at the time of initial recognition, as financial liabilities at fair value through profit or loss, loans, accounts payable or derivatives designated as hedging instruments in an effective hedging relationship.

All financial liabilities are initially recognised at fair value and, in the case of loans and accounts payable, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable to suppliers and other creditors, loans including bank overdrafts, other financial liabilities and derivatives.

Subsequent measurement

The measurement of financial liabilities depends on their initial classification, as follows:

Borrowings

After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Gains and losses are recorded in the income statement when liabilities are derecognised and through amortisation arising from the effective interest method.

The amortised cost is calculated taking into account any discount or premium on the acquisition and the fees and other costs that are an integral part of the effective interest rate. The effect of the actual interest rate is recorded in financial expenses in the Income Statement.

Suppliers, Other Accounts Payable and Other Financial Liabilities

Balances of Suppliers, Other Accounts Payable and Other Financial Liabilities are initially recorded at their nominal value, which is understood to correspond to their fair value and subsequently, whenever applicable, are recorded at their amortised cost, according to the effective interest rate method. Accounts payable are recognised as current liabilities unless their settlement is contracted after twelve months following the date of the statement of financial position.

Derecognition

A financial liability is derecognised when the underlying obligation is met, cancelled or expires.

When an existing financial liability is replaced by another of the same counterparty and with substantially different terms, or the terms of a financial liability are substantially modified, the exchange or modification is treated as a derecognition of the original financial liability and a recognition of a new liability. The difference between the corresponding book values is recognised in the Statement of Income.

(iii) Derivative Financial Instruments and Hedge Accounting

Initial and subsequent recognition

The Company's policy is to contract derivative financial instruments for hedging of financial risks to which it is exposed, which are mainly due to interest rate variations.

These derivative financial instruments are initially recorded at fair value on the date on which the derivative is contracted and are subsequently measured at fair value. Derivatives are presented in assets when their fair value is positive and in liabilities when their fair value is negative.

At the beginning of the hedging relationship, the Company formally designates and documents the hedging relationship for which it intends to apply the hedge accounting and the purpose of the hedge's management and strategy.

Following the application of IFRS 9, from 1 January 2018, the documentation includes the identification of the hedging instrument, the item or transaction covered, the nature of the risk to be covered and how the Company assesses whether the hedging relationship complies with the hedge accounting requirements. The hedging relationship qualifies for hedge accounting if it meets all of the following hedge effectiveness requirements:

- i) There is an economic relationship between the hedged item and the hedging instrument;
- ii) The effect of the credit risk does not dominate the changes in value that result from that economic relationship;
- iii) The hedge ratio of the hedging relationship is the same as the one resulting from the quantity of the hedged item that an entity actually hedges and from the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Hedging relationships that meet the above eligibility criteria are accounted as follows:

Cash Flow Hedging

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve ("Other Reserves"), while the ineffective portion is recognised immediately in the Income Statement.

If cash flow hedge accounting is interrupted, the cumulative amount in other comprehensive income shall remain if the hedged future cash flows are expected to still occur. Otherwise, the cumulative amount is reclassified immediately into the Income Statement as a reclassification adjustment. After the interruption, as soon as the hedged cash flows occur, any cumulative amount remaining in Other Comprehensive Income is accounted according to the nature of the underlying transaction.

2.2.6 Income tax

Income tax for the period covers current and deferred taxes for the year. Current tax is determined on the basis of the accounting result adjusted in accordance with the tax legislation in force to which the company is subject, and is registered in accordance with IAS 12 Income Taxes. In measuring the cost of income tax of the period, in addition to current tax, the effect of deferred tax, calculated based on the balance sheet method, is also considered, taking into account the temporary differences resulting from the difference between the tax base of assets and liabilities and their values in the financial statements, as well as the tax losses carried forward at the date of the Consolidated Statement of Financial Position.

The company is taxed by the Special Corporate Group Taxation Scheme (RETGS).

According to current legislation, tax returns are liable for review and correction by the Tax Authorities for a period of four years. Accordingly, the tax returns of the company for the years 2015 to 2018 may yet be reviewed, although the company believes that any adjustments resulting from tax revisions to those tax documents will have no significant impact on the financial statements referring to 31 December 2019.

For all transactions that incorporate uncertainty regarding their tax treatment and for all tax litigation processes, the Company makes an assessment of the likelihood of the outcome of those processes, and whenever it is probable that the Tax Authorities will accept an uncertain tax treatment, the tax values recorded are consistent with those reported. Where there is uncertainty in the position of the Tax Authorities, such uncertainty is reflected in the tax measurement.

2.2.7 Deferred Tax Assets and Liabilities

The Company recognises deferred taxes, as established in IAS 12 Income Taxes, as a way of adequately accruing the tax effects of its operations, and to exclude distortions related to the criteria of a fiscal nature that impact on the economic results of certain transactions.

Deferred tax assets are recognised when it is probable that future profits will be generated against which the assets may be used. Deferred tax assets are reviewed annually and reduced when it is no longer probable that they may be used.

The value of deferred tax is determined by applying the tax rates (and laws) enacted or substantively enacted at the reporting date and which are expected to apply in the period of realisation of the deferred tax asset or of the deferred tax liability settlement. According to legislation in force, the corporate income tax rate of 21% is considered in Portugal, and a municipal surtax in situations not related to tax losses, on the temporary differences that gave rise to deferred tax assets or liabilities.

The changes occurring during the financial year, the reconciliation between the nominal tax and effective current tax rate, as well as the decomposition of deferred tax balances, are presented in Note 16.

2.2.8 Cash and bank deposits

The amounts included in the Cash and Bank deposits heading correspond to cash, bank deposits, term deposits and other short-term investments maturing in under three months, and which may be immediately redeemed at insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, the Cash and its equivalents also comprise bank overdrafts included under Borrowings in the Financial Position Statement.

2.2.9 Leasing

A contract constituted, or contains, a lease if it involves the right to control the use of an identified asset for a certain period of time in exchange for consideration.

(i) Company as Lessee

The Company recognises a right of use or lease liabilities for all lease contracts except for short-term and low-value contracts.

Right of Use

The Company recognises a right of use at the time the asset is available for use. The right of use includes the initial costs incurred to make the asset available.

The right of use is depreciated on a two-decimal basis so that the value of the goods is depreciated until the end of their estimated useful life:

Asset	Useful life (years)
Other Buildings	1 - 5
Basic equipment	5
Transport equipment	4

The Right of Use is valued at cost less the corresponding accumulated depreciation and impairment losses, where applicable.

Lease Liabilities

The Company recognises a liability for leases measured at the present value of future payments. Payments include fixed and variable payments. Variable payments that do not depend on indexation and rates are recognised as period cost.

After the transition date, the lease liability is measured: (i) by increasing and reducing the carrying amount to reflect interest on the liability of the lease; (ii) by remeasuring the carrying amount to reflect any revaluation or change in the duration of the lease or fee.

Taking into account that the lease contracts do not present an implicit rate, an incremental interest rate that varies according to the maturity of the lease contract of the categories identified by the Company: real property, medical equipment and vehicles.

Short-term and low-value contracts

The Company has adopted the exception of the recognition of short-term leases (contracts with a duration of less than 12 months) and low value (less than EUR 5,000). For short-term and low-value contracts, the Company recognises the expenditure associated with these leases as the financial year expense during the lifetime of the contracts.

(ii) Company as Lessor

Leases in which the Company does not substantially transfer all the risks and rewards inherent in the ownership of an asset are classified as operating leases. Income earned through rents is accounted for, in a straight line, during the period of the lease and is presented in revenue, due to its operational nature. Initial costs directly related to the negotiation and collection of leases are added to the book value of the asset and are recorded as expenses during the lease's life at the same rate as the rents received. Contingent rents are recognised only when the entitlement is established.

The leases in which the Company is a lessor relate to contracts for the hire of medical equipment.

2.2.10 Provisions

Provisions are established when the Company has a present obligation (legal or constructive) as a result of past actions, or when economic resources may probably be used to meet this obligation and this may be measured reliably. Provisions are measured by the best estimate of the expenditure required to settle the obligation present at the date of each Statement of Financial Position.

2.2.11 Equity Headings

(i) Share Capital

In compliance with article 272 of the Portuguese Commercial Companies Code (CSC), the company contract specifies the deadline for paying-up the subscribed and not paid capital at the time of the deed.

(ii) Legal Reserves

In accordance with article 295 of the CSC, at least 5% of the result must be used for establishing or strengthening the legal reserve until it represents at least 20% of the company's share capital. The legal reserve is not distributable except in case of liquidation, and can only be used to absorb losses after all other reserves are exhausted, or for incorporation in share capital (article 296 of the CSC).

(iii) Other Reserves

This account includes the changes in the fair value of risk-hedging derivatives from variability in the interest rate, currency risk, risk of price of goods within the framework of a commitment or high probability of future transaction that, in accordance with paragraph 2 of article 32 of the CSC, will only be available for distribution when the elements or rights that gave rise to them are disposed, executed, extinguished or settled.

(iv) Retained Earnings

This heading reflects the appropriation of the results of previous years that are realised and undistributed.

(v) Adjustments to financial assets

This account also includes the adjustments connected to the application of the equity method from previous years, namely appropriation of changes in equity of subsidiaries and unallocated profits.

(vi) Interim Dividends

This account reflects the advance on profits made during the accounting period under the provisions of article 297 of the CCC, as follows: (i) carried out in the second half of the year; and (ii) does not exceed half of the amounts that would be distributable on the date to which the mid-term review refers.

2.2.12 Recognition of income

Revenue from services rendered is recognised when or as the entity meets a performance obligation, contractually foreseen and measured at the amount the entity expects to receive.

For each contract, the Group assesses whether there are other commitments in the contract that are distinct performance obligations and for which a portion of the transaction price should be allocated. In determining the transaction price, the Group takes into account possible variable remunerations, the existence, or not, of a significant

financing component, of non-monetary compensations to be received and the possibility of there being remunerations payable to the customer. The Group acts as the "principal" in its agreements with customers.

Making use of the practical expedient in IFRS 15, the Group does not adjust the amount of the consideration for the financial effect when it has the initial expectation that the period between the transfer of the good or service to the customer and the time when the customer pays for the good or service is less than one year. The same happens when the Group receives short-term advances from its customers – in this case, the amount of consideration is also not adjusted for the financial effect.

The company's important revenue streams are as follows:

Services Rendered– This revenue stream concerns rent for medical equipment for the group's companies. Revenue is recognised monthly on the basis of the contracts concluded.

Interest and Dividends

Income from interest receivable is specialised, so that it is recognised in the period they concern, regardless of whether or not the respective support document is issued.

Dividend income is recognised when, in substance, the obligation to declare Dividends is established in the declaring Entity.

2.2.13 Non-current assets held for sale

This heading includes non-current assets (or disposal groups) whose carrying amount will be recovered mostly through a sale transaction, rather than through continued use, and which meet the following conditions:

- They are available for immediate sale in their present condition, subject only to terms that are usual and customary for the sale of this type of assets and
- Its sale is highly probable, i.e.: (i) the responsible management hierarchy is committed to a plan to sell the asset (or groups for disposal); (ii) a programme to find a buyer and complete the plan was initiated; (iii) the asset was widely advertised for sale at a price that is reasonable in relation to its current fair value; and, (iv) the sale will be completed within one year from the date of classification.

The events or circumstances that may extend the period to complete the sale for more than a year do not exclude that an asset is classified as held for sale if the delay is caused by events or circumstances beyond the control of the entity and if there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amounts of the assets (or of the group's assets and liabilities) are measured in accordance with the applicable IFRSs.

On the date of initial recognition, non-current assets (or disposal groups) held for sale are measured at the lower value between their carrying amount and fair value less selling costs or, if purchased as part of a combination of business activities, at fair value less selling costs.

When the sale is expected to occur more than a year later, the selling costs are measured at their present value. Any increase in the present value of the selling costs resulting from the passage of time is recognised in the results as cost of funding.

Any initial or subsequent reduction of the asset (or disposal group) to the fair value less selling costs is recognised as an impairment loss. Any gain resulting from a subsequent increase in the fair value less costs of selling an asset is recognised, but not beyond the previously recognised cumulative impairment loss.

Non-current assets, while classified as held for sale or while they are part of a disposal group classified as held for sale are not depreciated (or amortised).

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2.2.14 Responsibility for employee benefits

Personnel expenses are recognised when the service is provided by the employees regardless of their payment date. Here are some specific details regarding each of the benefits:

(i) Termination of employment

Benefits for termination of employment are due to be paid when employment ends before the usual retirement date or when an employee accept to leave voluntarily in exchange for these benefits. The Company recognises these benefits when it can be shown it is committed to a termination of employment of current employees, according to a formal detailed plan for the termination, and there is no realistic possibility of withdrawal or if these benefits are granted to encourage voluntary departure. When the employment termination benefits are due over 12 months after the balance sheet date, they are discounted to their current value.

(ii) Annual leave, holiday entitlement and bonuses

According to employment law, employees are entitled to 22 working days of annual leave, as well as a month of holiday entitlement, rights acquired in the year prior to their payment. These liabilities of the Company are recorded when incurred, regardless of the time of their payment, and are reflected in the heading Other Accounts payable.

(iii) Work Compensation Fund (WCF) and Work Compensation Guarantee Fund (WCGF)

With the publication of Law 70/2013 and subsequent regulation through Ministerial Order 294-A/2013, the Work Compensation Fund (WCF) and the Work Compensation Guarantee Fund (WCGF) schemes entered into force on 1 October. In this context, companies hiring a new worker are required to deduct a percentage of their salary for these two new funds (0.925% for the WCF and 0.075% for the WCGF), with the aim of ensuring in future the partial payment of the compensation in case of dismissal. Taking into account the characteristics of each Fund, the following was considered:

- the monthly payments to the WCGF, made by the employer, are recognised as an expense in the period they concern;
- the monthly payments to the WCF, made by the employer, are recognised as a financial asset, measured at fair value, with the corresponding variations recognised in comprehensive income.

2.2.15 Interest and Similar Expenses Borne

Borrowing costs are recognised on the income statement for the period in which they occur. The financial costs of loans obtained related to the acquisition, construction or production of assets that necessarily take considerable time before being ready for use or sale, are capitalised and part of the cost of the asset.

The capitalisation of these expenses begins after the start of preparation of the construction activities or development of the asset and is interrupted after the start of the use or end of production or construction of the asset or over periods in which development of the asset is interrupted. Any income generated by borrowings obtained in advance and which may be allocated to a specific investment is deducted from the financial costs eligible for capitalisation.

All other financial expenses are recognised as expenses in the period in which they occur.

2.2.16 Cash flow statement

The cash flow statement is drawn up in accordance with the direct method, through which the cash inflows and outflows in operating, investing and funding activities are disclosed.

2.2.17 Contingent assets and liabilities

A contingent liability arises when there is:

- a possible obligation arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- a present obligation arising from past events but not recognised because: (i) an outflow of funds embodying economic benefits is not likely to be necessary to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Financial Statements but are disclosed in these Notes, unless the possibility of an outflow of funds is remote, in which case they are not subject to disclosure.

Contingent Assets are not recognised and only disclosed in circumstances embodying future economic benefits.

2.2.18 Subsequent Events

Events occurring after the reporting date that provide additional information on conditions existing on the date of issue of the Statement of Financial Position are shown in Financial Statements.

Events occurring after the reporting date that provide additional information on conditions existing on the date of issue of the Statement of Financial Position are disclosed in the Notes to the Financial Statements, if material.

2.3 MAIN ESTIMATES AND JUDGMENTS OF THE MANAGEMENT

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.

The most significant accounting estimates shown in the Financial Statements are as follows:

Useful Life of Property, Plant and Equipment, and Intangible Fixed Assets

The useful life of an asset is the period during which the Entity expects that asset to be available for its use and is reviewed at least at the end of each financial year.

The amortisation/depreciation method to apply and the estimated losses stemming from the replacement of equipment before the end of their useful life, for reasons of technological obsolescence, is crucial to determining the effective useful life of an asset.

These parameters are defined according to the management's best estimate, for the assets and deals in question, also considering the practices adopted by companies from the sectors where the Entity operates.

Leases – Estimated incremental rate, lease term and valuation method

The recognition of leases naturally involves the determination of the interest rate implied by the lease and the maturity of the lease.

The Company cannot easily determine the implicit lease rate, so it uses the incremental interest rate to measure the lease liability. The incremental interest rate is the interest rate that the Company would have to pay on a financing with similar conditions, which requires an estimate of the rate when no observable data is available on the market or when it has to be adjusted to reflect the financing conditions. In fact, the Company estimates the incremental interest rate on the basis of the market reference rate.

The lease term is determined on the basis of the best estimate of management to remain a party to the lease. The Company assesses the duration of leases by type of contract, taking into account the possibility of exercising with reasonable certainty the option of extending the lease:

- Other real property – The Company analyses this category contract by contract, and in the case of renewal, the reasonableness and expectation of renewing the contract is assessed;
- Equipment and Vehicles – This type of contract has no option of renewal, so the lease term considered is the term of the contract.

Recognition and measurement of provisions

The recognition of provisions has associated to the determination of the probability of exit of future flows and their reliable measurement.

These factors are often dependent on future events and not always under the control of the Entity and, as such, may lead to significant future adjustments, both via the variation of the assumptions used and via the future recognition of provisions previously disclosed as control liabilities.

Impairment of accounts receivables

The credit risk of the balances of accounts receivable is assessed at each reporting date, taking into account the expected credit loss over the duration of the asset. The Company established an impairment matrix based on credits that were lost over a statistically relevant period of 5 years, adjusted by specific prospective factors identified by the Company as the most appropriate for each group of customers, with similar characteristics and history of default. In addition, the Company takes into account the following aspects:

- Debtor's significant financial difficulty;
- Breach of contract, such as failure to pay or non-compliance with interest payments or debt amortisation;
- Probability that the debtor will become bankrupt.

Fair Value of financial instruments

When the fair value of the financial assets and liabilities on the balance sheet date is not determinable based on active markets, it is determined based on valuation techniques that include the discounted cash flow model or other suitable models under the circumstances. The inputs for these models are taken, whenever possible, from variables observable in the market; however, when this is not possible, a degree of judgement becomes necessary to determine the fair value, which encompasses considerations on liquidity risk, credit risk and volatility.

Impairment of non-financial assets

The impairment occurs when the accounting value of an asset of cash-generating unit exceeds its recoverable amount, which is the highest between the fair value net of costs of selling and its usage value.

The calculation of fair value net of costs of selling is based on the existing information from contracts already signed in transactions of similar assets with entities that have no relationships between them, or prices observable in the market net of incremental costs of selling the asset.

The value in use is calculated based on a discounted cash flow model that takes into account a budget for the next five years that does not include restructuring activities for which there still is no commitment, or future significant investments seeking to improve the future economic benefits that will arise from the cash-generating unit that is being tested.

The recoverable amount is particularly sensitive to:

- The growth rate used to extrapolate the cash flows beyond five years;
- The discount rates used to discount future cash flows.

Income taxes and deferred taxes

The determination of the amounts of income taxes and deferred taxes require the exercise of judgment and is subject to interpretation. Different interpretations could result in a different level of taxes on profits, both current and deferred, recognised in the period.

Only deferred tax assets are recognised insofar as it is likely that there will be taxable profit on which they can be used.

2.4 FINANCIAL RISK MANAGEMENT POLICIES

The Company, like most companies, is exposed to a number of market risks related to changes in interest rates and liquidity risks arising from its financial liabilities, as well as the credit risk resulting from its operational and cash management activity.

The Financial Risk management Policy of José de Mello Saúde aims to ensure proper identification of risks associated with the business undertaken as well as to adopt and implement the necessary measures to minimise the negative impacts that adverse developments of the factors underlying these risks may have on the financial structure of the company and its sustainability.

The Company has a risk management model that seeks to minimise the potential adverse effects, using the instruments suited to cover the risks to which it is exposed.

Analysed below in more detail are the main financial risks to which the Company is exposed and the main measures implemented to manage those risks.

2.4.1 Market Risk

The market risk is the risk of the changes in the markets' prices, such as interest rates, foreign exchange variations or evolution of the stock markets, affecting the Company's results and its financial position.

The Company is only exposed to risks stemming from changes in interest rates. Thus, the management of market risks is mostly focused on monitoring the evolution of the interest rates, which influence the remunerated financial liabilities (contracted on the basis of interest rates indexed to the evolution of the markets) and their impact on Financial Statements.

2.4.2 Risk of Exposure to Variations in Interest Rates

The management of the interest rate risk aims to minimise exposure to changes in interest rates and their impact on the Financial Statements within the established limits.

The control policy adopted seeks to select suitable strategies for each business area in order to ensure that this risk factor does not adversely affect the operational capacity. Exposure to interest rate risk is also monitored through the simulation of adverse scenarios with a certain degree of probability that could adversely affect the Company's results.

Whenever the expectations of evolution of interest rates so warrant, the company seeks to contract operations to protect against adverse movements through derivatives. The economic aspects of the instruments are the main factors in their selection.

Currently, the Company has contracted hedging instruments for cash flow risk with the sole intent of setting the interest rates of some of its credit lines. Plain vanilla interest rate swaps were contracted in 2015 covering 100% of the amounts of the bond loans issued in 2015 (EUR 14.5 million in total). The contracted swaps respect the characteristics of the aforementioned bond loans in order to be considered hedging products (similar indexer, time period and interest-

payment deadlines). On the date of interest payment, José de Mello Saúde receives interest indexed to six-month Euribor for 100% of the capital in the bond loans and pays interest at a fixed rate on the same amount.

In 2017, following its policy to reduce exposure to interest rates, José de Mello Saúde issued a bond loan with a fixed interest rate. Thus, considering the effect of the contracted swaps, at the end of 2019, José de Mello Saúde held 49.3% of its financial debt contracted at fixed interest rates (77.3% in 2018).

The table below provides a sensitivity analysis of the impact of a potential increment of the Euribor rates in José de Mello Saúde's financial costs in 2019 and 2018:

	Changes in Euribor rates (p.p.)	Impact on Financial Expenses (thousands of euros)
2019		
Non-current loans	+0.5	61
Current loans	+0.5	22
Current and Non-Current Leases	+0.5	18
Total	-	101
	Changes in Euribor rates (p.p.)	Impact on Financial Expenses (thousands of euros)
2018		
Non-current loans	+0.5	85
Current loans	+0.5	5
Current and non-current financial leases	+0.5	14
Total	-	104

Funding contracted at a fixed rate was excluded, namely the bond loans mentioned previously.

Since the vast majority of the loans contracted by José de Mello Saúde are supported by the application of a floor of zero if Euribor rates are negative, and given that these were always negative in 2019 and 2018, a rate-reduction scenario was not simulated.

2.4.3 Credit Risk

Credit risk is the risk that a counterparty has when it fails to fulfil its obligations regarding a financial instrument, resulting in a loss. The Company is subject to credit risk for the following activities:

- Operating activity – trade receivables, trade payables and other accounts receivable and payable;
- Financing activities.

The following table shows the maximum exposure of the Company to credit risk:

	2019	2018
Other Financial Assets	191,210	202,526
Customers	8,803	9,708
Other receivables	4,753	4,862
Other Financial Instruments	16,500	16,500
	221,266	233,595

Accounts Receivable

The company's credit risk is essentially related to the operational and investment activity with its subsidiaries. The management tracks the activity of all subsidiaries, enabling this risk to be monitored.

Other Financial Instruments

Other Financial Instruments include bonds issued by shareholders José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A. Risk monitoring is carried out periodically by the management, through the analysis of their annual reports, taking into account the following indicators:

- Analysis of the financial situation of the companies;
- Analysis of the level of solvency;
- Ability to generate liquid resources from the use of assets and analysis of the evolution of the financial situation;
- Analysis of the reviewers' opinions.

In addition, the rating of these entities is analysed by the DB Agency.

Other Investments

The outstanding amounts shown under Other investments relate to: (i) participation in the capital of José de Mello Residências, e Serviços, SGPS, S.A.; (ii) Work Compensation Fund, which is guaranteed by the Office for the Gestão de Fundos de Capitalização da Segurança Social, I.P. (Management of Social Security Funds). (IGFCSS, I.P.) and the Gestão Financeira da Segurança Social, I.P. (Office for the Financial Management of Social Security). (IGFSS, I.P.).

The management accompanies the activities of José de Mello Residências, e Serviços, SGPS, S.A. which allows risk monitoring to be carried out.

2.4.4 Liquidity Risk

Liquidity risk stems from the potential inability to finance the Company's assets, or to meet the contracted liabilities on the expiration dates.

The management of the liquidity risk seeks to permanently track the treasury forecasts in order to ensure the fulfilment of all of the Company's liabilities toward the entities with which it deals in its activity. Through active management of the business plan and comprehensive mapping of needs or future cash surpluses, it also seeks to reduce the risk of financing by having a permanent relationship with the financial partners.

The table below presents the company's liabilities according to intervals of contractual maturity at the end of 2019 and 2018. The amounts represent the non-discounted cash flows to be paid in the future:

	31/12/2019			
	< 1 year	1-5 years	> 5 years	Total
Financial Debt				
Bond loans (note 11.2.2)	920	63,841	84,165	148,926
Pledged Current Account (note 11.2.2)	5,000	-	-	5,000
Other bank loans (note 11.2.2)	1,622	1,349	-	2,971
Commercial Paper (note 11.2.1)	45,166	-	-	45,166
Bank Overdrafts (note 4)	-	-	-	-
	52,707	65,190	84,165	202,062
Lease Creditors				
Lease Creditors (note 11.2)	2,397	5,769	1,069	9,236
Total Borrowings	55,104	70,959	85,234	211,298

	31/12/2018			
	< 1 year	1-5 years	> 5 years	Total
Financial Debt				
Bond loans (note 11.2.2)	50,000	100,181	-	150,181
Pledged Current Account (note 11.2.2)	-	-	-	-
Other bank loans (note 11.2.2)	1,606	2,972	-	4,578
Commercial Paper (note 11.2.1)	5,000	-	-	5,000
Bank Overdrafts (note 4)	13,804	-	-	13,804
	70,410	103,153	-	173,563
Lease Creditors				
Lease Creditors (note 11.2)	1,567	2,871	5	4,443
Total Borrowings	71,977	106,024	5	178,006

* Includes short-term debt used for cash support.

3 FAIR VALUE ESTIMATE

The hierarchy for purposes of determining the fair value shall have the following levels and measurement bases:

- Level 1 – market quotes net of assets which the Company can access at the balance sheet's date of reference;
- Level 2 – generally accepted evaluation models, based on inputs observable in the market, alternative to those mentioned in level 1;
- Level 3 – evaluation models whose main inputs are not observable in the market.

The Company has valued at fair value the assets and liabilities listed in the tables below, in which their corresponding hierarchy is also specified:

	YEAR	TOTAL	FAIR VALUE HIERARCHY		
			Level 1 Market Quotes	Level 2 Inputs Observable in the Market	Level 3 Inputs not Observable in the Market
ASSETS VALUED AT FAIR VALUE					
Other Investments (note 10)	2019	978	-	-	978
Work Compensation Fund (note 10)	2019	1		1	-
Other Investments (note 10)	2018	983	-	-	983
LIABILITIES VALUED AT FAIR VALUE					
Cash flow hedges (note 11.2.5)	2019	761	-	761	-
Cash flow hedges (note 11.2.5)	2018	1,234	-	1,234	-

The fair value of the financial derivatives was determined by banking entities, based on inputs observable in the market and according to the generally accepted evaluation models and techniques. The fair value of Other Investments does not differ substantially from their cost.

4 CASH AND CASH EQUIVALENTS

The Cash and Bank Deposits heading in the Statement of Financial Position, and the balance of cash and cash equivalents, in the Statement of Cash Flows, is broken down as follows on 31 December 2019 and 2018:

	2019	2018
Cash	0	0
Demand Deposits	18,749	107
Other Bank Deposits	0	0
Balance on the Statement of Financial Position	18,750	108
Bank Overdrafts (note 11.2)	-	(13,804)
Balance on the Statement of Cash Flows	18,750	(13,697)

5 RELATED PARTIES

5.1 NATURE OF RELATIONSHIP

The Company's Financial Statements are included in the Consolidated Financial Statements of José de Mello Saúde, S.A. The nature of the relationships with related parties is shown in the following table:

Entity	Location	Services Rendered / Transactions Carried Out	Services Received / Transactions Received
SHAREHOLDERS			
FARMINVESTE - INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, S.A.	Portugal	Other Financial Instruments	
JOSÉ DE MELLO CAPITAL, S.A.	Portugal	Other Financial Instruments	
SUBSIDIARIES			
ACADEMIA CUF , SOCIEDADE UNIPessoal, LDA	Portugal	Shared Services	
CLINICA CUF ALVALADE, S.A.	Portugal	Equipment Rental	
CLINICA CUF BELEM, S.A.	Portugal	Equipment Rental	
HOSPITAL CUF CASCAIS, S.A.	Portugal	Equipment Rental	
HOSPITAL CUF TORRES VEDRAS, S.A.	Portugal	Equipment Rental	
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Portugal	Shared Services	
HOSPITAL CUF DESCOBERTAS, S.A.	Portugal	Equipment Rental	
HOSPITAL CUF INFANTE SANTO, S.A.	Portugal	Equipment Rental	
HOSPITAL CUF PORTO, S.A.	Portugal	Equipment Rental	
INSTITUTO CUF - DIAGNÓSTICO E TRATAMENTO, S.A.	Portugal	Equipment Rental	
PPPS - GESTÃO E CONSULTORIA, S.A.	Portugal	Borrowings	
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	Portugal	Borrowings	
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Portugal	Shared Services	
HOSPITAL CUF VISEU, S.A.	Portugal	Borrowings	
HOSPITAL CUF SANTARÉM, S.A.	Portugal	Borrowings	
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Portugal	Shared Services	
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Portugal	Borrowings	
VRAMONDI INTERNATIONAL BV	Portugal		Borrowings
PPPS - GESTÃO E CONSULTORIA, S.A.	Portugal	Borrowings	
PPPS II - GESTÃO E CONSULTORIA, S.A.	Portugal	Borrowings	
PPPS III - GESTÃO E CONSULTORIA, S.A.	Portugal	Borrowings	
HOSPITAL CUF COIMBRA, S.A.	Portugal	Borrowings	
CENTRO LOGÍSTICO CUF, UNIPessoal LDA	Portugal	Borrowings	
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	Portugal	Borrowings	

Entity	Location	Services Rendered / Transactions Carried Out	Services Received / Transactions Received
OTHER RELATED PARTIES			
JMS - PRESTAÇÃO DE SERVIÇOS SAÚDE, ACE	Portugal	Shared Services	
LOJA SAUDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	Portugal	Shared Services	
SAGIES - SEGURANÇA, HIGIENE E S.AUDE NO TRABALHO, S.A.	Portugal	Borrowings	Occupational health
SIMPLYGREEN - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Portugal	Borrowings	
CLINICA DR. LUIS ALVARES, S.A.	Portugal	Equipment Rental	
JOSÉ DE MELLO RESIDÊNCIAS E SERVIÇOS, SGPS, S.A.	Portugal	Borrowings	

The accounted income mostly stems from: (i) lease of equipment from the group's companies in sublease; (ii) administrative services common to the entire group (shared services); (iii) interest from loans. The main expenses result from spending that stems from the legislation concerning occupational health.

5.2 TRANSACTIONS AND OUTSTANDING BALANCES

The amounts of the pending balances with related parties are shown in the following table:

Company	Year	Debit balances			Credit balances		Transactions	
		Receivables	Shareholders and Subsidiaries	Financial Instruments	Payables	Shareholders and Subsidiaries	Revenue	Expenses
SHAREHOLDERS								
FARMINVESTE - INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, S.A.	2019	469	-	10,000	-	-	-	-
	2018	-	-	10,000	-	-	-	-
JOSÉ DE MELLO CAPITAL, S.A.	2019	-	-	6,500	-	-	-	-
	2018	-	-	6,500	-	-	-	-
SUBSIDIARIES								
ACADEMIA CUF , SOCIEDADE UNIPESSOAL, LDA	2019	55	70	-	-	-	7	-
	2018	50	-	-	-	-	6	-
CLINICA CUF ALVALADE, S.A.	2019	3	-	-	0	-	-	-
	2018	14	-	-	-	-	138	-
CLINICA CUF BELEM, S.A.	2019	2	-	-	-	-	-	-
	2018	2	-	-	-	-	16	-
HOSPITAL CUF CASCAIS, S.A.	2019	91	-	-	0	-	77	0
	2018	40	2,000	-	-	-	107	-
HOSPITAL CUF TORRES VEDRAS, S.A.	2019	35	-	-	0	-	-	0
	2018	8	-	-	-	-	76	-
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
HOSPITAL CUF DESCOBERTAS, S.A.	2019	394	14,700	-	0	-	656	0
	2018	388	16,700	-	-	-	1,169	-
HOSPITAL CUF INFANTE SANTO, S.A.	2019	327	14,500	-	15	-	648	62
	2018	354	16,500	-	-	-	985	-
HOSPITAL CUF PORTO, S.A.	2019	705	23,000	-	2	-	982	5
	2018	508	25,000	-	-	-	1,462	-
INSTITUTO CUF - DIAGNÓSTICO E TRATAMENTO, S.A.	2019	5	-	-	-	-	-	-
	2018	10	-	-	-	-	97	-
PPPS - GESTÃO E CONSULTORIA, S.A.	2019	33	-	-	-	-	-	-
	2018	37	2,000	-	-	-	81	-

Company	Year	Debit balances			Credit balances		Transactions	
		Receivables	Shareholders and Subsidiaries	Financial Instruments	Payables	Shareholders and Subsidiaries	Revenue	Expenses
SUBSIDIARIES								
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	2019	22	0	-	-	-	85	2
	2018	87	3,000	-	-	-	124	-
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	2019	3,794	106,571	-	-	-	4,012	-
	2018	5,014	104,220	-	-	-	4,060	-
HOSPITAL CUF VISEU, S.A.	2019	69	2,003	-	0	-	156	1
	2018	76	4,003	-	-	-	173	-
HOSPITAL CUF SANTARÉM, S.A.	2019	45	690	-	-	-	104	0
	2018	49	2,690	-	-	-	110	-
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	2019	5,662	13,597	-	-	-	-	-
	2018	5,662	10,000	-	-	-	-	-
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	2019	440	7,869	-	-	-	310	-
	2018	495	7,869	-	-	-	281	-
VRAMONDI INTERNATIONAL BV	2019	-	-	-	152	32,773	-	1,060
	2018	-	-	-	152	32,682	-	1,043
PPPS - GESTÃO E CONSULTORIA, S.A.	2019	-	-	-	-	-	77	-
	2018	-	-	-	-	-	-	-
PPPS II - GESTÃO E CONSULTORIA, S.A.	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
PPPS III - GESTÃO E CONSULTORIA, S.A.	2019	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-
HOSPITAL CUF COIMBRA, S.A.	2019	27	365	-	-	-	18	0
	2018	9	865	-	-	-	67	-
CENTRO LOGÍSTICO CUF, UNIPESSOAL LDA	2019	2	143	-	-	-	6	-
	2018	3	142	-	-	-	4	-
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	2019	-	-	-	-	-	-	-
	2018	-	276	-	-	-	-	-
OTHER RELATED PARTIES								
JMS - PRESTAÇÃO DE SERVIÇOS SAÚDE, ACE	2019	205	-	-	-	-	-	-
	2018	438	-	-	-	-	406	-
LOJA SAUDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	2019	-	-	-	-	-	7	-
	2018	5	-	-	-	-	-	-
SAGIES - SEGURANÇA, HIGIENE E S.A.UDE NO TRABALHO, S.A.	2019	14	-	-	0	-	66	1
	2018	9	-	-	0	-	91	1
SIMPLYGREEN - INVESTIMENTOS IMOBILIÁRIOS, S.A.	2019	1	-	-	-	-	-	-
	2018	1	-	-	-	-	-	-
CLINICA DR. LUIS ALVARES, S.A.	2019	3	-	-	-	-	-	-
	2018	3	-	-	-	-	28	-
JOSÉ DE MELLO RESIDÊNCIAS E SERVIÇOS, SGPS, S.A.	2019	7,260	-	-	-	-	-	-
	2018	7,260	-	-	-	-	-	-

No impairments were identified in balances receivable.

5.3 WAGES OF KEY MANAGEMENT PERSONNEL

The wages of the Company's key management personnel are discriminated in the table below:

	2019	2018
Total Remuneration	1,718	1,874
	1,718	1,874

6 PROPERTY, PLANT AND EQUIPMENT

The gross carried amount, accrued depreciation and impairment losses at the beginning and end of the period are as follows:

	Buildings and other constructions	Basic Equipment	Administrative Equipment	Property, plant and equipment in progress	Total Property, Plant and Equipment
Cost:					
On 1 January 2018	719	8,206	262	-	9,187
Increases	183	1,077	68	260	1,588
On 31 December 2018	901	9,283	330	260	10,775
Transition IFRS 16	(85)	(8,614)	-		(8,699)
Increases		150	-		150
Settlements				(260)	(260)
On 31 December 2019	816	819	330	-	1,966
Depreciations and Impairment:					-
On 1 January 2018	552	2,710	208	-	3,470
Depreciations in the financial year (note 22)	173	1,237	23	-	1,433
On 31 December 2018	725	3,947	231	-	4,903
Transition IFRS 16	(85)	(3,381)	-		(3,466)
Depreciations in the financial year (note 22)	18	51	31		101
On 31 December 2019	659	617	262	-	1,537
Net book value:					
On 31 December 2019	158	202	68	-	428
On 31 December 2018	176	5,336	99	260	5,872
On 1 January 2018	167	5,496	54	-	5,716

The heading "Basic Equipment" refers mainly to medical and surgical equipment purchased for the purpose of renting out to group companies, which have been reclassified under the Right of Use heading.

No signs of impairment were identified.

7 RIGHT OF USE

The Company has lease contracts for the following types: (i) real property; (ii) equipment; (iii) vehicles.

The changes in the value of property, plant and equipment as well as the corresponding depreciation and accumulated impairment losses, during the financial year ending on 31 December 2019, were as follows:

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Total Right of Use
Cost:					
On 1 January 2019	325	8,614	58	-	8,997
Increases	271	6,087	-	473	6,831
On 31 December 2019	596	14,701	58	473	15,828
Depreciations and Impairment:					-
On 1 January 2019	85	3,381	-	-	3,466
Depreciations in the financial year (note 22)	102	1,752	23	49	1,926
On 31 December 2019	187	5,134	23	49	5,393
Net book value:					
On 31 December 2019	409	9,568	35	424	10,435
On 1 January 2019	240	5,233	58	-	5,531

The Buildings and other constructions and Basic Equipment headings mainly relate to office rental contracts (shared services) and lease contracts for medical equipment.

No evidence of impairment was identified for assets registered as a right of use.

8 INTANGIBLE ASSETS

The gross carried amount, accrued depreciation and impairment losses at the beginning and end of the period are as follows:

	Software	Total Intangible Assets
Cost:		
On 1 January 2018	71	71
Increases	14	14
On 31 December 2018	85	85
Increases	-	-
On 31 December 2019	85	85
Depreciations and Impairment:		
On 1 January 2018	71	71
Depreciations in the financial year (note 22)	3	3
On 31 December 2018	74	74
Depreciations in the financial year (note 22)	4	4
On 31 December 2019	77	77
Net book value:		
On 31 December 2019	8	8
On 31 December 2018	11	11
On 1 January 2018	-	-

9 INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

9.1 CHANGES IN FINANCIAL INVESTMENTS PER SUBSIDIARY

The change that took place in the current financial year under the financial investments heading is shown in the following table:

Activity	Total Financial Investments 2018	Increases	Reductions	Supplementary Instalments	Total Financial Investments 2019	% Holding
Subsidiaries						
ACADEMIA CUF, SOCIEDADE UNIPESSOAL, LDA	Training	5	-	-	5	100.00%
CLINICA CUF ALVALADE, S.A.	Healthcare Service Provision	1,164	-	-	1,164	100.00%
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Healthcare Service Provision	1,865	-	-	1,865	60.00%
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Healthcare Service Provision	-	-	10,000	10,000	60.00%
DIGIHEALTH, S.A.	Provision of Healthcare Management and Consultancy Services	50	-	-	50	88.00%
HOSPITAL CUF DESCOBERTAS, S.A.	Healthcare Service Provision	6,490	2,000	-	8,490	100.00%
HOSPITAL CUF INFANTE SANTO, S.A.	Healthcare Service Provision	21,536	2,000	-	23,536	100.00%
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM ESTAR, S.A.	Parapharmacy	117	-	(117)	-	100.00%
HOSPITAL CUF PORTO, S.A.	Healthcare Service Provision	190	2,000	-	2,190	100.00%
VRAMONDI INTERNATIONAL BV	Management of Shareholdings	14,455	-	-	14,455	99.00%
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Management of Shareholdings	-	-	-	-	96.00%
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Real Property	413	2,250	-	2,663	100.00%
HOSPITAL CUF VISEU, S.A.	Healthcare Service Provision	50	2,000	-	2,050	100.00%
HOSPITAL CUF SANTARÉM, S.A.	Healthcare Service Provision	12,390	2,000	-	14,390	100.00%
PPPS II - GESTÃO E CONSULTORIA, S.A.	Provision of Healthcare Management and Consultancy Services	50	-	(50)	0	100.00%
PPPS III - GESTÃO E CONSULTORIA, S.A.	Provision of Healthcare Management and Consultancy Services	50	-	(50)	-	100.00%
CENTRO LOGÍSTICO CUF, UNIPESSOAL LDA	Distribution and marketing of medicinal products and medical devices	50	-	-	50	100.00%
HOSPITAL CUF COIMBRA, S.A.	Healthcare Service Provision	9,508	500	-	10,008	100.00%
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	Healthcare Service Provision	1,877	-	-	1,877	100.00%
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	Infrastructure Management	-	2,870	-	2,870	100.00%
PPPS - GESTÃO E CONSULTORIA, S.A.	Provision of Healthcare Management and Consultancy Services	-	2,000	-	2,000	100.00%
HOSPITAL CUF CASCAIS, S.A.	Healthcare Service Provision	-	2,000	-	2,000	100.00%
HOSPITAL CUF TORRES VEDRAS, S.A.	Healthcare Service Provision	-	-	-	0	100.00%
		70,260	19,620	(217)	10,000	99,662

All subsidiaries and associated companies operate in Portugal, except for Vramondi International, B.V., which operates in the Netherlands.

The main variations in the financial investments heading are justified by the following movements:

- Increase of the holding in the Escala Braga – Sociedade Gestora do Estabelecimento, S.A., amounting to EUR 10 million by way of additional instalments. This operation aims to ensure that society has sufficient equity to meet its responsibilities vis-à-vis external stakeholders;
- Increase in participation in Hospital CUF Descobertas, S.A., Hospital CUF Infante Santo, S.A., Imo Health – Investimentos Imobiliários, S.A., Hospital CUF Viseu, S.A., Hospital CUF Santarém, Hospital CUF Coimbra, S.A., Infrahealth – Gestão de Infraestruturas, S.A., PPPS – Gestão e Consultoria, S.A., Hospital CUF Cascais, S.A. and Hospital CUF Porto, S.A. through conversion of shareholder loans. This increase has helped to strengthen the investees' equity capital, thereby ensuring improved ratios;
- Reduction of participation in the Loja Saúde CUF e Bem estar, S.A., PPPS II – Gestão e Consultoria, S.A. e PPPS III – Gestão e Consultoria, S.A., as a result of the liquidation of these companies at the end of 2019.

The change that took place in the previous financial year under the financial investments heading is shown in the following table:



Activity	Total Financial Investments 2017	Increases	Total Financial Investments 2018	% Holding
Subsidiaries				
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	Training	5	5	100.00%
CLINICA CUF ALVALADE, S.A.	Healthcare Service Provision	1,164	1,164	100.00%
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	Healthcare Service Provision	1,865	1,865	60.00%
DIGIHEALTH, S.A.	Provision of Healthcare Management and Consultancy Services	50	50	88.00%
HOSPITAL CUF DESCOBERTAS, S.A.	Healthcare Service Provision	6,357	6,490	100.00%
HOSPITAL CUF INFANTE SANTO, S.A.	Healthcare Service Provision	21,536	21,536	100.00%
LOJA SAÚDE CUF - PRODUTOS E SERVIÇOS DE SAÚDE E BEM-ESTAR, S.A.	Parapharmacy	117	117	100.00%
HOSPITAL CUF PORTO, S.A.	Healthcare Service Provision	190	190	100.00%
VRAMONDI INTERNATIONAL BV	Management of Shareholdings	14,455	14,455	99.00%
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	Management of Shareholdings	-	-	96.00%
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	Real Property	413	413	100.00%
HOSPITAL CUF VISEU, S.A.	Healthcare Service Provision	50	50	100.00%
HOSPITAL CUF SANTARÉM, S.A.	Healthcare Service Provision	12,390	12,390	100.00%
PPPS II - GESTÃO E CONSULTORIA, S.A.	Provision of Healthcare Management and Consultancy Services	50	50	100.00%
PPPS III - GESTÃO E CONSULTORIA, S.A.	Provision of Healthcare Management and Consultancy Services	50	50	100.00%
CENTRO LOGÍSTICO CUF, UNIPessoal LDA	Distribution and marketing of medicinal products and medical devices	0	50	100.00%
HOSPITAL CUF COIMBRA, S.A.	Healthcare Service Provision	8,441	9,508	100.00%
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	Healthcare Service Provision	-	1,877	100.00%
		67,132	3,127	70,260

The main variations in the financial investments heading are justified by the following movements:

- ▶ Increase in the capital of the company Centro Logístico CUF, Unipessoal, Lda (EUR 50,000) and the Hospital CUF Coimbra, S.A. (EUR 1 million);
- ▶ Acquisition of the entire share capital of Cenes – Centro de Processamento de Dispositivos Médicos, Lda, a company acquired in October 2018. The acquisition contract has an underlying contingent value, which depends on the occurrence of certain conditions that will be confirmed in the period between 18 and 24 months from the date of the contract. If these conditions are not met for reasons attributable to the sellers, an amount of 175 thousand euros will be deducted from the acquisition value.

9.2 SUMMARY INFORMATION ABOUT THE SUBSIDIARIES

The assets, liabilities and equity, income and statutory results of the subsidiaries on 31 December 2019 are as follows:



	Equity 2019	Assets 2019		Liabilities 2019		Net Profit/Loss 2019	Revenue
		Current	Non-current	Current	Non-current		
ACADEMIA CUF, SOCIEDADE UNIPessoal, LDA	(638)	430	82	1,137	14	(92)	607
CLINICA CUF ALVALADE, S.A.	2,221	3,208	3,620	2,361	2,246	508	9,163
ESCALA VILA FRANCA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	11,312	30,098	9,091	17,008	10,869	1,011	74,296
ESCALA BRAGA - SOCIEDADE GESTORA DO ESTABELECIMENTO, S.A.	(30,444)	45,392	1,300	62,668	14,468	4,403	129,100
DIGIHEALTH, S.A.	(9,757)	4,711	1	13,557	912	19	180
HOSPITAL CUF DESCOBERTAS, S.A.	19,881	57,241	68,500	51,788	54,072	10,788	133,127
HOSPITAL CUF INFANTE SANTO, S.A.	26,863	60,624	36,095	49,789	20,067	15,056	123,720
HOSPITAL CUF PORTO, S.A.	(26,713)	22,188	50,858	49,373	50,385	2,177	78,521
VRAMONDI INTERNATIONAL BV	15,605	32,207	13,697	27,060	3,240	801	-
VALIR - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, SGPS S.A.	(1,164)	1,219	6,789	2,284	6,888	(13)	0
IMO HEALTH - INVESTIMENTOS IMOBILIÁRIOS, S.A.	34,471	64,723	293,302	47,318	276,236	61,215	10,382
HOSPITAL CUF VISEU, S.A.	(5,975)	4,884	12,726	11,957	11,629	-806	17,655
HOSPITAL CUF SANTARÉM, S.A.	3,991	6,515	7,180	7,933	1,771	1,383	19,448
PPPS - GESTÃO E CONSULTORIA, S.A.	(329)	0	0	330	0	(81)	0
HOSPITAL CUF CASCAIS, S.A.	5,533	13,170	31,328	15,859	23,106	1,650	50,809
CENTRO LOGÍSTICO CUF, UNIPessoal LDA	(211)	1,084	1,104	1,791	609	(226)	195
HOSPITAL CUF COIMBRA, S.A.	(4,116)	5,346	12,286	13,326	8,423	(2,366)	6,308
CENES - CENTRO DE PROCESSAMENTO DE DISPOSITIVOS MÉDICOS, LDA	1,241	927	2,644	961	1,369	3	1,275
INFRAHEALTH - GESTÃO DE INFRAESTRUTURAS, LDA	3,048	1,156	18,012	1,719	14,402	46	204

9.3 IMPAIRMENT OF FINANCIAL INVESTMENTS

Impairment tests were carried out in the 2019 financial year by calculating the business value (BV) using the Discounted Cash Flows (DCF) method. The use of this method requires the estimate of future cash flows arising from the operations of each cash-generating unit (CGU) and choice of an appropriate discount rate that reflects the risk associated with the business. These tests concluded that there was no impairment in relation to the recognised Financial Investment value.

Each medical care unit is a CGU. However, certain medical care units are analysed jointly as they are part of integrated, complementary and interdependent management of services and require high financial interdependence. These are:

- ▶ Instituto CUF - Diagnóstico e Tratamento, S.A., Nova Imagem – Centro Radiodiagnóstico, S.A. and Hospital CUF Porto, S.A.
- ▶ Hospital CUF Coimbra, S.A., Sonomedicus and Pandiag;
- ▶ Hospital CUF Descobertas S.A. and HD - Medicina Nuclear, S.A.;
- ▶ Hospital CUF Viseu, S.A. and Simx – Serviço de Imagem Médica, S.A.

In this financial year, the projections have been prepared for a period of 5 years, with the exception of four CGU, since at the end of the fifth year it is expected that they will not yet be at a mature stage. These are:

- ▶ Hospital CUF Infante Santo, S.A., for which a period of eleven years was assessed;
- ▶ Hospital CUF Coimbra, S.A., Sonomedicus and Pandiag and Hospital CUF Santarém, S.A., for which a period of nine years was assessed;
- ▶ Hospital CUF Viseu, S.A. and Simx – Serviço de Imagem Médica, S.A., for which a period of eight years was assessed.

The key assumptions on which the cash flow projections included in this test were based were defined by the JMS management teams and approved by the Executive Board in the annual Budget and Business Plan. In defining the main assumptions, the following items were evaluated:

- ▶ Historical data and past experience;
- ▶ Future management perspective for each of the units;
- ▶ Activity mix defined per unit;
- ▶ Expected evolution of the healthcare market;
- ▶ Inflation.

Additionally, the investment in working capital was calculated based on the average terms of historical payments and receipts and on the expected evolution of operating income and costs. Capex was defined based on the specific investment needs of each unit and the analysis of values for the amounts considered recurrent.

The calculation of the discount rates for each of the tests took into account the historical rates of Portugal's treasury bonds, the average cost of JMS's financial debt and the risk level of European companies comparable to JMS. For each cash-generating unit, a risk analysis was also carried out based on the unit's level of maturity, and an additional premium may be attributed.

The analysis carried out makes the following assumptions:

Period	Risk-free interest rate	WACC Rate	Perpetual Growth Rate	Revenue Growth Rate
Explicit	3.00%	6.91%	-	4.33%
Perpetuity	3.00%	6.91%	1.80%	-

Sensitivity analyses were also performed on the main variables: (i) discount rate (+/- 0.5%) and (ii) perpetual growth rate (+/- 0.5%).

10 OTHER INVESTMENTS

The other investments at 31 December 2019 are as follows:

Holding	2019		2018	
	Equity Shares	Financial Position Values	Equity Shares	Financial Position Values
José de Mello Residências e Serviços, SGPS, S.A.	978	978	978	978
IBET - Instituto de Biologia Experimental e Tecnológica,	-	-	5	5
Work Compensation Fund	1	1	1	1
	978	978	983	983

Other investments include equity instruments and are measured at fair value (as mentioned in note 3) through comprehensive income. The fair value of Other Investments does not differ substantially from their cost.

11 FINANCIAL INSTRUMENTS

Derivative financial instruments are held at fair value, as mentioned in note 3, with their fair value determined by banking entities, using inputs observable in the market and in accordance with the generally accepted evaluation models and techniques.

11.1 FINANCIAL ASSETS

The breakdown of financial assets by categories is given in the following tables:

	2019	2018
Non-current		
Other Financial Assets		
Loans (note 11.1.1)	136,456	188,199
Other receivables (note 11.1.3)	404	404
	136,860	188,603
Current		
Customers (note 11.1.2)	8,803	9,708
Other Financial Assets		
Loans (note 11.1.1)	54,754	14,327
Other receivables (note 11.1.3)	4,350	4,458
Other Financial Instruments (note 11.1.4)	16,500	16,500
Cash and bank deposits (note 4)	18,750	108
	103,156	45,102

11.1.1 Other Financial Assets

On 31 December 2018 and 2019, the other financial assets heading was broken down has follows:

	2019	2018
Non-Current Assets		
Loans to Subsidiaries		
Hospital Cuf Porto, S.A.	9,300	25,000
Imohealth - Investimentos Imobiliários, S.A.	97,142	101,392
PPPS - Gestão e Consultoria, S.A.	-	2,000
Hospital Cuf Descobertas, S.A.	-	16,700
Hospital Cuf Infante Santo, S.A.	-	16,500
Hospital Cuf Cascais, S.A.	-	2,000
Hospital Cuf Viseu, S.A.	2,003	4,003
Hospital Cuf Santarém, S.A.	-	2,690
Valir - Sociedade Gestora de Participações Sociais, S.A.	6,789	6,789
Infrahealth - Gestão de Infraestruturas, Lda	0	3,000
Hospital Cuf Coimbra, S.A.	365	865
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	13,597	-
Loans to Related Entities		
José de Mello Residências e Serviços, SGPS, S.A.	7,260	7,260
	136,456	188,199
Current assets		
Loans to subsidiaries		
Hospital Cuf Santarém, S.A.	690	-
Hospital Cuf Descobertas, S.A.	14,700	-
Hospital Cuf Infante Santo, S.A.	14,500	-
Hospital Cuf Porto, S.A.	13,700	-
Imohealth - Investimentos Imobiliários, S.A.	9,429	2,828
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	-	10,000
Valir - Sociedade Gestora de Participações Sociais, S.A.	1,080	1,080
Centro Logístico Cuf, Unipessoal, Lda	143	141
Cenes - Centro de Processamento de Dispositivos Médicos, Lda	442	276
Academia Cuf - sociedade Unipessoal, Lda	70	-
Loans to Related Entities		
Simplygreen - Investimentos Imobiliários, S.A.	-	1
	54,754	14,327

11.1.2 Customers

The total carrying amount in relation to customers is broken down in the table below:

	2019	2018
Customers		
Cost	8,803	9,708
	8,803	9,708

Ageing of the Trade Receivable and Impairment

As at 31 of December of 2019 and 2018, the ageing of the trade receivables are as follows :

Year	Total	Debt not due	Overdue debt				
			≤ 180 days	181-365 days	366-545 days	546-730 days	>730
2019	8,803	264	2,548	318	4,996	-	676
2018	9,708	360	7,099	1,345	462	441	-

No losses on customer balances are expected, which are mainly with group entities.

11.1.3 Other Accounts Receivable

On 31 December 2019 and 2018, the "Other Accounts Receivable" heading is broken down as follows:

	2019	2018
Non-current		
Other debtors	404	404
	404	404
Current		
Personnel	22	0
Debtors for accrued income		
Interest earned	3,797	3,770
Volume discount	71	57
Others	-	315
Advances to Suppliers	-	-
Other debtors	430	194
Expenses to be recognised		
Income	5	69
Insurance	5	37
IT	6	-
Interest	-	1
Others	14	16
	4,350	4,458

The amount recorded under Other Debtors corresponds to the deposit paid under a contract for the operation and management of a health care unit located in Montijo.

11.1.4 Other Financial Instruments

The amount of 16.5 million euros concerns bonds issued by Farminveste – Investimentos, Participações e Gestão, S.A. and José de Mello Capital, S.A.:

Issuer	Maturity Date	2019	2018
Farminveste - Investimentos, Participações e Gestão, S.A.	2020	10,000	10,000
José de Mello Capital, S.A.	2022	6,500	6,500
		16,500	16,500

At 29 December 2017, the bond loans of José de Mello Capital, S.A. (EUR 10 million) and José de Mello Participações II (EUR 10 million), until then held by Hospital CUF Descobertas, S.A., were acquired by José de Mello Saúde, S.A. for EUR 20 million.

In December, EUR 13.5 million were reimbursed, with a persistent debt of EUR 6.5 million concerning the original contract with José de Mello Capital, S.A., whose repayment deadline was changed to June 2022.

These bonds have a put option that gives the Company the right to redeem the amount in question at any time, and the exercise of the sale option is expected to occur within less than 12 months, the reason for which they are classified as current assets.

The option of sale was recorded at face value, without any associated derivative. There are no indications of impairment for the amounts of the bond loans listed above.

11.2 FINANCIAL LIABILITIES

The breakdown of financial liabilities according to the different categories is indicated in the following tables:

	2019	2018
NON-CURRENT		
Borrowings		
Lease Creditors (note 2.4.4)	6,838	2,876
Other Loans (note 11.2.2)	149,355	103,153
	156,194	106,029
Other financial liabilities (note 11.2.3)	2,987	29,869
Other payables (note 11.2.4)	1,050	1,050
Derivatives (note 11.2.5)	761	1,058
	160,992	138,006
CURRENT		
Suppliers		
Trade payables, current account	786	391
Suppliers, invoices received and under review	51	-
	838	391
Other financial liabilities (note 11.2.3)	29,786	2,899
Borrowings		
Lease Creditors (note 2.4.4)	2,397	1,567
Commercial Paper (note 11.2.1)	45,166	5,000
Other Loans (note 11.2.2)	7,541	51,606
Bank Overdrafts (note 4)	-	13,804
	55,104	71,977
Other payables (note 11.2.4)	3,039	4,619
Derivatives (note 11.2.5)	-	176
	88,767	79,886

11.2.1 Commercial paper

As at 31 December 2019, the Company has contracted four commercial paper programmes with a ceiling of EUR 76 million. As at 31 December 2019 and 2018, these liabilities had the following detail:



Contracting Company	Nominal Amount Contracted	2019		2018		Contract	
		Outstanding Amount		Outstanding Amount		Contract	
		Current	Non-current	Current	Non-current	Maturity	Frequency
Banco BIC	6,000	2,000	-	-	-	Jan/2022	Yearly
Montepio Geral	10,000	-	-	-	-	Nov/2019	Yearly
Banco Finantia	10,000	-	-	-	-	Aug/2019	Single
Bankinter	10,000	10,000	-	-	-	Dec/2020	Yearly
Sabadell	5,000	-	-	5,000	-	Dec/2019	Yearly
Sabadell	10,000	10,000	-	-	-	Dec/2020	Yearly
Institutional Investors	50,000	23,100	-	-	-	Nov/2020	Yearly
		45,100	-	5,000	-		

The commercial paper programmes of Montepio Geral and Banco Finantia ended in 2019 (November and August respectively).

The average interest rate for commercial paper programmes is 1.18%.

BIC and Sabadell Bank's commercial paper programme contains financial covenants that are common in financing contracts. These contracts include compliance requirements for the following debt ratios: Net Financial Debt/EBITDA. On 31 December 2019, José de Mello Saúde, S.A. met the financial covenants in the commercial paper programme.

11.2.2 Other Financing

The other financing heading was broken down as follows on 31 December 2019 and 2018:

	2019	2018
Non-current		
Other Loans		
Bond Loans	148,006	100,181
Bank Loans	1,349	2,972
	149,355	103,153
Current		
Other Loans		
Bond Loans	920	50,000
Bank Loans	6,622	1,606
	7,541	51,606

(i) Bond Loans

The bond loans relate to the following issues:

Emissions	Total Loan Value	Nominal Value (bond)	Maturity	Interest rate
José de Mello Saúde 2019/2027	50,000	10,000	Jan/2027	6M Euribor + 3.875%
José de Mello Saúde 2019/2025	35,000	10,000	May/2025	6M Euribor + 3.750%
José de Mello Saúde 2015/2021	14,330	10,000	May/2021	6M Euribor + 2.950%
José de Mello Saúde 2017/2023	50,000	10,000	Sep/2023	4%

Thus, in 2019 José de Mello Saúde completed the issuance of two new bond loans. In May, a bond loan of EUR 35 million to six years was issued, with a variable interest rate of 3.75%, to institutional investors, which enabled existing debt to be refinanced.

In November an exchange operation was carried out on its 2015/2021 bond loan, with new bonds of EUR 50 million maturing in January 2027 and a floating interest rate of 3.875%. This operation has reduced the nominal amount of the 2015-2021 bonds to EUR 14.3 million and has thus already reduced the risk of future refinancing, taking advantage of the favourable conditions in the financial markets.

These contracts include compliance requirements for the following debt ratios: Net Financial Debt/EBITDA. On 31 December 2019, José de Mello Saúde, S.A. met the financial covenants on all bond loans.

(ii) Bank Loans

On 31 December 2019 and 2018, the balance of this heading is broken down as follows:

Bank	Outstanding amount 2019		Outstanding amount 2018	
	Current	Non-current	Current	Non-current
Loan	1,622	1,349	1,606	2,972
Pledged Current Account	5,000	-	-	-
	6,622	1,349	1,606	2,972

The reference index used in the financing contracts is the EURIBOR rate, whose time frame varies between 6 months and 12 months, with a spread within the values practiced in the market.

There are no financial covenants associated with the bank funding. These loans have an associated guarantee: a blank promissory note from the company, seeking to record and enable the collection of the loan.

Changes in Liabilities arising from financing activities

	Cash Flow					31/12/2019
	01/01/2019	Receipts	Payments	Financing Expenses	Reclassification	
Non-current liabilities						
Borrowings (Loans)	2,972	-	-	-	(1,622)	1,349
Pledged Current Account	-	-	-	-	-	0
Bond loans	100,181	85,000	(35,670)	(1,505)	-	148,006
Commercial Paper (note 11.2.1)	-	-	-	-	-	0
Lease Creditors (note 11.2.1)	2,876	-	(737)	-	-	6,838
	106,029	85,000	(36,407)	(1,505)	(1,622)	156,194
Current liabilities						
Borrowings (Loans)	1,606	-	(1,607)	-	1,622	1,622
Pledged Current Account	0	18,000	(13,000)	-	-	5,000
Bond loans	50,000	-	(50,000)	920	-	920
Commercial Paper (note 11.2.1)	5,000	383,100	(343,000)	66	-	45,166
Lease Creditors (note 11.2.1)	1,567	-	(1,567)	-	-	2,397
	58,173	401,100	(409,174)	985	1,622	55,104
Total	164,202	486,100	(445,580)	(520)	-	211,298

11.2.3 Other Financial Liabilities

The other financial liabilities heading is broken down as follows:

	2019	2018
Non-current		
Loans from subsidiaries		
Vramondi International B.V.	2,987	29,869
	2,987	29,869
Current Liabilities		
Loans from subsidiaries		
Vramondi International B.V.	29,786	2,861
Dividends José de Mello Capital, S.A.	-	38
	29,786	2,899

On 7 November 2017, two financing contracts were signed with Vramondi International B.V., amounting to EUR 27 million (EURIBOR rate 6M +3.3%) and EUR 3 million (EURIBOR rate 6M +3.63%). They expire in November 2020 and November 2022 respectively. In addition, there is a contract of EUR 3 million at a fixed rate of 1.5%, which is renewable annually.

11.2.4 Other Accounts Payable

The Other Accounts Payable are broken down as follows:

	2019	2018
NON-CURRENT		
Other payables		
Other creditors	1,050	1,050
	1,050	1,050
CURRENT		
Other payables		
Personnel	212	218
Investment suppliers	-	19
Creditors for accrued expenses		-
Wages payable	2,444	2,436
Interest payable	186	270
Others	156	374
Other creditors	42	1,302
	3,039	4,619

The amount recorded under the “Other Creditors” heading mostly concerns the acquisition of CUF Coimbra Hospital (EUR 700 thousand) and Cenes – Centro de Processamento de Dispositivos Médicos, Lda. (EUR 350,000).

11.2.5 Derivative financial instruments

In order to reduce the risk of exposure to interest rate changes, plain vanilla interest rate swaps were contracted in 2015, covering 100% of the amounts of the bond loans issued in May 2015, amounting to EUR 50 million in total. The swaps contracted respect the characteristics of the aforementioned loans emitted so that they may be considered hedging products (same indexer, same interest period and payment deadlines). On the date of interest payment, the Company receives interest indexed to 6-month Euribor for 100% of the capital in the bond loans and pays interest at a fixed rate on the same amount.

The EUR 50 million concerning bond loans issued in 2017 have no associated financial derivative, due to having a fixed rate disclosed in note 11.2.2.

On 31 December 2019 and 2018, the fair value of the contracted financial derivatives can be presented as follows:

	2019		2018	
	Liabilities		Liabilities	
	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges				
<i>Interest rate swap</i>	-	761	176	1,058
Total derivative liabilities	-	761	176	1,058

The figure recognised in this heading refers to three swap interest rate contracts signed by the Company to cover the risk of interest fluctuation. In June 2019, 3 of the hedging instruments that were contracted ended, justifying the change from the previous year.

The characteristics of derivative financial instruments contracted in relation to financing operations on 31 December 2019 and 2018 were as follows:

Ref	2019			2018					
	SWAPS			SWAPS					
	13121-002	13137-001	13152-001	13121-001	13121-002	13136-001	13137-001	13152-001	13153-001
Trade Date	19/05/2015	23/06/2015	30/07/2015	19/05/2015	19/05/2015	23/06/2015	23/06/2015	30/07/2015	30/07/2015
Effective Date	21/05/2015	25/06/2015	31/07/2015	21/05/2015	21/05/2015	25/06/2015	25/06/2015	31/07/2015	31/07/2015
Termination Date	17/05/2021	17/05/2021	17/05/2021	09/06/2019	17/05/2021	09/06/2019	17/05/2021	17/05/2021	09/06/2019
Notional Amount	25,000	12,500	12,500	25,000	25,000	12,500	12,500	12,500	12,500

The fair value of the hedging derivatives is classified as non-current when the maturity of the hedging transaction is greater than 12 months, and as current when the maturity of the operation being covered is under 12 months.

In June 2019, 3 swap contracts were terminated and they were settled on that date.

Valuation of derivatives is based on quotations given by external entities, which are compared at each reporting date with market quotations available on financial reporting platforms, so that in accordance with the requirements of IFRS 13 the fair value of derivatives is classified as tier 2 (note 3). No changes occurred between levels in the period.

The table below shows, by class, the carrying amount and fair value of financial instruments:

	31-12-2019		31-12-2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivatives designated as cash flow hedges				
Interest rate swap				
Swap 13121-001	(261)	-	(261)	(94)
Swap 13121-002	(379)	(384)	(379)	(535)
Swap 13136-001	(64)	-	(64)	(45)
Swap 13137-001	(103)	(205)	(103)	(289)
Swap 13152-001	(75)	(172)	(75)	(234)
Swap 13153-001	(41)	-	(41)	(37)
	(923)	(761)	(923)	(1,234)

Cash flows are paid and received from hedging derivative financial instruments every six months:

Derivatives designated as cash flow hedges	Nominal value	Currency	Economic Objective	Maturity	Fair value	
					2019	2018
Interest rate swaps						
Swap 13121-001	25,000	EUR	Cash flow hedge for bond	jun/19	-	(94)
Swap 13136-001	12,500	EUR	Cash flow hedge for bond	jun/19	-	(45)
Swap 13121-002	25,000	EUR	Cash flow hedge for bond	mai/21	(384)	(535)
Swap 13137-001	12,500	EUR	Cash flow hedge for bond	mai/21	(205)	(289)
Swap 13152-001	12,500	EUR	Cash flow hedge for bond	mai/21	(172)	(234)
Swap 13153-001	12,500	EUR	Cash flow hedge for bond	jun/19	-	(37)
					(761)	(1,234)

The Company hedges an instalment of future payments on the interest of bond loan issues, through the allocation of interest rate swaps in which it pays a fixed rate and receives a variable one, with a notional of EUR 50 million. This is an interest rate risk hedge related to payments of interest at a variable rate arising from recognised financial liabilities. The hedged risk is the variable rate indexer to which interest on loans is associated. The aim of this coverage is to

transform variable interest rate loans into a fixed interest rate. The fair value of the interest rate swaps at 31 December 2019 is negative at EUR 761 thousand (EUR 1.234 million in 2018).

The changes occurred in the financial years ended on 31 December 2019 and 2018 are as follows:

	2018	Equity	2019
Derivatives designated as hedges	(1,234)	473	(761)
Deferred Tax Assets (note 16)	278	(106)	171
	(956)	366	(590)

	2017	Equity	2018
Derivatives designated as hedges	(1,628)	394	(1,234)
Deferred Tax Assets (note 16)	366	(89)	278
	(1,261)	305	(956)

12 CAPITAL

12.1 SHARE CAPITAL

Share capital is fully subscribed and paid up. It is divided into 10,600,000 shares valued at five euros each, which are divided up as follows:

	2019			2018		
	Value	Quantity	% Holding	Value	Quantity	% Holding
Capital						
José de Mello Capital, S.A.	34,901	6,980,100	65.85%	34,901	6,980,100	65.85%
Farminveste-Investimentos, Participações e Gestão, S.A.	15,900	3,180,000	30.00%	15,900	3,180,000	30.00%
Amélia da Silva de Mello Foundation	2,200	439,900	4.15%	2,200	439,900	4.15%
	53,000	10,600,000	100%	53,000	10,600,000	100%

12.2 CHANGES IN EQUITY

The main variations in Equity are related with the application of the Net Profit from the previous year in the amount of EUR 23 million:

- Transfer to Retained Earnings totalling EUR 17.7 million;
- Creation of legal reserves amounting to EUR 1.1 million;
- Distribution of Interim Dividends amounting to EUR 4.2 million;

12.3 RESERVES AND OTHER EQUITY HEADINGS

The reserves and other equity headings registered the following changes during the financial years ending on 31 December 2019 and 2018:

	Legal Reserves	Other Reserves	Retained Earnings	Adjustments to Financial Assets
1 January 2018	5,812	(1,249)	40,012	(37,435)
Appropriation of profits	1,478		476	
Change in MTM refers to hedging financial instruments (note 11.2.5)		305		
Other operations				
31 December 2018	7,289	(944)	40,489	(37,435)
1 January 2019	7,289	(944)	40,489	(37,435)
Appropriation of profits	1,154		17,729	
Change in MTM refers to hedging financial instruments (note 11.2.5)		366		
31 December 2019	8,444	(578)	58,218	(37,435)

Commercial legislation sets forth that at least 5% of the year's net profit must be used for strengthening the legal reserve until it represents at least 20% of the company's share capital. This reserve is not distributable unless in case of liquidation of the company, but it can be used to absorb losses after other reserves are exhausted, or for incorporation in equity. The Legal Reserve is not fully constituted under the law.

Changes in Other Reserves concern the recognition of gains with hedging operations.

The amount recorded in Adjustments to Financial Assets includes the adjustments connected to the application of the equity method from previous years, namely appropriation of changes in equity of subsidiaries and unallocated profits.

12.4 DIVIDENDS

In the financial year ended on 31 December 2018, interim dividends of EUR 4.2 million were paid on the mid-term statement of financial position prepared on 30 September 2018. However, just EUR 41.6 million was paid in December 2018 and the remainder was only paid in 2019 (EUR 37 thousand).

13 STATE AND OTHER PUBLIC ENTITIES

Accounts concerning the State and other public entities show the following breakdown:

	2019	2018
State and Other Public Entities		
Debit Balances		
Income tax	14,272	13,971
Value Added Tax	1,764	1,087
	16,036	15,058
Credit Balances		
Income Tax Withheld	51	44
Social Security Contributions	50	32
	101	76

14 LEASING

The Company also has some low-value lease contracts with terms of less than 12 months. In these situations, the Company recognises these contracts as expenses.

In the period ending 31 December 2019, the following amounts were recognised in cost:

	2019
Amortisation Right of Use (note 22)	1,926
Interest from Lease Contracts (note 24)	123
Expenses relating to short-term and low-value contracts	34
Variable Payments	-

15 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Transactions occurring in provisions, under each heading, are shown in the table below:

	Liabilities to subsidiaries	Other Provisions	TOTAL
On 1 January 2018	15,490	343	15,833
Year's increases	11,386	-	11,386
Uses in the year	-	-	-
On 31 December 2018	26,876	343	27,219
On 1 January 2019	26,876	343	27,219
Year's increases	3,275	-	3,275
Year's reversals	-	-	-
On 31 December 2019	30,151	343	30,494

The figure recorded under "liabilities to subsidiaries" refers mainly to additional liabilities at the subsidiary Escala Braga – Sociedade Gestora do Estabelecimento, S.A. (EUR 28 million). In the 2019 financial year, the provision was increased by EUR 3.3 million to cover this company's negative equity capital.

16 INCOME TAX

On 31 December 2019 and 2018, the spending due to current and deferred taxes is the one indicated in the following table:

	2019	2018
Current Tax		
Income tax for the financial year	(2,823)	(5,283)
Tax relating to the previous financial year	24	-
	(2,799)	(5,283)
Deferred tax		
Financial hedging instruments	-	-
Pension Benefits	27	27
	27	27
	(2,772)	(5,256)

Deferred Taxes

José de Mello Saúde, S.A. recorded deferred taxes related to temporary differences between the tax and accounting base of the assets. Deferred taxes considered in Comprehensive Income concern only the cash flow hedging derivatives.

The amounts of deferred tax assets and liabilities recognised on the Statement of Financial Position and on Statement of Income and other comprehensive income for each period are indicated in the table below:

	Statement of Financial Position		Statement of Income		Comprehensive Income	
	2019	2018	2019	2018	2019	2018
Deferred Tax Assets						
Financial hedging instruments	171	278	-	-	106	89
Pension Benefits	454	481	27	27	-	-
	625	759	27	27	106	89

The amount of two deferred tax assets concerning retirement benefits relates to an annuity insurance contracted by José de Mello Saúde S.A. in January 2016. This insurance enabled complying with a contracting existing since 2000, where it was responsible for ensuring a lifetime payment of a rent to an employee who retired via Social Security on 1 January 2016. The commercial premium was paid to the insurance company on 28 January 2016 and amounted to EUR 2.5 million.

Effective Tax Rate Reconciliation

Numerical reconciliation between the average income tax and applicable tax rate is indicated in the table below:

	Tax base	
	2019	2018
Pre-tax profit	3,414	17,828
Tax relating to the previous financial year	(24)	
Nominal Tax Rate	21.00%	21.00%
CORPORATION TAX AT THE NOMINAL RATE	712	3,744
Non-taxable earnings		
Elimination of double taxation on profits and reserves distributed	14,121	36,043
Non-deductible tax refund and excess tax estimate	0	862
Excess tax estimate	11	0
Annulment of Fair Value Gain	0	0
Others	11	5
	14,144	36,909
Non-deductible costs for tax purposes		0
Donations	37	5
Fines, sanctions and penalty interest	30	0
Charges for driverless vehicles	6	0
Depreciation and amortisation not approved as expenses	0	108
Non-deductible provisions	3,275	11,386
Impairment losses on inventories beyond the legal limits and credits which are non-tax-deductible or beyond the legal limits	200	0
Corporation tax and other taxes on profits	35	0
Corrections to previous financial years	56	6
Others	28	1
	3,667	11,506
Tax Loss/Taxable Profit	(7,087)	(7,575)
Corporation tax in Portugal	21.00%	21.00%
Separate taxation	29	68
Tax Savings	(2,852)	(5,352)
Effect of insufficient/excess tax estimate	24	-
Effect of increase/reversal of deferred taxes	27	27
INCOME TAX	(2,772)	(5,256)
EFFECTIVE TAX RATE	-81.19%	-29.48%

17 SALES AND SERVICES RENDERED

On 31 December 2019 and 2018, revenue is broken down as follows:

	2019	2018
Services Rendered		
Services	2,610	1,918
	2,610	1,918

Services rendered concern the rents billed to the Group's units, relating to the lease of medical equipment.

18 OTHER INCOME AND GAINS

This heading is broken down as indicated in the table below:

	2019	2018
Income and Gains at group and associate companies		
Disposals	-	5,508
	-	5,508
Supplementary Income		
Others		
Excess tax estimate	-	862
Tax Refund	-	-
Others	127	637
	127	1,499

The amount of EUR 5.5 million recorded in 2018 concerns the sale of José de Mello Saúde's shareholding in the share capital of Escala Braga – Sociedade Gestora do Edifício, S.A. and Escala Parque – Gestão do Estabelecimento, S.A.. A contract was signed in 2016 for the purchase and sale of stocks and supplementary payments with an investor, having completion of the transaction remained pending upon authorisation of the Contracting Public Entity (Regional Health Administration – Administração Regional de Saúde). In the 2018 accounting period, the approval process was concluded and the corresponding disposal of the shareholding was completed, generating a gain of the abovementioned amount.

19 PERSONNEL COSTS

Remuneration

Personnel costs on 31 December 2019 and 2018 were as follows:

	2019	2018
Remuneration		
Remuneration of Governing Bodies	1,273	1,123
Remuneration of Personnel	134	(21)
Indemnities	1	-
Wage-related expenses	346	257
Insurances for occupational accidents and diseases	216	217
Social action expenditure	1	2
Other personnel expenditure	289	784
	2,260	2,360

There were 15 people working for the entity on 31 December 2019 (2018: 13 people).

20 EXTERNAL SUPPLIES AND SERVICES

This heading is broken down as indicated in the table below:

	2019	2018
Subcontracts	45	29
Specialist services		
Specialised work	1,658	1,941
Advertising	1,683	1,761
Surveillance and security		
Fees	460	522
Maintenance and repair	0	-
Materials		
Tools and utensils	16	2
Books and technical documentation	0	1
Office material	1	2
Articles for free distribution	10	4
Energy and Fluids		
Electricity	77	105
Fuel	11	10
Water	2	5
Travel, accommodation and transport		
Travel and accommodation	40	45
Other services		
Rents and leases	37	1,316
Communication	37	11
Insurance	63	49
Litigation and notary public fees	31	3
Representation expenses	21	7
Cleaning, hygiene and comfort	15	10
Others	19	5
	4,226	5,828

The External Supplies and Services heading fell by around EUR 1.6 million compared to the previous year. The main variations are justified by the following headings: (i) Rent and hire (-97%). In 2018, this item mainly included rents for offices of shared services. The reduction in 2019 is justified by the application of the new accounting standard IFRS 16 Leases; and (ii) Specialist work (-15%). This heading covers the fees of consultants and lawyers.

21 OTHER EXPENSES AND LOSSES

This heading is broken down as indicated in the table below:

	2019	2018
Expenses and Losses at group and associate companies		
Disposals	25	-
	25	-
Taxes	74	10
Others		
Donations	199	205
Contributions to associations	25	22
Fines and penalties		
Non-tax fines	2	0
Other Expenses and Losses	882	2
	1,182	240

The Other Expenses and Losses heading includes mainly expenses associated with protocols entered into in the 2019 financial year.

22 DEPRECIATION AND AMORTISATION EXPENSES/REVERSALS

This heading is broken down as indicated in the table below:

	2019	2018
Expenses of depreciation and amortisation		
Property, Plant and Equipment (note 6)	101	1,433
Right of Use (note 7)	1,926	
Intangible Assets (note 8)	4	3
	2,031	1,436

23 INTEREST AND SIMILAR EXPENSES OBTAINED

This heading is broken down as indicated in the table below:

	2019	2018
Interest Earned		
From Deposits	5	0
From other net financial investments	125	329
From Loans granted to subsidiaries	7,235	7,269
Dividends Obtained	14,121	30,535
	21,486	38,133

24 INTEREST AND SIMILAR EXPENSES BORNE

This heading is broken down as indicated in the table below:

	2019	2018
Interest Expenses		
From Borrowings	6,500	6,432
From Leases	123	101
Others	658	852
Other Financing Expenses and Losses		-
Others	530	595
	7,811	7,980

25 FINANCIAL COMMITMENTS WITH GUARANTEES

On 31 December 2019 and 2018, the entity has the following guarantees provided in its portfolio:

BENEFICIARY	31-12-2019	31-12-2018	Issue Date	Maturity Date
Lisbon City Council (a)	850	850	12/04/2018	12/04/2022
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A. (b)	2,400	2,400	19/05/2011	-
	3,250	3,250		

- (a) Resetting of the original land conditions for the expansion of the CUF Descobertas Hospital
- (b) Agreement to subscribe and pay up capital

The specified amounts correspond to the maximum liability for the provided guarantees.

Other Guarantees

- José de Mello Saúde, S.A (JMS) is also a guarantor:
 - in the context of the lease contracts for medical equipment concluded with Hospital CUF Descobertas, S.A. and with Hospital CUF Infante Santos, S.A.;
 - the guarantee provided by Imo Health - Investimentos, S.A. in connection with the purchase of the CUF Descobertas Expansion building;
- Blank promissory note signed by Hospimob Imobiliária, S.A. and endorsed by José de Mello Saúde, S.A. and by Hospital CUF Porto, S.A.
- Blank promissory note signed by Imo Health Investimentos, S.A. and endorsed by JMS in the context of a loan;
- Blank promissory note signed by JMS on the Commercial Paper contracted;
- Blank promissory note signed by JMS in connection with the Pledged Current Account;
- Blank promissory note signed by Imo Health – Investimentos Imobiliários, S.A., under the lease contract, and endorsed by José de Mello Saúde.

26 SUBSEQUENT EVENTS

At the end of 2019, a new virus called Covid-19 was identified in China. This virus has spread to other countries in the world, reaching Portugal in mid-February 2020 and receiving the World Health Organization (WHO) classification of a

pandemic. Developments have taken on very worrying proportions, with significant impacts on public health, and with predictable impacts on the economy as well.

José de Mello Saúde, as a health service provider, is following the evolution of this pandemic in close liaison with public authorities, in particular the Department of Health (DGS), with a view to linking private providers with public service providers within the National Health Service (NHS) to strengthen the system's responsiveness.

This will naturally have an impact on the Group's activities and consequently on the Company.

The Group has run various scenarios on the impact of Covid-19 on its business, in which it expects its consolidated turnover to be adversely affected by around EUR 80 million, considering that the crisis will peak during the first half of 2020, and then to gradually resume the previously expected activity volumes.

José de Mello Saúde is preparing and implementing measures to minimise the negative impacts of this new situation, including, but not limited to, the rescheduling of walk-in activity and the expediting of tools such as telephone consultations, including the necessary measures to mitigate any scenario of non-compliance with its financial ratios in the financial statements for the year ending 31 December 2020

27 DISCLOSURES REQUIRED BY LAW

According to the requirements of Article 66-A (1)(a) Portuguese Commercial Companies Code (CSC), no operations are excluded from the Statement of Financial Position, whereby the respective type, commercial objective, financial impact or risks and benefits have to be disclosed.

Statutory Auditor

In 2019, the recognised and specialised costs of the fees of the statutory auditor (Revisor Oficial de Contas – ROC), concerning audit and statutory audit services, other reliability assurance services, tax consultancy and other services other than statutory audit were as follows:

	2019	2018
Annual Audit	32	45
Other Auditing Services	-	-
Tax Consulting	-	-
	32	45

Carnaxide, 8 April 2020

Certified Accountant

Administration,



JOSÉ DE MELLO · SAÚDE

STATUTORY AND AUDITOR'S REPORT

*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of José de Mello Saúde, S.A. (the Entity), which comprise the Statement of Financial Position as at December 31, 2019 (which show a total of 368.189 thousand euros and a total equity of 87.835 thousand euros, including a net profit for the year of 6.186 thousand euros), and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of José de Mello Saúde, S.A. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Entity in accordance with the law and we comply with the ethical requirements of the Code of Ethics of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to Covid-19

The recent developments related to the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society, increasing uncertainty around the operational and financial performance of organizations. The impacts and uncertainties resulting from the Covid-19 pandemic are disclosed in Note 26 (Subsequent events) of the notes to the financial statements and reflect the expectations of the Board of Directors, based on the information available at that date, including the potential effect of this situation on the fulfillment of the financial ratios contracted by the Entity. Our opinion has not been modified in relation to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters of the current period:

1. Impairment tests of investments in subsidiaries and Affiliates and measurement of provisions

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>The amount presented in investments in subsidiaries and affiliates as at December 31, 2019, is 99.662 thousand euros, representing approximately 27% of the total assets of the Entity.</p> <p>The possible impairment of investments in subsidiaries and affiliates measured at cost and the recognition of provisions for possible additional responsibilities in subsidiaries and affiliates with negative equity has been considered a key matter because the carrying amount of those assets is significant and the impairment testing process is complex, including the use of estimations and assumptions, namely future market and economic conditions.</p>	<p>We have tested the assumptions used on the valuation models prepared by management, namely the cash flows projections, the discount rate, the inflation rate, the perpetual growth rate and the sensitivity analysis, supported by internal specialists in business valuations.</p> <p>We have tested the consistency of the assumptions used in the business plans with prior years, with historical data and with external data.</p> <p>We have tested the arithmetical calculation of the model used.</p> <p>We have assessed the need to book and / or to maintain provisions for possible additional liabilities deriving from affiliates with negative equity that may not be able to solve their commitments.</p> <p>We have focused specifically on the sensitivity analysis prepared for the various affiliates, to ensure the disclosures included in note 9.3 to the financial statements reflect the results of the impairment tests performed.</p> <p>We have confirmed the applicable disclosure requirements (IAS 36 and IAS 37).</p>

2. Liquidity, refinancing and contractual ratios

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>The Entity has contracted external financing presented as current and non-current liabilities, in the amounts of 156.194 thousand euros and 55.104 thousand euros, respectively, which includes the bonds issued in 2015, 2017 and 2019 in the total amount of 149.330 thousand euros. The bonds issued in 2014, in the amount of 50.000 thousand euros were reimbursed in June 2019 and a new issuance of 50.000 thousand euros with maturity date of January 2027 was made, as disclosed in note 11.2.2 of the notes to the financial statements.</p> <p>The management of cash-flows, refinancing capacity and compliance with the financial ratios are significant matters for our audit.</p> <p>The test or evaluation is largely based on Management's expectations and estimates, which are influenced by subjective assumptions such as projections of volume</p>	<p>We have obtained the support agreements of the various debt instruments and the understanding of the contractual ratios computation method.</p> <p>We have tested compliance with the contractual conditions.</p> <p>We have tested and challenged future cash flows forecasts of the subsidiaries and the process by which they were prepared, testing the underlying assumptions, such as the expected cash flows of services rendered and cash outflows from operating expenses.</p> <p>We have verified the subsidiaries' ability to distribute dividends.</p> <p>We have read the minutes of the Board of Directors and other bodies of the Entity and of the Group to understand future plans and identify potential contradictory information.</p> <p>We have discussed with the Entity's management the projections of debt market conditions and confirmed the group policy of dividend distribution and shareholders financing.</p> <p>We have verified that the amounts, changes, maturity dates and other contractual conditions of the various financing instruments are</p>

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>and margins of operating activities, estimates of future cash flows, forecasting of economic conditions and the capital market, and capacity to fulfill financial ratios.</p> <p>The ability to secure the commitments entered into with third parties depends essentially on the subsidiaries' ability to generate and pay dividends, market conditions on the maturity of the financings that allows them to be renewed, and the financing policy of shareholders and dividend distribution.</p>	disclosed, as required by IFRS 32, in note 11.2 of the notes to the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for

- ▶ the preparation and fair presentation of the financial statements in accordance with the international Financial Reporting Standards as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- ▶ such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ adoption of accounting policies and principles appropriate for the circumstances;
- ▶ assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

The supervisory board is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under numbers 4 and 5 of article 451º of the Commercial Companies Code, including that the statement of non-financial information has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report, that discloses essentially consolidated financial information which includes the company, was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited financial statements and, taking into consideration our assessment and understanding of the Entity, we have not identified any material misstatement.

About the non-financial statement provided for in the article 66-B of the Commercial Companies Code

Pursuant of article 451º, nº 6, of the Commercial Companies Code, we inform that the Entity prepared a separate report of the Management Report, the Integrated Report, which includes non-financial information, as provided for in article 66-B of the Commercial Companies Code, and was published with the Management Report.

About the Corporate Governance Report

Pursuant of article 451º, nº 4, of the Commercial Companies Code, it is our opinion that the Corporate Governance Report (Information of the Shareholders structure, organization and Corporate Governance) includes the items required to the Entity in accordance with article 245º-A of Securities Market Code, no material misstatements were identified in the information contained therein, complying with the provisions of paragraph c), d), f), h), i) and m) of the referred article.

About additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant of article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we report the following:

- ▶ We have been appointed as auditors of José de Mello Saúde, S.A. for the first time in the shareholders' general meeting held on October 11, 2007 for the period between 2007 and 2009; on March 31, 2010 for a mandate between 2010 and 2012; and in June 28, 2013 for a mandate between 2013 and 2015. In 2014 we resigned as sole statutory auditor and were appointed as external auditor following the change in the corporate bodies of the company resulting from the issue of bonds listed in Euronext Lisbon. We were reappointed in the shareholders' general meeting held on April 29, 2016 for a fourth mandate for the period between 2016 and 2018; and in May 27, 2019 for a mandate between 2019 and 2021.
- ▶ The Management has confirmed that they are not aware of any fraud or fraud suspicion with a material impact in financial statements. In planning and executing our audit in accordance with ISA we maintained our professional scepticism and we designed audit procedures to address the possibility of a material misstatement in financial statements due to fraud. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- ▶ We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the supervisory board on April 28, 2020.
- ▶ We declare that we have not provided any prohibited non-audit services referred to in article 77º nº 8 of the Statute of the Institute of Statutory Auditors and we remained independent of the audited Entity in conducting the audit.

Lisbon, April 29, 2020

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Luís Miguel Gonçalves Rosado - ROC nº 1607
Registered with the Portuguese Securities Market Commission under licence nr.º 20161217

REPORT AND OPINION OF THE SUPERVISORY BOARD CONCERNING THE ACCOUNTS

Dear Shareholders,

In accordance with legal and statutory terms, the Supervisory Board of José de Mello Saúde S.A., with headquarters at Av. do Forte, 3 – Edifício Suécia III, Piso 2, 2790-073 Carnaxide, presents its supervisory report and provides an opinion on the report, accounts and proposals submitted by the Board concerning the financial year ended on 31 December 2019.

1. In accordance with legal and statutory terms, we have:

- approved the 2020 Business Plan;
- monitored the Board's actions, through meetings with the internal audit department, the financial department, the strategic planning department, management and innovation control, information systems department and the organisational development and quality department, the CUF services team, the PPP management teams in Braga and Vila Franca de Xira, and with the audit and risk management committee having obtained the necessary clarifications and assurances;
- verified compliance with the law and fulfilment of the company's articles of association;
- evaluated whether the accounting policies and valuation/measuring criteria adopted by the company are in agreement with the generally accepted accounting principles and lead to a proper evaluation of the assets and results;
- evaluated the effectiveness of the internal control system implemented by the Board;
- supervised the process of preparation and disclosure of the financial information;
- verified the accuracy of the Statement of Financial Position, the Statement of Income and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Annex for the 2019 financial year;
- evaluated the Management Report issued by the Board and the proposal for the appropriation of profits it introduced;
- evaluated the work carried out by the Statutory Auditor leading to the legal review and additional services;
- verified the terms of the Legal Accounts Certificate, the Audit Report and the Additional Report to the Supervisory Body issued by Ernst & Young Audit & Associados – SROC, S.A., and concluded that its content merits our agreement.

2. The conducted supervisory action allows us to conclude that:

- the actions of the Board that we have knowledge of safeguard compliance with the law and with the company's articles of association;
- we are not aware of any situations that may call into question the suitability and effectiveness of the internal control system implemented by the Board in controlling the risk to which the company is exposed;

- the accounting and the accounts comply with the applicable legal, statutory and regulatory provisions, reflect the activity carried out and lead to a correct evaluation of the company's assets and results;
- the Management Report is in agreement with the accounts presented and faithfully shows the evolution of the activity and of the business during the financial year;
- the published Report includes the elements listed in article 245-A of the Securities Code on the structure and practices of corporate governance;
- the Statement of Financial Position, the Statement of Income and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Annex for the 2019 financial year meet the applicable legal and accounting requirements;
- the audit of the financial statements performed by the Statutory Auditor was suitable to the circumstances, and the additional services did not compromise its independence;
- the proposal for the appropriation of profits is appropriate and is properly grounded.

3. We can thus state:

- our agreement with the content of the Legal Accounts Certificate issued by the Statutory Auditor;
- our agreement with the Management Report and the accounts for the 2019 financial year submitted by the Board of Directors;
- that to the best of our knowledge, the disclosed financial information has been drafted in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of the company, and that the Management Report faithfully describes the business development, financial performance and position of the company, containing a description of the main risks and uncertainties it faces.

4. Accordingly, taking into account the actions carried out, we consider that:

- the Management Report and accounts for the 2019 financial year submitted by the Board of Directors should be approved;
- the proposal for the appropriation of profits contained in the Management Report should be approved.

Finally, we would like to thank the Board and all Employees in the service of the Company whom we contacted, for all the cooperation we received in performing our duties.

Lisbon, 30 April 2020

The Supervisory Board

José Manuel Gonçalves de Moraes Cabral

Chairman

Miguel Racanello Carneiro Pacheco

Member

João Filipe de Moura-Braz Corrêa da Silva

Member

DECLARATION OF COMPLIANCE OF THE SUPERVISORY BOARD

In compliance with Article 245(1)(c) of the Securities Code, José de Mello Saúde, S.A. ("JMS") Supervisory Board members declare that, to the best of their knowledge, the management report, the individual annual accounts, the legal accounts certificate and the other accounting documents, i) were prepared in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of JMS; ii) they faithfully describe the development, performance and position of JMS business activity; and iii) they contain a description of the main risks JMS faces in its activity.

Lisbon, 30 April 2020

The Supervisory Board

José Manuel Gonçalves de Morais Cabral

Chairman

Miguel Racanello Carneiro Pacheco

Member

João Filipe de Moura-Braz Corrêa da Silva

Member

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019



JOSÉ DE MELLO SAÚDE, S.A.
CONSOLIDATED INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT
OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands euros)

	Notes	31-12-2019	31-12-2018
Operating income:			
Sales and services rendered	7 , 8	691,554	673,597
Other operating income	7 , 8	9,955	9,512
Total operating income		701,509	683,108
Operating costs:			
Cost of sales	9	(118,770)	(126,409)
External supplies and services	10	(267,907)	(257,565)
Personnel costs	11	(211,424)	(225,304)
Amortisations and depreciations	18 , 19 , 20	(39,374)	(32,828)
Provisions and impairment losses, net	38	(4,881)	(7,142)
Other operating costs	12	(5,515)	(2,673)
Total operating costs		(647,871)	(651,921)
Operating profit	7	53,639	31,187
Financial expenses and losses	13	(16,709)	(15,497)
Financial income and gains	13	1,029	704
Profit/loss of associates	13	(356)	133
Profit/loss of investment activities	13	(18)	6,067
Financial results	7	(16,053)	(8,593)
Pre-tax profit	7	37,585	22,593
Income tax	14	(8,594)	(6,764)
Consolidated net profit for the year		28,991	15,829
Net profit for the year attributable to non-controlling interests	34	(22)	235
Net profit for the year attributable to equity holders	7	29,013	15,594
Other items of Comprehensive Income:			
Other income and expenses directly recognised in equity that will not be reclassified to profit:			
Revaluation of property, plant and equipment	33	(2,312)	7,897
Other income and expenses directly recognised in equity that might be reclassified to profit:			
Changes in fair value of hedging instruments, net of taxes	33	366	305
		(1,946)	8,203
Consolidated comprehensive income		27,046	24,032
Comprehensive income for the year attributable to non-controlling interests	34	(22)	235
Comprehensive income for the year attributable to equity holders		27,067	23,796
Earnings per share:			
Basic	16	2.74	1.47
Diluted	16	2.74	1.47

The accompanying notes form an integral part of the consolidated income and other comprehensive income statement for the financial year ended 31 December 2019.

The Chartered Accountant

The Board of Directors

JOSÉ DE MELLO SAÚDE, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(Amounts in thousands euros)

	Notes	31-12-2019	31-12-2018
Non-current assets:			
Goodwill	17	46,056	45,569
Intangible assets	18	9,990	10,282
Property, plant and equipment	19	444,977	438,929
Right of Use	20	109,037	-
Investments in associates	21	1,916	265
Other investments	22	2,006	2,141
Deferred tax assets	23	5,529	4,611
Other non-current debtors	24	404	554
Other non-current assets	25	2,168	2,168
Total non-current assets		622,084	504,519
Current assets:			
Inventories	9 , 26	14,879	12,721
Trade receivables and advances to suppliers	27	92,972	99,518
Other current debtors	24	11,483	10,920
State and other public entities	28	6,888	4,034
Other current assets	25	67,429	82,995
Other financial instruments	29	35,150	35,150
Cash and cash equivalents	30	60,281	67,396
Total current assets		289,082	312,733
TOTAL ASSETS		911,165	817,252
Equity:			
Share capital	31	53,000	53,000
Legal reserve	32	8,444	7,289
Other reserves	33	12	12
Fair value reserve	33	(590)	(956)
Revaluation of property, plant and equipment	33	44,830	47,142
Retained earnings	33	(12,665)	(23,134)
Consolidated net income		29,013	15,594
Interim dividends	15	-	(4,200)
Equity attributable to shareholders		122,044	94,748
Non-controlling interests	34	3,932	4,152
Total equity		125,976	98,900
Non-current liabilities:			
Borrowings	35	337,317	284,362
Lease creditors	37	74,587	55,932
Employee benefits	36	1,271	1,282
Provisions	38	20,573	15,624
Other creditors	39	689	8,215
Deferred tax liabilities	23	17,814	13,346
Other non-current liabilities	40	761	1,058
Non-current liabilities		453,013	379,819
Current liabilities:			
Borrowings	35	108,844	97,845
Lease creditors	37	13,556	8,769
Trade payables and advances from clients	42	106,351	121,062
State and other public entities	28	8,943	10,455
Other current creditors	39	16,054	10,778
Other current liabilities	40	78,428	89,623
Total current liabilities		332,177	338,533
TOTAL LIABILITIES		785,190	718,352
TOTAL EQUITY AND LIABILITIES		911,165	817,252

The accompanying notes form an integral part of the consolidated statement of financial position as at 31 December 2019.

The Chartered Accountant

The Board of Directors



JOSÉ DE MELLO · SAÚDE

JOSÉ DE MELLO SAÚDE, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts in thousands euros)

	Share Capital (Note 31)	Legal reserve (Note 32)	Fair value reserve (Note 33)	Other reserves and retained earnings (Note 33)	Net profit	Interim dividends (Note 15)	Non- controlling interests (Note 34)	Total
Balance at 31 December 2017	53,000	5,812	(1,261)	21,919	22,820	(14,100)	4,229	92,419
Appropriation of consolidated net profit for 2017:								
Transfer to retained earnings	-	-	-	7,242	(21,342)	14,100	-	-
Transfer to legal reserve	-	1,478	-	-	(1,478)	-	-	-
Dividends paid out	-	-	-	(13,500)	-	(4,200)	(313)	(18,013)
Changes resulting from change of equity in associates	-	-	-	73	-	-	-	73
Changes in non-controlling interests resulting from changes in consolidation perimeter	-	-	-	(18)	-	-	21	3
Acquisition of non-controlling interests	-	-	-	(219)	-	-	(15)	(235)
Impact of IFRS 9	-	-	-	617	-	-	(5)	612
Other	-	-	-	9	-	-	(0)	9
Consolidated net profit for the year	-	-	-	-	15,594	-	235	15,829
Other income and gains recognised in equity:								
Revaluation of property, plant and equipment	-	-	-	7,897	-	-	-	7,897
Changes in fair value of hedging instruments	-	-	305	-	-	-	-	305
Total comprehensive income for the year	-	-	305	7,897	-	-	-	8,203
Balance at 31 December 2018	53,000	7,289	(956)	24,021	15,594	(4,200)	4,152	98,900
Appropriation of consolidated net profit for 2017:								
Transfer to retained earnings	-	-	-	10,240	(10,240)	-	-	0
Transfer to legal reserve	-	1,154	-	-	(1,154)	-	-	0
Dividends paid out	-	-	-	-	(4,200)	4,200	(200)	(200)
Changes resulting from change of equity in associates	-	-	-	9	-	-	-	9
Other	-	-	-	219	-	-	2	221
Consolidated net profit for the year	-	-	-	-	29,013	-	(22)	28,991
Revaluation of property, plant and equipment	-	-	-	(2,312)	-	-	-	(2,312)
Changes in fair value of hedging instruments	-	-	366	-	-	-	-	366
Total comprehensive income for the year	-	-	366	(2,312)	-	-	-	(1,946)
Balance at 31 December 2019	53,000	8,444	(590)	32,177	29,013	-	3,932	125,976

The accompanying notes form an integral part of the consolidated statement of changes in equity for the financial year ended 31 December 2019.

The Chartered Accountant

The Board of Directors

JOSÉ DE MELLO SAÚDE, S.A.
CONSOLIDATED CASH FLOW STATEMENTS OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2019 AND 2018

(Amounts in thousands euros)

	Notes	31-12-2019	31-12-2018
OPERATING ACTIVITIES:			
Cash receipts from clients		701,152	696,521
Cash paid to suppliers		(409,793)	(386,983)
Cash paid to employees		(209,153)	(211,827)
Income tax received/paid		(10,794)	(8,899)
Other cash receipts/payments relating to operating activities		(6,079)	3,784
Net cash from operating activities (1)		65,333	92,595
INVESTMENT ACTIVITIES:			
<i>Cash receipts relating to:</i>			
Financial assets and other investments	44	120	9,743
Property, plant and equipment		-	140
Interest and similar income		197	405
Dividends	44	94	-
		411	10,288
<i>Payments regarding:</i>			
Financial assets and other investments	44	(4,357)	(2,931)
Property, plant and equipment		(89,247)	(48,467)
Intangible assets		(1,696)	(470)
		(95,301)	(51,867)
Net cash from investment activities (2)		(94,890)	(41,579)
FINANCING ACTIVITIES:			
<i>Cash receipts relating to:</i>			
Borrowings	35	1,032,700	535,321
Borrowings to related party		-	2,435
Additional capital paid in		-	20
		1,032,700	537,776
<i>Payments relating to:</i>			
Borrowings	35	(966,331)	(511,910)
Other financing operations		-	(7,360)
Payment of finance lease liabilities	37	(26,665)	(15,533)
Interest and similar expenses		(17,473)	(16,552)
Dividends paid and profit distributed		(238)	(18,015)
		(1,010,707)	(569,369)
Net cash from financial activities (3)		21,993	(31,593)
Changes in cash and equivalents (4)=(1)+(2)+(3)		(7,564)	19,423
Effect of change in consolidation perimeter	6	499	34
Cash and cash equivalents at the start of the period	30	67,340	47,884
Cash and cash equivalents at the end of the period	30	60,275	67,340

The accompanying notes form an integral part of the consolidated cash flow statement for the financial year ended 31 December 2019.

The Chartered Accountant

The Board of Directors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

1 INTRODUCTION

José de Mello Saúde, S.A. ("Company" or "JMS") is a public limited company, with its registered office at Av. do Forte, No. 3, Suécia III Building, Floor 2, 2790-073 Carnaxide, incorporated in December 1992. The business environment of JMS ("Group" or "JMS Group") comprises the subsidiaries, associates and jointly controlled entities described in Note 5 and its main activity is the provision of healthcare, namely in the private healthcare, public-private partnership, healthcare services in the field of medicine, occupational hygiene and services area, home healthcare and also in the provision of logistics and reprocessing services for medical devices. The Group also carries out other secondary activities in the property and infrastructure, training and research sectors.

The Company's share capital, as stated in Note 31, is majority-owned by José de Mello Capital S.A. its parent company that publishes consolidated financial statements complying with International Financial Reporting Standards ("IFRS") and, consequently, the operations and transactions of JMS Group (Note 45) are influenced by the decisions of the José de Mello Group.

2 SUMMARY OF THE MAIN ACCOUNTING POLICIES

2.1 PREPARATION BASES

The consolidated financial statements have been prepared on a going-concern basis and under the historical cost convention, except for healthcare units/buildings (classified under property, plant and equipment), Other investments (classified under equity instruments at fair value) and cash flow hedging Derivatives, which were measured at fair value. The consolidated financial statements are based on accounting books and records of the companies included in the consolidation (Note 5), adjusted in the consolidation process, when necessary, in order to comply with the provisions of the International Financial Reporting Standards ("IFRS") adopted by the European Union and effective for years beginning on 1 January 2019. The International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – IFRIC and SIC, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"), respectively, are deemed to form part of those standards. Hereinafter, this set of standards and interpretations will be generally referred to as "IFRS".

The consolidated financial statements are expressed in thousands of euros.

2.1.1 New rules, amendments or interpretations applicable for the 2019 financial year

As a result of the endorsement by the European Union, the following issues, revisions, amendments, and improvements of Standards and Interpretations took effect from 1 January 2019, which were adopted by the Group, when applicable:

Standard	Application Date
IFRS 16 - Leases	1 January 2019
IFRS 9 - Prepayment features with negative compensation (amendments)	1 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments (interpretation)	1 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (amendments)	1 January 2019
IAS 19 - Employee Benefits: Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
Improvements relating to the 2015-2017 cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Tax and IAS 23 Borrowing Costs	1 January 2019

IFRS 16 – LEASES

As of 1 January 2019, the Group adopted the new standard on the effective date of its requirement using the Modified Retrospective approach, in accordance with the provisions of subparagraph C5(b) of IFRS 16 and without the obligation to restate the comparative information. On the transition date, it recognised an asset under right of use at the date of initial application, choosing to measure the assets under right of use at an amount equal to the lease liability, adjusted by the amount of any prior or accrued lease payments related to that lease, recognised in the statement of financial position immediately before the date of initial application (paragraph C8(iii)(b)). Thus, there were no changes in equity.

The Group applied the standard to all contracts that were previously identified as leases under IAS 17 and IFRIC 4. Consequently, the Group did not apply the standard to contracts that had not previously been identified as containing a lease. The Group decided to apply the two exceptions provided for in the standard (paragraphs 5 and 6): (1) Contracts with a duration of less than 12 months; and (2) Contracts whose underlying assets are considered to be of low value. For this purpose, the Group defined as low value the amount of EUR 5 thousand.

In low-value leases, the Group does not recognise the rights to use assets or lease liability but recognises the expenditures associated with these leases as annual expenses over the lifetime of the contracts.

The Group, on the transition date, opted to apply to the asset category "Vehicles" the practical expedient provided for in paragraph 15 of the standard, which makes it possible not to separate non-rental components from rental components, and to account for each rental component and any associated non-rental components as a single rental component. On the transition date, the Group opted for the implementation of the practical expedient allowing the non-lease components not to be separated from the lease components, as it did not have the information available to do so. However, in 2019 and for the new contracts, this situation was addressed by separating the non-lease components from the lease components as required by the accounting rules.

The reconciliation of the operating lease liabilities disclosed by the Company in the Notes to the Financial Statements of the previous year and the lease liabilities recognised at the initial application date is as follows:

Operational lease liabilities disclosed on 31 December 2018	38,121
Recognition exceptions:	
Short-term leases recognised on a linear basis as expenses	(290)
Low-value leases recognised on a linear basis as expenses	(51)
Adjustments arising from different extension treatments and cancellation options	1,007
Effect of financial discount on the incremental rate	(8,001)
Operational lease liabilities on 1 January 2019 [A]	30,785
Financial lease liabilities on 31 December 2018 [B]	102,749
Lease liabilities on 1 January 2019 [C] = [A] + [B]	133,534

The value of the leasing liabilities has not changed since 31 December 2018.

The weighted average of the incremental rate of financing applied to leasing liabilities recognised in the statement of financial position at the initial date of application is 4.10%.

The summary of the impacts of the adoption of IFRS 16 in the statement of financial position on 1 January 2019 is as follows:



JOSÉ DE MELLO SAÚDE, S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 1 JANUARY 2019

(Amounts in thousands euros)

	Notes	31-12-2018	IFRS 16	01-01-2019
Non-current assets:				
Goodwill	17	45,569		45,569
Intangible assets	18	10,282	(2,797)	7,485
Property, plant and equipment	19	438,929	(101,968)	336,962
Right of use	20	-	135,549	135,549
Investments in associates	21	265		265
Other investments	22	2,141		2,141
Deferred tax assets	23	4,611		4,611
Other non-current debtors	24	554		554
Other non-current assets	25	2,168		2,168
Total non-current assets		504,519	30,785	535,304
Current assets:				
Inventories	9, 26	12,721		12,721
Trade receivables and advances to suppliers	27	99,518		99,518
Other current debtors	24	10,920		10,920
State and other public entities	28	4,034		4,034
Other current assets	25	82,995		82,995
Other financial instruments	29	35,150		35,150
Cash and cash equivalents	30	67,396		67,396
Total current assets		312,733	-	312,733
TOTAL ASSETS		817,252	30,785	848,036
Equity:				
Share capital	31	53,000		53,000
Legal reserve	32	7,289		7,289
Other Reserve	33	12		12
Fair value reserve	33	(956)		(956)
Revaluation of property, plant and equipment	33	47,142		47,142
Retained earnings	33	(23,134)		(23,134)
Consolidated net income		15,594		15,594
Interim dividends	15	(4,200)		(4,200)
Equity attributable to shareholders		94,748	-	94,748
Non-controlling interests	34	4,152		4,152
Total equity		98,900	-	98,900
Non-current liabilities:				
Borrowings	35	284,362		284,362
Finance lease creditors	37	55,932	27,362	83,294
Employee benefits	36	1,282		1,282
Provisions	38	15,624	63	15,687
Other creditors	39	8,215		8,215
Deferred tax liabilities	23	13,346		13,346
Other non-current liabilities	40	1,058		1,058
Non-current liabilities		379,819	27,425	407,243
Current liabilities:				
Borrowings	35	97,845		97,845
Finance lease creditors	37	8,769	3,360	12,129
Trade payables and advances from clients	42	121,062		121,062
State and other public entities	28	10,455		10,455
Other current creditors	39	10,778		10,778
Other current liabilities	40	89,623		89,623
Total current liabilities		338,533	3,360	341,893
TOTAL LIABILITIES		718,352	30,785	749,137
TOTAL EQUITY AND LIABILITIES		817,252	30,785	848,036

As for the remaining standards, interpretations, amendments and revisions mentioned in the table above, no effects were produced in the Group's consolidated financial statements in the period ended 31 December 2019, as a result of its adoption.

2.1.2 New standards, alterations and interpretations already issued but not yet mandatory

New standards, changes, amendments, interpretations and revisions now exist that have already been published but whose application is only mandatory for annual periods starting after 1 January 2020 and which the Group decided not to adopt ahead of time:

a) Already endorsed by the European Union

On 31 December 2019, the following standards, interpretations, amendments, and revisions issued by the IASB were already endorsed by the EU; however, their application is only mandatory for the financial years beginning after 1 January 2020:

Standard	Application Date
Amendment to IAS 1 and 8 - Definition of Material	1 January 2020
Conceptual Structure of Financial Statements	1 January 2020
Interest Rate Benchmark Reform - Amendment to IFRS 9, IAS 39 and IFRS 7	1 January 2020

The Group has assessed the impacts of applying these changes and concluded that they will not have materially relevant effects in consolidated financial statements of the Group.

b) Not yet endorsed by the European Union:

The following Standards, Interpretations, Amendments and Revisions issued by the IASB were not yet endorsed by the European Union on 31 December 2019:

Standard	Application Date
Amendment to IFRS 3 - Definition of a Business	1 January 2020
IFRS 17 - Insurance Contracts	1 January 2021

With regard to the standards presented, the Group has not yet completed the assessment of all the impacts arising from their application. However, it is not expected that these will produce materially relevant effects on its consolidated financial statements as a result of their application. IFRS 17 does not apply to the activity of the Group.

2.2 ACCOUNTING POLICY CHANGES AND ERRORS

During the financial year ended on 31 December 2019 there were no voluntary accountancy policy changes from those considered in the preparation of the financial information regarding the 2018 financial year.

No errors or omissions from previous periods were detected in the current year.

2.3 BASIS OF CONSOLIDATION

a) Controlled companies

The consolidation of controlled companies (Note 5.1.) in each accounting period was done by the full consolidation method. Control is considered to exist when the Group is exposed or has rights to variable returns as a result of its involvement with the subsidiary company and it has the capacity to affect those returns through its power over the subsidiary company (i.e., rights that currently give it the capacity to manage the relevant activities of the subsidiary company).

Third-party participation in equity and net profit of such companies is reported separately on the consolidated statement of financial position and statement of profit and loss and other consolidated comprehensive income, respectively, under the “Non-controlling interests” heading.

The results of subsidiaries acquired or disposed of during the period are included in the income statements from the date of acquisition to the date of their disposal.

Transactions and balances between controlled companies were eliminated in the consolidation. Capital gains arising from the disposal of subsidiaries within the Group are also eliminated.

Whenever necessary, adjustments are made to the financial statements of subsidiary companies in order to standardise the respective accounting policies with those of the Group.

In situations where the Group has, in substance, control over other entities created for a special purpose, even if it has no direct shareholdings in these entities, these are consolidated by the full consolidation method.

b) Non-controlling interests

Non-controlling interests correspond to the share of the fair value of the assets, liabilities and contingent liabilities of the subsidiaries acquired that are not directly or indirectly attributable to the Group.

When the losses attributable to non-controlling interests exceed the non-controlling interest in the subsidiary's equity, the Group absorbs that excess and any further losses, except when the non-controlling interests have an obligation to and are capable of covering such losses. If the subsidiary subsequently reports profits, the Group appropriates all the profits until the minority share of losses previously absorbed by the Group has been recovered.

Transactions with non-controlling interests that do not result in loss of control are accounted for as capital transactions. The difference between the fair value of any amount paid and the relevant acquired portion of the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals for non-controlling interests are also recorded in equity.

c) Business combinations and Goodwill

Business combinations, in particular the acquisition of subsidiaries, are recorded using the purchase method. The acquisition cost corresponds to the sum of fair values, at the transaction date, of the assets obtained, the liabilities incurred or taken on, and equity instruments issued in exchange for control of the acquiree.

Identifiable assets, liabilities and contingent liabilities of a subsidiary that are included in the scope of IFRS 3 are measured at fair value on the acquisition date, except for non-current assets (or asset groups) that are classified as held for sale.

Any excess of the cost of acquisition over the fair value of the identifiable net assets is recorded as goodwill. Goodwill is recorded as an asset and is not amortised. It is reported separately on the Consolidated Statement of Financial Position. The goodwill values are annually subject to impairment tests or whenever there are indications of loss of value. Any impairment loss is immediately registered as an expense on the income statement of the period and it cannot be subsequently reversed.

Where the cost of acquisition may be less than the fair value of the identifiable net assets, the difference is recorded as a gain in the income statement of the period in which the acquisition occurs.

On disposal of a subsidiary, the related goodwill is included in determining the capital gain or loss.

The interests of shareholders who are not controlled are presented according to their proportion of the fair value of the identified assets and liabilities.

d) Investments in associates

An associate is an entity over which the Group exercises significant influence. Significant influence is the power to join in decisions on operational and financial policies but it is not control or joint control, as defined in the point a) above.

These financial investments in associates (Notes 5.2 and 21) are accounted for using the equity method, except when they are classified as held for sale, which is when they are initially recorded at the acquisition cost, plus or minus the difference between that cost and the value of the equity of those companies proportionally held, as at the acquisition date or the date of first application of the equity method. Goodwill in relation to the associate is included in the value of the financial investment and is not individually tested.

According to the equity method, financial stakes are adjusted periodically for the value corresponding to the Group's participation in the net profits of the associated companies, against the Profit and loss of associated companies heading (Note 13), and for other changes that have occurred in their equity under the Other reserves heading, as well as by the recognition of impairment losses.

Moreover, dividends received from these companies are recorded as a reduction in the value of the investment. Unrealised gains on transactions with associated companies are eliminated in proportion to the Group's interest in the associated company, reported against the investment in that associated company. Unrealised losses are similarly eliminated but only to the extent that the loss does not show that the transferred asset is in a situation of impairment.

Shares in associates may be adjusted by the recognition of impairment losses. Where there are indications that the asset may be impaired, an assessment is carried out, and the impairment losses that are demonstrated to exist are recorded as expense in the income statement.

2.4 ACCOUNTING POLICIES

2.4.1 Recognition of income

Revenue from services rendered is recognised when or as the entity meets a performance obligation, contractually foreseen and measured at the amount the entity expects to receive.

For each contract, the Group assesses whether there are other commitments in the contract that are distinct performance obligations and for which a portion of the transaction price should be allocated. In determining the transaction price, the Group takes into account possible variable remunerations, the existence, or not, of a significant financing component, of non-monetary compensations to be received and the possibility of there being remunerations payable to the customer. The Group acts as the "principal" in its agreements with customers.

Making use of the practical expedient in IFRS 15, the Group does not adjust the amount of the consideration for the financial effect when it has the initial expectation that the period between the transfer of the good or service to the customer and the time when the customer pays for the good or service is less than one year. The same happens when the Group receives short-term advances from its customers – in this case, the amount of consideration is also not adjusted for the financial effect.

The Group's relevant revenue streams are as follows:

Private healthcare services

Healthcare provision

This revenue stream represents almost all of the Group's income. Healthcare provision in the private segment is based on the recognition of revenue at the time the service is provided to the customer. The Group identified the Payer Mix, and analysed the most important contracts. The determination of revenue for these contracts is based on the application of price lists defined for the provided healthcare.

Occupational Hygiene, Safety and Medicine

This revenue stream consists of carrying out tests agreed with the customer to the employees, during the contractual period. Revenue is recognised during the contractual period, with no additional obligations beyond the contract. The recognised value is the final one negotiated between the parties, with that being the expected revenue.

Health and Safety – Risk evaluations are carried out during the contractual period within the scope of this revenue stream. These evaluations seek to identify and qualitatively evaluate risks for the health and safety of the workers in the places of work, proposing preventive and corrective measurements and also to verify the observance of the applicable regulation, internal rules and prevention measures in the places of work. Revenue is recognised during the contractual period, with no additional obligations beyond the contract. The recognised value is the final one negotiated between the parties, with that being the expected revenue.

Home Services

This business line includes the care provided at the customer's home. The contracts concerning this revenue stream are standard and do not include the lease of any equipment, only the provision of healthcare. Revenue is recognised at the time the service is provided to the customer.

Public healthcare services

Healthcare provision

Public-Private Partnerships ("PPPs") invoice the provision of healthcare to the Public Contracting Entity, Insurers and private customers who are not users of the Portuguese National Health Service (NHS).

The provision of healthcare included in the Management Contract ("MC") with the Public Contracting Entity is based on the recognition of revenue at the time the service is provided to the user. The determination of revenue consists of the management contract's application. The recognised value is the one negotiated between the parties, with that being the expected revenue.

For the Hospital's remaining users, the price tables in effect in the NHS are applied. The recognition of revenue takes place at the time the service is provided to the user.

Provision of medicines

This revenue stream consists of the invoicing of medicinal products borne by the Contracting Entity under the management contract or individual authorisations. Revenue is recognised when the product is delivered.

User charges

This revenue stream consists of the invoicing of user charges defined by the NHS to the Hospitals' users. The recognition of revenue takes place at the time the service is provided to the user.

Other operating income

Transfer of a holding

This income stream corresponds to contracts for the transfer of holdings between the hospitals and entities that develop activities in the area of Complementary Diagnostic and Treatment Means ("CDTMs"). The revenue is determined based on the monthly billing of each of the entities to whom the clinical activity operation is transferred, and is recognised monthly.

Medical Device Reprocessing

This revenue stream concerns the provision of medical device logistics and reprocessing services. The revenue is recognised monthly based on the values negotiated between the parties, with that being the expected revenue.

Training

This revenue stream corresponds to the provision of training, education and research services. Revenue recognition occurs at the time the service is rendered.

Interest and Dividends

Income from interest receivable is specialised, so that it is recognised in the period they concern, regardless of whether or not the respective support document is issued.

Dividend income is recognised when, in substance, the obligation to declare Dividends is established in the declaring Entity.

2.4.2 Financing costs

Borrowing costs are recognised on the income statement for the period in which they occur.

The financial charges on financing directly related to the acquisition, construction or production of property, plant and equipment that take a substantial period of time to be prepared for the intended use are capitalised, forming part of the cost of the asset. The capitalisation of these expenses begins after the start of preparation of the construction activities or development of the asset and is interrupted after the start of the use or end of production or construction of the asset or over periods in which development of the asset is interrupted. Any income generated by borrowings obtained in advance and which may be allocated to a specific investment is deducted from the financial costs eligible for capitalisation.

2.4.3 Income tax

JMS is covered by the special taxation scheme for groups of companies – STSGC (Regime Especial de Tributação dos Grupos de Sociedades – RETGS), which covers all companies in which it holds, directly or indirectly, at least 75% of the corresponding share capital and which, simultaneously, have their domicile in Portugal and are subject to Corporation Tax (Imposto sobre o Rendimento das Pessoas Coletivas – IRC).

The other invested companies, which are not covered by the STSGC, are taxed individually, based on their respective taxable income and the applicable tax rates.

Income tax is recorded in accordance with IAS 12. In measuring the cost of income tax of the period, in addition to current tax, the effect of deferred tax, calculated based on the balance sheet method, is also considered – taking into account the temporary differences resulting from the difference between the tax base of assets and liabilities and their values in the financial statements, as well as the tax losses carried forward at the date of the Consolidated Statement of Financial Position.

According to current legislation, tax returns are liable for review and correction by the Tax Authorities for a period of four years. Accordingly, the tax returns of the Group companies for the years 2015 to 2018 may still be reviewed, although the Group believes that any adjustments resulting from tax revisions to those tax documents will have no significant impact on the referred financial statements as at 31 December 2019.

For all transactions that incorporate uncertainty regarding their tax treatment and for all tax litigation processes, the Group makes an assessment of the likelihood of the outcome of those processes, and whenever it is probable that the Tax Authorities will accept an uncertain tax treatment, the tax values recorded are consistent with those reported. Where there is uncertainty in the position of the Tax Authorities, such uncertainty is reflected in the tax measurement.

2.4.4 Deferred tax assets and liabilities

The Group recognises deferred taxes in accordance with the requirements of IAS 12 – Income taxes, as a way of adequately accruing the tax effects of its operations, and to exclude distortions related to the criteria of a fiscal nature that impact on the economic results of certain transactions.

Deferred tax assets are recognised when it is probable that future profits will be generated against which the assets may be used. Deferred tax assets are reviewed annually and reduced when it is no longer probable that they may be used. The value of deferred tax is determined by applying the tax rates (and laws) enacted or substantively enacted at the reporting date and which are expected to apply in the period of realisation of the deferred tax asset or of the deferred tax liability settlement. According to legislation in force, the corporate income tax rate of 21% is considered in Portugal, and a municipal surtax in situations not related to tax losses, on the temporary differences that gave rise to deferred tax assets or liabilities.

2.4.5 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in circulation during the period.

The diluted earnings per share is equal to the basic income as there is no interest on convertible preference shares nor options on shares.

2.4.6 Intangible assets, excluding Goodwill

Intangible assets acquired separately are measured at their cost price on the date of initial recognition. The cost of the intangible assets acquired in a merger of corporate activities is their fair value at the date of acquisition. Intangible assets generated internally, excluding capitalised development costs, are not capitalised, and expenses are reflected in net profit of the year in which the expenses take place.

Intangible assets are only recognised if it is probable that they will result in future economic benefits for the Group, are controlled by the Group, are identifiable and their value can be reliably measured.

After initial recognition, intangible assets are recorded at cost price less accrued amortisations and losses due to subsequent impairment.

The useful lives of intangible assets may be finite or indefinite. Intangible assets with indefinite useful lives are not amortised but undergo impairment tests regardless of whether or not there are indicators that they may be impaired. Intangible assets with finite useful lives are amortised during their estimated economic life and evaluated with regard to their impairment whenever there are signs that the asset may be impaired.

For an intangible asset with a finite useful life, amortisation methods, estimated useful life and residual value are revised at the end of each year and the effects of changes made are treated as changes to estimates, or rather, prospectively.

The amortisations are calculated on a duodecimal basis using the straight-line method. The residual value is considered null and void, whereby the depreciable value on which the amortisations incur coincides with the cost.

Amortisation rates are defined with a view to the full amortisation of assets until the end of their expected useful life. The useful lives defined for each asset category are as follows:

	Useful life (years)
Software	4
Operation right	50
Right of entry into hospital management	10
Future investment liability	9

There are no intangible assets with indefinite useful lives.

Expenditure incurred from amortisation of intangible assets with finite useful lives is recognised in the Statement of Income and Other Comprehensive Income under the Amortisations and depreciations heading.

The impairment of these assets is determined on the basis of the criteria set out in note 2.4.10 "Impairment of non-current assets".

Reversals of impairment are recognised in results and only performed up to the limit verified if the impairment had never been recorded.

The gains or losses resulting from the sale or disposal of property, plant and equipment are determined as the difference between the sale price and net book value on the date of sale/disposal and are included in the Net Profit of the period in the year in which the asset is derecognised.

2.4.7 Property, Plant and Equipment

Property, Plant and Equipment are goods used in the provision of services or in administrative use and are valued at their acquisition cost, including all costs associated with their acquisition, less the corresponding accumulated depreciation and impairment losses, when applicable.

The Group considers Health Service Buildings (IASS) as a separate asset class. It is carried at the revalued amount, which is its fair value at the revaluation date.

When the carrying amount of a property is increased as a result of a revaluation, the increase is recognised in Other comprehensive income and accumulated in equity under the Revaluation of Property, Plant and Equipment heading. When the carrying amount of a property is reduced as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in Other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that property. The decrease recognised in Other comprehensive income reduces the cumulative amount under the Revaluation of Property, Plant and Equipment heading.

Depreciation is calculated on a duodecimal base, from the time the good is available for use, according to the straight-line method, so the value of the assets is depreciated by the end of their estimated service lives:

	Useful life (years)
Hospitals and health clinics	10 - 50
Buildings and other constructions	10 - 50
Basic equipment	3 - 7
Transport equipment	4
Office equipment	4 - 8
Other property, plant and equipment	4 - 8

The impairment of these assets is determined on the basis of the criteria described in note 2.4.10 "Impairment of non-current assets".

The gains or losses resulting from the sale or disposal of property, plant and equipment are determined as the difference between the sale price and net book value on the date of sale/disposal, and are included in the Net profit of the period in the year in which the asset is derecognised.

The residual value is considered null and void, whereby the depreciable value on which the depreciations incur coincides with the cost.

Current maintenance and repair costs are recognised as expenses in the period in which they occur. Improvements are only recognised as assets when it is demonstrated that these increase their useful life or increase their normal efficiency, resulting in increased future economic benefits.

Property, Plant and Equipment in progress represent tangible assets still under construction, installation or development and are recorded at cost of acquisition, and only amortised when available for use.

Interest on loans directly attributable to the acquisition or construction of assets is capitalised as part of the cost of these assets, as described in section 2.4.2 "Financing costs".

2.4.8 Leasing

A contract constituted, or contains, a lease if it involves the right to control the use of an identified asset for a certain period of time in exchange for consideration.

GROUP AS LESSEE

The Group recognises a right of use or lease liabilities for all lease contracts except for short-term and low-value contracts.

Right of Use

The Group recognises a right of use at the time the asset is available for use. The right of use includes the initial costs incurred to make the asset available.

The right of use is depreciated on a two-decimal basis so that the value of the goods is depreciated until the end of their estimated useful life:

	Useful life (years)
Hospitals and health clinics	10 - 50
Other buildings	1 - 19
Basic equipment	5
Transport equipment	4

The Right of Use is valued at cost less the corresponding accumulated depreciation and impairment losses, where applicable.

The impairment of these assets is determined on the basis of the criteria set out in note 2.4.10 Impairment of non-current assets.

Lease Liabilities

The Group recognises a liability for leases measured at the present value of future payments. Payments include fixed and variable payments. Variable payments that do not depend on indexation and rates are recognised as period cost.

After the transition date, the lease liability is measured: (i) by increasing and reducing the carrying amount to reflect interest on the liability of the lease; (ii) by remeasuring the carrying amount to reflect any revaluation or change in the duration of the lease or fee.

Taking into account that the lease contracts do not present an implicit rate, an incremental interest rate that varies according to the maturity of the lease contract of the categories identified by the Group: real property, medical equipment and vehicles.

Short-term and low-value contracts

The Group has adopted the exception of the recognition of short-term leases (contracts with a duration of less than 12 months) and low value (less than EUR 5,000). For short-term and low-value contracts, the Group recognises the expenditure associated with these leases as the exercise expense during the lifetime of the contracts.

GROUP AS LESSOR

Leases in which the Group does not substantially transfer all the risks and rewards inherent in the ownership of an asset are classified as operating leases. Income earned through rents is accounted for, in a straight line, during the period of the lease and is presented in revenue, due to its operational nature.

The leases in which the group is a lessor relate to the provision of the space in hospitals for the operation of non-clinical activities.

2.4.9 Non-current assets held for sale and discontinued operations

This heading includes non-current assets (or disposal groups) whose carrying amount will be recovered mostly through a sale transaction, rather than through continued use, and which meet the following conditions:

- They are available for immediate sale in their present condition, subject only to terms that are usual and customary for the sale of this type of assets and
- Their sale is highly probable, that is: (i) the appropriate management hierarchy is involved in a plan to sell the assets (or disposal groups); (ii) a programme was started to locate a buyer and complete the plan; (iii) the asset was widely advertised for sale at a price that is reasonable in relation to its current fair value; e, (iv) the sale will be completed within one year from the date of classification.

The events or circumstances that may extend the period to complete the sale for more than a year do not exclude that an asset is classified as held for sale if the delay is caused by events or circumstances beyond the control of the entity and if there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amounts of the assets (or of the group's assets and liabilities) are measured in accordance with the applicable IFRSs.

On the date of initial recognition, non-current assets (or disposal groups) held for sale are measured at the lower value between their carrying amount and fair value less selling costs or, if purchased as part of a combination of business activities, at fair value less selling costs.

When the sale is expected to occur more than a year later, the selling costs are measured at their present value. Any increase in the present value of the selling costs resulting from the passage of time is recognised in the results as cost of funding.

Any initial or subsequent reduction of the asset (or disposal group) to the fair value less selling costs is recognised as an impairment loss. Any gain resulting from a subsequent increase in the fair value less costs of selling an asset is recognised, but not beyond the previously recognised cumulative impairment loss.

Non-current assets, while classified as held for sale or while they are part of a disposal group classified as held for sale are not depreciated (or amortised).

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of an entity that either has been divested or is classified as held for sale, and: (a) represents a separate major line of business or geographical area of transactions; (b) is an integral part of a single coordinated plan to divest a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired solely for the purpose of resale.

Discontinued operations are excluded from the profit or loss of continuing operations and are presented separately in a line in the income statement.

2.4.10 Impairment of non-current assets, excluding goodwill

At each reporting date, a review of the recorded amounts of non-current assets is carried out to determine whether there is any indication that they may be impaired. If there is an indicator, the recoverable amount of the corresponding assets is estimated to determine the extent of the impairment loss (if any). When it is impossible to determine the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. The recoverable amount of the asset or cash-generating unit is the largest of (i) the fair value minus costs to sell and (ii) the usage value. In the determination of the usage value, the estimated future cash flows are discounted using a discount rate that reflects the market's expectations regarding the time value of money and the specific risks of the asset or cash-generating unit for which the future cash flow estimates have not been adjusted. Whenever the recorded amount of the asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised. Impairment losses are recorded immediately in the net profit of the period, unless such losses compensate for a revaluation surplus recorded in equity.

The reversal of impairment losses recognised in previous years is recorded whenever there are changes in the estimates used to determine the recoverable amount of the asset. The reversal of impairment losses is recognised in the net profit of the period. The reversal is carried out up to the limit of the amount that would be recognised (net of amortisations) if the previous impairment loss had not been recorded.

2.4.11 Inventories and Costs of goods sold and materials consumed

Goods and raw materials and consumables are valued at cost that is lower than their market value, using average cost as the costing method.

The cost of inventories includes: (i) purchase costs; (ii) conservation costs; and (iii) other costs incurred to align inventories with the desired conditions.

Whenever their net realisable value (sale price estimated in the ordinary course of business, less respective sales costs) is less than the cost of acquisition, the value of inventories is reduced (impairment loss), which is restored when the reasons that led to such cease to exist.

Sale price estimates take into account the variations related to events taking place after the end of the financial period insofar as those events confirm conditions existing at the end of the period.

2.4.12 Responsibility for employee benefits

Personnel expenses are recognised when the service is provided by the employees regardless of their payment date. Here are some specific details regarding each of the benefits:

Termination of employment

Benefits for termination of employment are due to be paid when employment ends before the usual retirement date or when an employee accept to leave voluntarily in exchange for these benefits. The Group recognises these benefits when it can be shown it is committed to a termination of employment of current employees, according to a formal detailed plan for the termination, and there is no realistic possibility of withdrawal or if these benefits are granted to encourage voluntary departure. When the employment termination benefits are due over 12 months after the balance sheet date, they are discounted to their current value.

Annual Leave, Holiday entitlement and Bonuses

According to employment law, employees are entitled to 22 working days of annual leave, as well as a month of holiday entitlement, rights acquired in the year prior to their payment. These liabilities of the Group are recorded when incurred, regardless of the time of their payment, and are reflected in the Other current liabilities heading.

Work Compensation Fund (WCF) and Work Compensation Guarantee Fund (WCGF)

With the publication of Law 70/2013 and subsequent regulation through Ministerial Order 294-A/2013, the Work Compensation Fund (WCF) and the Work Compensation Guarantee Fund (WCGF) schemes entered into force on 1 October. In this context, companies hiring a new worker are required to deduct a percentage of their salary for these two new funds (0.925% for the WCF and 0.075% for the WCGF), with the aim of ensuring in future the partial payment of the compensation in case of dismissal. Taking into account the characteristics of each Fund, the following was considered:

- Monthly payments to the WCGF, made by the employer, are recognised as an expense in the period they concern;
- Monthly payments to the WCF, made by the employer, are recognised as a financial asset, measured at fair value, with the corresponding variations recognised in comprehensive income.

Retirement Pension Benefits

Liability for the payment of retirement, disability and survivors' pensions is recorded in accordance with the criteria established in IAS 19 – Employee benefits.

The costs of awarding these benefits are recognised as the services are rendered by the beneficiary employees.

At the end of each accounting period actuarial studies by independent entities are produced in order to determine the value of the liabilities at that date and the cost of pensions to be recorded in the period, according to the projected credit unit method. These liabilities estimated in this manner are recognised on the Consolidated Statement of Financial Position under the Employee benefits heading.

Pension costs are recorded under the Personnel expenditure heading as provided for in the referred standard, based on the values determined by actuarial studies and include current service costs (accrued liability), which corresponds to the additional benefits earned by employees during the period and interest costs, which result from the update of past liabilities.

Past service costs are immediately recognised as the associated benefits have already been recognised or, in other words, recognised on a linear basis over the period it is estimated they will be obtained.

2.4.13 Provisions

Provisions are established when the Group has a present obligation (legal or constructive) as a result of past actions, or when economic resources may probably be used to meet this obligation and this may be measured reliably. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the date of each Consolidated Statement of Financial Position.

In particular, provisions are set up to meet contractual obligations in order to maintain or replace the equipment operated under the management and operation contract of Vila Franca Hospital, based on the investment plan arising from the obligations envisaged in Annex V to that contract, as specified in IAS 37 – Provisions, contingent liabilities and contingent assets.

2.4.14 Equity headings

i) Share capital

In compliance with article 272 of the Portuguese Commercial Companies Code (CSC), the company contract specifies the deadline for paying-up the subscribed and not paid capital at the time of the deed.

ii) Legal reserve

In accordance with article 295 of the CSC, at least 5% of the result must be used for establishing or strengthening the legal reserve until it represents at least 20% of the company's share capital. The legal reserve is not distributable except in case of liquidation, and can only be used to absorb losses after all other reserves are exhausted, or for incorporation in share capital (article 296 of the CSC).

iii) Fair value of hedging instruments

This heading includes the changes in the fair value of interest rate hedging derivatives within the scope of a commitment or high probability of future transaction that, in accordance with paragraph 2 of article 32 of the CSC, will only be available for distribution when the elements or rights that gave rise to them are sold, exercised, extinguished or settled.

iv) Revaluation of property, plant and equipment

This heading includes changes due to increases or decreases in the fair value of the health service buildings, which, in accordance with paragraph 2 of article 32 of the CSC, will only be available for distribution when the elements or rights that gave rise to them are sold, exercised, realised, extinguished or settled.

v) Retained earnings

This heading reflects the appropriation of the results of previous years that are realised and undistributed.

vi) Interim dividends

This heading reflects the advance on profits made during the accounting period under the provisions of Article 297 of the CCC, as follows: (i) carried out in the second half of the year; and (ii) does not exceed half of the amounts that would be distributable on the date to which the mid-term review refers.

2.4.15 Contingent assets and liabilities

A contingent liability arises when there is:

- a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation arising from past events but not recognised because: (i) an outflow of funds embodying economic benefits is not likely to be necessary to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying future economic benefits is remote, in which case they are not subject to disclosure.

A contingent asset is a possible asset that results from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group. Contingent assets are not recognised in the Consolidated Financial Statements but disclosed in the notes thereto when a future economic benefit is probable.

2.4.16 Financial instruments

A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are initially classified and subsequently measured in categories.

The initial classification of financial assets depends on the contractual characteristics of the cash flows and on the business model that the Group adopts to manage them. The Group measures a financial asset at its fair value, adding, in the case of an asset not classified as at fair value through profit or loss, the transaction costs at the initial recognition. Trade receivables that do not contain a significant financial component, or for which the Group adopts the practical expedient, are measured at the transaction price determined in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, it must provide cash flows that represent only capital repayments and interest payments (solely

payments of principal and interest – SPPI) on the outstanding principal. This evaluation, known as the test of “the cash flows from capital repayments and interest payments only”, is performed for each financial instrument.

The business model established for the management of financial assets concerns the way in which the Group manages the financial assets to obtain cash flows. The business model may be designed to obtain the contractual cash flows, to dispose of the financial assets or both.

Subsequent measurement

For their subsequent measurement, the financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through other comprehensive income, with recycling of accumulated gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income, without recycling of accumulated gains and losses at the time of their derecognition (capital instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant for the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within the scope of a business model whose objective is to hold the financial asset in order to obtain the cash flows contractually provided for; and
- the contractual terms of the financial asset give rise, on defined dates, to cash flows corresponding only to principal repayments and interest payments on the principal outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment tests. Gains and losses are recognised in the income statement when the asset is derecognised, modified or is impaired.

The financial assets that the Group measures at amortised cost include trade receivables, other debtors, other current and non-current assets and other financial instruments.

The Group considers that the fair value of these accounts approximates their book value.

Financial assets at fair value through other comprehensive income (equity instruments)

On initial recognition, the Group may elect to irrevocably classify the equity instruments held as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity in IAS 32 Financial instruments: Presentation and not held for trading. Classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to results. Dividends are recorded as a financial gain in the income statement when the right to receive the payment of the dividend is established, except when the Group benefits from these dividends as recovery of part of the cost of the financial asset and, in this case, the dividends are

recorded in other comprehensive income. Equity instruments held as equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group decided to irrevocably classify its investments in equity instruments of entities not listed in this category.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised (i.e. removed from the Consolidated Statement of Financial Position) when:

- the contractual rights to receive cash flows from the financial asset expire; or
- The Group has transferred its contractual rights to receive cash flows from the financial asset or assumed an obligation to pay the cash flows received, under an arrangement in which the Group (i) has no obligation to pay amounts to the final recipients unless it receives equivalent amounts from the original asset; (ii) is prohibited by the terms of the contract from transferring, selling or pledging the original asset other than as security to the final recipients for the obligation to pay them cash flows; and (iii) the Group has an obligation to remit any cash flows it receives on behalf of the final recipients without significant delays; and
- The Group has substantially transferred all the risks and benefits of the asset, or the Group has not transferred nor retained substantially all the assets and benefits of the asset but has transferred control over the asset.

When the Group transfers its rights to receive cash flows from an asset or is part of an arrangement that may enable derecognition, it assesses whether, and to what extent, the risks and rewards associated with ownership of the asset have been retained. When all the risks and benefits arising from ownership of an asset have not been substantially transferred or retained, nor has control of the asset been transferred, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Group also recognises the corresponding liability. The transferred asset and the corresponding liability are measured on a basis that reflects the rights and obligations retained by the Group.

Impairment of financial assets

Customers, Other Debtors and Other Financial assets

The Group recognises an adjustment for expected credit losses for all debt instruments not measured at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows that are due and all the cash flows that the Group expects to receive, discounted at a rate close to the original effective interest rate. Cash flows expected to be received include cash flows arising from collateral held or from other credit guarantees that are an integral part of the contractual terms.

For trade receivables and accounts receivable concerning contracts with customers, the Group adopts the simplified approach when determining expected credit losses. Thus, the Group does not monitor changes in credit risk, but instead recognises an impairment loss at each reporting date based on the expected credit loss over the life of the asset. The Group established an impairment matrix based on the loans that were lost in the past, adjusted for prospective factors specific to the debtors and to the economic environment.

Other Financial Instruments

For the Other Financial Instruments, the Group applies the simplification for low credit risks. At each reporting date, the Group assesses whether the debt instrument can be considered to be of low credit risk using all relevant and reasonable information that is available at an acceptable cost/effort. The Group takes into account the credit rating of the debt instrument when making this assessment.

The Other financial instruments concern exclusively bonds issued by the Group's shareholders, which are therefore considered investments with low credit risk. The Group uses the DB rating information to determine whether the debt instrument has significantly increased its credit risk. Additionally, the most recent available financial information is analysed to detect risk situations.

The Group considers that a financial asset is in default when it is more than 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when there is internal and external information indicating that it is unlikely that the Group will receive the loan's full amount without having to activate the guarantees it has. A financial asset is derecognised when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as loans (including bank overdrafts), accounts payable to suppliers, other creditors, other financial liabilities or derivatives (designated as a hedging instrument in an effective hedging relationship).

All financial liabilities are initially recognised at fair value through profit and loss and, in the case of loans and accounts payable, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their initial classification, as follows:

Borrowings

After initial recognition, financing is subsequently measured at amortised cost using the effective interest method. Gains and losses are recorded in net profit when liabilities are derecognised and through amortisation arising from the effective interest method. The amortised cost is calculated taking into account any discount or premium on the acquisition and the fees and other costs that are an integral part of the effective interest rate. The effect of the actual interest rate is recorded in financial costs in the statement of income and other comprehensive income.

Suppliers, Other creditors and Other financial liabilities

Balances of Suppliers, Other creditors and Other financial liabilities are initially recorded at their nominal value, which is understood to correspond to their fair value and subsequently, whenever applicable, are recorded at their amortised cost, according to the effective interest rate method. These heading are recognised as current liabilities, except if their settlement is contracted after 12 months following the date of the Consolidated Statement of Financial Position.

Derecognition

A financial liability is derecognised when the underlying obligation is met or cancelled, or when it expires.

When an existing financial liability is replaced by another of the same counterparty and with substantially different terms, or the terms of a financial liability are substantially modified, the exchange or modification is treated as a derecognition of the original financial liability and a recognition of a new liability. The difference between the corresponding book values is recognised in the statement of income.

The Group considers that the fair value of the financial liabilities is close to their book value.

(iii) Derivative financial instruments and hedge accounting

Initial and subsequent recognition

The Group's policy is to contract derivative financial instruments for hedging of financial risks to which it is exposed, which are mainly due to interest rate variations.

These derivative financial instruments are initially recorded at fair value on the date on which the derivative is contracted and are subsequently measured at fair value. Derivatives are presented in assets when their fair value is positive and in liabilities when their fair value is negative.

At the start of the hedging relationship, the Group formally designates and documents the hedging relationship for which it seeks to apply hedge accounting as well as the management purpose and strategy of that hedge.

As a result of the application of IFRS 9, as from 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk to be hedged and how the Group assesses whether the hedging relationship complies with the hedging accounting requirements. The hedging relationship qualifies for hedge accounting if it meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of the credit risk does not dominate the changes in value that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as the one resulting from the quantity of the hedged item that an entity actually hedges and from the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

Hedging relationships that meet the above eligibility criteria are accounted as follows:

Cash Flow Hedging

The effective portion of the gain or loss on the hedging instrument is recognised in Equity under Fair Value of hedging instruments, while the ineffective portion is recognised immediately in the income statement.

If cash flow hedge accounting is interrupted, the cumulative amount in Equity shall remain if the hedged future cash flows are expected to still occur. Otherwise, the cumulative amount is reclassified immediately into the Income Statement as a reclassification adjustment. After the interruption (as soon as the hedged cash flows occur), any cumulative amount remaining in other comprehensive income is accounted according to the nature of the underlying transaction.

2.4.17 Cash and Bank Deposits

The amounts included in the Cash and bank deposits heading correspond to cash, demand deposits, term deposits and other short-term investments maturing in under three months, and which may be immediately redeemed at insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, the caption Cash and cash equivalents also includes bank overdrafts included in the Loans caption, in the Consolidated Statement of Financial Position.

2.4.18 Statement of cash flows

The statement of cash flows is prepared according to the direct method, through which the cash inflows and outflows in operating, investing and funding activities are disclosed.

2.5 SUBSEQUENT EVENTS

Events occurring after the reporting date that provide additional information on conditions existing on the date of issue of the Consolidated Statement of Financial Position are shown in financial statements.

Events occurring after the reporting date that provide additional information on conditions existing on the date of issue of the Consolidated Statement of Financial Position are disclosed in the Notes to the Financial Statements, if material.

2.6 MAIN ESTIMATES AND JUDGMENTS OF THE MANAGEMENT

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.

The most significant accounting estimates shown in financial statements are as follows:

Goodwill impairment analysis

The Goodwill value is tested annually and whenever there is evidence of impairment. 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.

Useful Life of Tangible and Intangible Assets

The useful life of an asset is the period during which the Group expects that asset to be available for its use and is reviewed at least at the end of each financial year.

The amortisation/depreciation method to apply and the estimated losses stemming from the replacement of equipment before the end of their useful life, for reasons of technological obsolescence, is crucial to determining the effective useful life of an asset.

These parameters are defined according to the management's best estimate for the assets and deals in question, also considering the practices adopted by companies from the sectors where the Group operates.

Leases – Estimated incremental rate, lease term and valuation method

The recognition of leases naturally involves the determination of the interest rate implied by the lease and the maturity of the lease.

The Group cannot easily determine the implicit lease rate, so it uses the incremental interest rate to measure the lease liability. The incremental interest rate is the interest rate that the Group would have to pay on a financing with similar conditions, which requires an estimate of the rate when no observable data is available on the market or when it has to be adjusted to reflect the financing conditions. In fact, the Group estimates the incremental interest rate on the basis of the market reference rate.

The lease term is determined on the basis of the best estimate of management to remain a party to the lease. The Group assesses the duration of leases by type of contract, taking into account the possibility of exercising with reasonable certainty the option of extending the lease:

- Hospitals and clinics – The Group assesses the possibility of exercising with "reasonable certainty the option to extend" the lease on these types of assets. To this end, and taking into account the growth of the Group in recent years, and the growing need to expand, the Group cannot say with reasonable certainty that these lease contracts will be renewed at the end of the initial term;
- Other real property – The Company analyses this category contract by contract, and in the case of renewal, the reasonableness and expectation of renewing the contract is assessed;
- Equipment and Vehicles – This type of contract has no option of renewal, so the lease term considered is the term of the contract.

Recognition and Measurement of Provisions

The recognition of provisions has associated to the determination of the probability of exit of future flows and their reliable measurement.

These factors are often dependent on future events and not always under the control of the Group and, as such, may lead to significant future adjustments, both via the variation of the assumptions used and via the future recognition of provisions previously disclosed as control liabilities.

Fair Value of financial instruments

When the fair value of the financial assets and liabilities on the balance sheet date is not determinable based on active markets, it is determined based on valuation techniques that include the discounted cash flow model or other suitable models under the circumstances. The inputs for these models are taken, whenever possible, from variables observable in the market; however, when this is not possible, a degree of judgement becomes necessary to determine the fair value, which encompasses considerations on liquidity risk, credit risk and volatility.

Impairment of receivables

The credit risk of the balances of accounts receivable is assessed at each reporting date, taking into account the expected credit loss over the duration of the asset. The Group established an impairment matrix based on loans that were lost over a statistically relevant period of 5 years, adjusted by specific prospective factors identified by the Group as the most appropriate for each group of customers, with similar characteristics and history of default. Additionally, the Group takes into account the following aspects:

- Debtor's significant financial difficulty;
- Breach of contract, such as failure to pay or non-compliance with interest payments or debt amortisation;
- Probability that the debtor will become bankrupt.

Impairment of non-financial assets

The impairment occurs when the accounting value of an asset of cash-generating unit exceeds its recoverable amount, which is the highest between the fair value net of costs of selling and its usage value.

The calculation of fair value net of costs of selling is based on the existing information from contracts already signed in transactions of similar assets with entities that have no relationships between them, or prices observable in the market net of incremental costs of selling the asset.

The value in use is calculated based on a discounted cash flow model that takes into account a budget for the next five years that does not include restructuring activities for which there still is no commitment, or future significant investments seeking to improve the future economic benefits that will arise from the cash-generating unit that is being tested.

The recoverable amount is particularly sensitive to:

- The growth rate used to extrapolate the cash flows beyond five years;
- The discount rates used to discount future cash flows.

Income taxes and deferred taxes

The determination of the amounts of income taxes and deferred taxes require the exercise of judgment and is subject to interpretation. Different interpretations could result in a different level of taxes on profits, both current and deferred, recognised in the period.

Only deferred tax assets are recognised insofar as it is likely that there will be taxable profit on which they can be used.

Assessment of the activity and revenue of the Public-Private Partnerships (“PPPs”)

The determination of the activity and revenue in the PPPs is carried out according to the provisions of the Management Contract (“MC”), namely the provisions of Appendix VII – Remuneration of the Establishment’s Managing Entity: the billing of the provided medical acts is carried out monthly, with the remainder being billed in the next financial period after the completion of the process of validating all medical, hospital and clinical acts, complementary diagnostic and treatment means (CDTMs) and the provision of medicines; every month, the activity of the month being referenced and of the previous months of the current year is reported, with the activity accumulated until December (annual activity) being reported by the end of January of the next year; this is followed by a reconciliation payment that is determined, by the end of the following year’s first half, based on the actual value of the share to be borne by the Portuguese National Health Service (as specified in subparagraph 1b of Clause 47 of the MC). The actual value of the share under the Portuguese National Health Service is calculated in accordance with paragraph 22 of the abovementioned annex VII to the Management Contract.

Contractual provisions

The Group carries out a detailed assessment of the potential risks associated with the valuation of the share under the Portuguese National Health Service (NHS), in particular regarding the eligibility of clinical acts reported to the public awarding entity, and also regarding the risks associated with the contractual performance parameters.

In the specific case of Vila Franca Hospital, Clause 123 (Reversal of Goods) of the MC provides that the goods subject to revert to the Public Contracting Entity must be in good working order and fully operational, with all conservation, maintenance and renewal operations met. Considering that all medical equipment reaching the end of their service life before the end of the MC must be subject to investment, an investment plan was drafted where the recognition of the future obligation of replacing said equipment by the end of the contract is forecast; as a result, a provision was created in 2013 with a corresponding entry in the Intangible Assets item – this asset is being amortised until May 2021.

Continuity of operations

The Group considered the results achieved and understand that the existing measures and those that are being taken regarding freeing operational resources (by reducing consumption and increasing productivity), are sufficient to ensure the normal operation of the activity and, therefore, no doubt being cast on the continuity of operations.

Escala Braga – Sociedade Gestora do Estabelecimento, S.A. (“Escala Braga”)

Checking procedures are currently taking place with Regional Health Authority North (Administração Regional de Saúde do Norte) (“ARS Norte”), regarding account settlement for 2017, 2018 and 2019 of the Braga Hospital Establishment.

Regarding the settlements for the accounts of 2017 and 2018, the assessment of the actual production, which should have been completed in June 2018 and June 2019 respectively, is presently being completed.

According to the provisions of the management contract, the agreement concerning 2019 shall take place by the end of June 2020.

The Group's Board of Directors is of the opinion that no significant financial impact will arise in the course of this closure process.

Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A. (“Escala Vila Franca”)

Checking procedures are currently taking place with the Regional Health Authority for Lisbon (Administração Regional de Saúde de Lisboa e Vale do Tejo, I.P. – “ARSLVT”), regarding adjustments made to Vila Franca de Xira Hospital accounts in 2013, 2014, 2015, 2016 2017, 2018 and 2019.

Regarding the settlements for the accounts of 2013, 2014, 2015, 2017 and 2018, the assessment of the actual production, which should have been completed in June 2014, 2015, 2016, 2017, 2018 and 2019 respectively, is presently being completed.

According to the provisions of the management contract, the agreement concerning 2019 shall take place by the end of June 2020.

The Group's Board of Directors believes that it is duly justified to make its wishes known, without resulting in any negative financial impact that has a significant negative effect on the accounts.

2.7 FINANCIAL RISK MANAGEMENT POLICIES

The Group, like most companies, is exposed to a number of market risks related to changes in interest rates and liquidity risks arising from its financial liabilities, as well as the credit risk resulting from its operational and cash management activity.

The Group's Financial Risk Management Policy seeks to ensure proper identification of risks associated with the business undertaken as well as to adopt and implement the necessary measures to minimise the negative impacts that adverse developments of the factors underlying these risks may have on the financial structure of the Group and on its sustainability.

Under the risk management process, the Group identified a set of risks associated with the financial performance of each company included in the consolidation considered materially more relevant, among which stand out the market (exposure to variations of interest rates), credit and liquidity risks.

The Group has a risk management model that seeks to minimise the potential adverse effects, using the instruments suited to cover the risks to which it is exposed.

Analysed below in more detail are the main financial risks that the Group is exposed to and the main measures implemented to manage those risks.

2.7.1 Market risk

The market risk is the risk of the changes in the markets' prices, such as interest rates, foreign exchange variations or evolution of the stock markets, affecting the Group's results and its financial position.

The Group is only exposed to risks stemming from changes in interest rates, thus the management of market risks is mostly focused on monitoring the evolution of the interest rates, which influence the remunerated financial liabilities (contracted on the basis of interest rates indexed to the evolution of the markets) and their impact on the consolidated financial statements.

2.7.2 Risk of exposure to variations in interest rates

The management of the interest rate risk aims to minimise exposure to changes in interest rates and their impact on the Financial Statements within the established limits.

The control policy adopted seeks to select suitable strategies for each business area in order to ensure that this risk factor does not adversely affect the operational capacity. On the other hand, the exposure to interest rate risk is also monitored via the simulation of adverse scenarios with a certain degree of probability that can negatively affect the Group's results.

Whenever the expectations of evolution of interest rates so warrant, the Group seeks to contract operations to protect against adverse changes through derivatives. The economic aspects of the instruments are the main factors in their selection.

Currently, the Group has contracted hedging instruments for cash flow risk with the sole intent of setting the interest rates of some of its credit lines. Plain vanilla interest rate swaps were contracted in 2015 covering 100% of the amounts of the bond loans issued in 2015 (EUR 14.3 million in total). The contracted swaps respect the characteristics of the aforementioned bond loans in order to be considered hedging products (similar indexer, time period and interest-payment deadlines). On the date of interest payment, José de Mello Saúde receives interest indexed to six-month Euribor for 100% of the capital in the bond loans and pays interest at a fixed rate on the same amount.

In 2017, following its policy to reduce exposure to interest rates, José de Mello Saúde issued a bond loan with a fixed interest rate. Thus, considering the effect of the contracted swaps, at the end of 2019, José de Mello Saúde held 17.3% of its financial debt contracted at fixed interest rates (38.1% in 2018).

The table below provides a sensitivity analysis of the impact of a potential increment of the Euribor rates in José de Mello Saúde's financial costs in 2019 and 2018:

	31-12-2019		31-12-2018	
	Rate variation (p.p)	Financial costs impact (euros)	Rate variation (p.p)	Financial costs impact (euros)
Non-current Borrowings	+0,5	+ 367 683	+0,5	+ 392 753
Current Borrowings	+0,5	+ 26 939	+0,5	+ 24 137
Non-current and current leases	+0,5	+ 187 593	+0,5	+ 210 319
		+ 582 216		+ 627 209

Analysis notes:

- Funding contracted at a fixed rate was excluded, namely the bond loans mentioned previously.
- Since the vast majority of the loans contracted by José de Mello Saúde are supported by the application of a floor of zero if Euribor rates are negative, and given that these were always negative in 2019 and 2018, a rate-reduction scenario was not simulated.

2.7.3 Credit risk

Credit risk is the risk that a counterparty has when it fails to fulfil its obligations regarding a financial instrument, resulting in a loss. The JMS Group is subject to credit risk in relation to the following activities:

- Operating activity – trade receivables, trade payables and other accounts receivable and payable;
- Financing activities.

The following table presents the Group's maximum exposure to credit risk:

	31-12-2019	31-12-2018
Other current assets (Note 25)	69,596	85,162
Trade receivables and advances to suppliers (Note 27)	92,972	99,518
Other current debtors (Note 24)	11,886	11,473
Other financial instruments (Note 29)	35,150	35,150
	209,604	231,304

For assets in the statement of financial position, the defined exposure is based on its recorded amount on the face of the financial position.

Accounts receivable

Credit risk is mainly related to credits of services provided to customers. This risk is tracked as follows:

- Following previously established policies, procedures and controls;
- Establishing credit limits for the customers, based on internal assessment criteria (average collection period);
- Impairment analyses on the values to be received on a regular basis;
- Outstanding amounts are monitored regularly.

The JMS Group has factoring contracts in force, through which it grants credit and transfers the collection risk to the factoring entity.

The Group presents no significant credit risk with any specific customer, insofar as the accounts receivable stem from a high number of customers.

The changes in the impairment losses of receivables are disclosed in Note 38.

It is the understanding of the Board of Directors that, at 31 December 2019, the estimated impairment losses on receivables are adequately reported in the financial statements.

Other Financial Instruments

Other Financial Instruments include bonds issued by shareholders José de Mello Capital, S.A. and Farminveste – Investimentos, Participações e Gestão, S.A. Risk monitoring is carried out periodically by the management, through the analysis of their annual reports, taking into account the following indicators:

- Analysis of the financial situation of the companies;
- Analysis of the level of solvency;
- Ability to generate liquid resources from the use of assets and analysis of the evolution of the financial situation;
- Analysis of the reviewers' opinions.

In addition, the rating of these entities is analysed by the DB Agency.

Other Investments

The outstanding amounts shown under Other investments essentially relate to: (i) participation in the capital of José de Mello Residências, e Serviços, SGPS, S.A. (IGFCSS, I.P.) and the Gestão Financeira da Segurança Social, I.P. (Office for the Financial Management of Social Security). (IGFSS, I.P.); (ii) participation in the capital of José de Mello Residências e Serviços, SGPS, S.A.

The management accompanies the activities of José de Mello Residências, e Serviços, SGPS, S.A. which allows risk monitoring to be carried out.

2.7.4 Liquidity risk

Liquidity risk stems from the potential inability to finance the Group's assets, or to meet the contracted liabilities on the expiration dates.

The management of the liquidity risk seeks to permanently track the treasury forecasts in order to ensure the fulfilment of all of the Group's liabilities toward the entities with which it deals in its activity. Through active management of the business plan and comprehensive mapping of needs or future cash surpluses, it also seeks to reduce the risk of financing by having a permanent relationship with the financial partners.

The table below presents the Group's liabilities according to intervals of contractual maturity at the end of 2019 and 2018. The amounts represent the non-discounted cash flows to be paid in the future:



31-12-2019				
	< 1 ano	1-5 anos	> 5 anos	Total
Financial debt:				
Bond loans	920	63,841	84,165	148,926
Pledged current accounts (Note 35)	8,009	0	0	8,009
Other borrowings	52,183	42,181	84,124	178,487
Commercial paper (Note 35)	47,726	12,665	50,341	110,732
Bank overdrafts (Note 35)	6	-	-	6
	108,844	118,687	218,630	446,161
Leasings:				
Lease creditors	13,556	32,188	42,399	88,143
	13,556	32,188	42,399	88,143
	122,400	150,875	261,029	534,304

31-12-2018				
	< 1 ano	1-5 anos	> 5 anos	Total
Bond loans	50,689	99,492	0	150,181
Pledged current accounts (Note 35)	1,003	0	0	1,003
Other borrowings	21,098	82,624	77,575	181,298
Commercial paper (Note 35)	25,000	5,296	19,375	49,671
Bank overdrafts (Note 35)	55	0	0	55
	97,845	187,412	96,950	382,208
Leasings:				
Lease creditors	8,769	28,431	27,501	64,701
	8,769	28,431	27,501	64,701
	106,614	215,843	124,451	446,908

3 FAIR VALUE ESTIMATE

The hierarchy for purposes of determining the fair value shall have the following levels and measurement bases:

Level 1 – market quotes net of assets, which the Group can access at the balance sheet's date of reference;

Level 2 – generally accepted evaluation models, based on inputs observable in the market, alternative to those mentioned in level 1;

Level 3 – evaluation models whose main inputs are not observable in the market.

The Group has valued at fair value the assets and liabilities listed in the table below, in which their corresponding hierarchy is also specified:

	Total 31-12-2019	Hierarchy of fair value		
		Level 1 Market Quotes	Inputs observable in the market	Inputs non- observable in the market
Assets valued at fair value				
Lands and Buildings (Note 19)	275,962			275,962
Other investments (Note 22)	2,006		977	1,029
Liabilities valued at fair value				
Financial Derivative Instruments				
Cash flow hedging (Note 41)	761	-	761	-

	Total 31-12-2018	Hierarchy of fair value		
		Level 1 Market Quotes	Level 2 Inputs observable in the market	Level 3 Inputs non- observable in the market
Assets valued at fair value				
Lands and Buildings (Note 19)	308,626	-	-	308,626
Other investments (Note 22)	2,141	-	1,090	1,051
Liabilities valued at fair value				
Financial Derivative Instruments				
Cash flow hedging (Note 41)	1,234	-	1,234	-

The fair value of the derivative financial instruments was determined by banking entities, based on inputs observable in the market and according to the generally accepted evaluation models and techniques.

The fair value of financial investments is determined by the market price.

Finally, the fair value (reassessed cost) of the Land and Buildings item relating to health service buildings was determined by independent external evaluators, based on inputs not observable in the market.

4 CAPITAL MANAGEMENT

The JMS Group is not a regulated entity in terms of capital ratios and therefore capital management is carried out within the group's financial risk management process.

The Group seeks to maintain an adequate level of equity to enable it not only to ensure the continuity and development of its business but also to provide adequate remuneration for its shareholders and to optimise the cost of capital.

The JMS Group actively monitors its capital structure, controlling the share of financing of its assets between equity and debt capital. In this context, the group tracks the gearing ratio, which is the net financial debt over total equity plus net financial debt. The calculation of the net financial debt includes the gross financial debt net of cash and cash equivalents and other financial instruments. Cash and cash equivalents and Gross Financial Debt include the amounts received from customers to be given to factoring. The following table presents the details of the calculation of this ratio for 2019 and 2018:

	31-12-2019	31-12-2018
Net Financial Debt (A)		
Gross financial debt	534,304	446,908
Cash and cash equivalents	60,281	67,396
Other financial instruments	35,150	35,150
	438,873	344,363
Equity (B)	122,044	94,748
Equity + Net Financial Debt (A+B)	560,917	439,110
Gearing ratio (A/(A + B))	78%	78%

JMS Group's analysis concerning their capital ratios focuses in greater detail on the net financial debt to EBITDA ratio, since the Group has a covenant calculated based on this ratio associated with several sources of funding. We must point out the four issued bond loans (for a total of EUR 149 million), which include a limit of 6x on the net financial debt to EBITDA ratio as a financial covenant. In the event that the JMS Group does not comply with this covenant, the bondholders may demand early repayment of the bonds. At the end of 2019 and 2018, this ratio reached values of 4.48x and 4.84x respectively.

5 COMPANIES INCLUDED IN THE CONSOLIDATION

5.1 COMPANIES CONSOLIDATED BY THE FULL CONSOLIDATION METHOD

On 31 December 2019, the consolidation included, through the full consolidation method, the parent company and the Group's following subsidiaries in which control is held:

Company	Registered office	Effective percentage	Control percentage	Business activity
Private healthcare services:				
Hospital CUF Descobertas, S.A.	Camaxide	100%	100%	Management and operation of a hospital
Hospital CUF Infante Santo, S.A. (a)	Camaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Porto, S.A. (b)	Camaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Torres Vedras, S.A. (c)	Camaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Cascais, S.A. (d)	Camaxide	100%	100%	Management and operation of a hospital and nursing units
Hospital CUF Viseu, S.A.	Viseu	100%	100%	Management and operation of a hospital
Hospital CUF Santarém, S.A.	Camaxide	100%	100%	Management and operation of a hospital
Hospital CUF Coimbra, S.A. (e)	Coimbra	100%	100%	Management and operation of a hospital
Clínica CUF Alvalade, S.A.	Camaxide	100%	100%	Provision of medical and nursing services
Clínica CUF Belém, S.A.	Lisboa	62.8071%	62.8357%	Provision of medical and nursing services
Clínica de Serviços Médicos Computorizados de Belém, S.A.	Lisboa	33.6491%	63.5730%	Provision of medical and nursing services
Instituto CUF - Diagnóstico e Tratamento, S.A.	Matosinhos	95.9955%	100%	Operation of health unit
HD Medicina Nuclear, S.A.	Lisboa	69.9960%	69.9960%	Provision of diagnosis services and therapy in the nuclear medicine field
Ecografia de Cascais, Lda.	Cascais	100%	100%	Operation of a diagnosis and radiology medical centre
Nova Imagem - Centro Radiodiagnóstico, S.A.	Camaxide	100%	100%	Operation of a diagnosis and radiology medical centre
SIM-X - Serviço de Imagem Médica, Lda.	Viseu	100%	100%	Operation of a diagnosis and radiology medical centre

Company	Registered office	Effective percentage	Control percentage	Business activity
Clínica Dr. Luís Álvares, S.A.	Lisboa	100%	100%	Operation of a diagnosis and radiology medical centre
JMS - Prestação de Serviços de Saúde, ACE	Camaxide	99.2670%	100%	Provision of operational, administrative and health services
JMS - Serviços de Logística, ACE	Camaxide	99.1975%	100%	Provision of operating services (catering, cleaning and maintenance)
Ecoclínica - Diagnóstico por Imagem, Lda.	Oeiras	100%	100%	Operation of a diagnosis and radiology medical centre
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.	Lisboa	100%	100%	
Centro Logístico CUF Unipessoal, Lda.	Camaxide	100%	100%	Distribution and commercialization of medication and medical devices
Sonomedicus - Centro de Diagnóstico Médico, Lda	Coimbra	100%	100%	Operation of a diagnosis and radiology medical centre
Pandiag - Centro de Diagnóstico, Lda	Coimbra	100%	100%	Operation of a diagnosis and radiology medical centre
Public healthcare services:				
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	Braga	99.9999%	99.9999%	Management and operation of a public hospital
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	V.F. de Xira	99.9950%	99.9950%	Management and operation of a public hospital
Infrastructures:				
Infrahealth – Gestão de Infraestruturas, Lda.	Camaxide	100%	100%	Operation, management and marketing of healthcare infrastructure, commercial areas and car parks
Imo health - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo health Belém - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo health Matosinhos - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo health Torres Vedras - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Imo health Cascais - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
SIMPLYGREEN - Investimentos Imobiliários, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Greenimolis - Investimentos, S.A.	Camaxide	60%	60%	Buying and selling real estate, exchange and renting property
Hospimob - Imobiliária, S.A.	Camaxide	100%	100%	Buying and selling real estate, exchange and renting property
Others:				
José de Mello Saúde, S.A.	Camaxide	Shareholder		Purchase and sale of equipment and provision of management and consultancy services
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Matosinhos	95.9955%	95.9955%	Management of shareholdings
Vramondi International BV	Roterdão	100%	100%	Management of shareholdings
Academia CUF, Sociedade Unipessoal, Lda.	Camaxide	100%	100%	Provision of training services in the nursing and clinical services field
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	Camaxide	70.5000%	70.5000%	Provision of external services of occupational safety, hygiene and health
PPPS - Gestão e Consultoria, S.A.	Camaxide	100%	100%	Provision of management, consultancy, operating and administrative services in the healthcare sector
Digihealth, S.A.	Camaxide	88%	88%	IT and management consulting and advisory services for healthcare providers

(a) The activity of this company includes domiciliary services (resulting from a division-merger operation of SPSP – Sociedade Portuguesa de Serviços Domiciliários, S.A.), as well as the management of CUF Miraflores Clinic and CUF Almada Clinic, which are clinically and administratively accountable to Hospital CUF Infante Santo, S.A.

(b) The activity of this company also includes the management of CUF São João da Madeira Clinic, which is clinically and administratively accountable to Hospital CUF Porto, S.A.

(c) The activity of this company also includes the management of CUF Mafra Clinic, which is clinically and administratively accountable to Hospital CUF Torres Vedras, S.A.

(d) The activity of this company also includes the management of CUF São Domingos de Rana Clinic and CUF Sintra Clinic, which are clinically and administratively accountable to Hospital CUF Cascais, S.A.

5.2 ASSOCIATES

The associates registered through the equity method as of 31 December 2019 (Note 21) are the following:

Company	Registered office	Effective percentage	Control percentage	Business activity
Centro Gamma Knife-Radiocirurgia, S.A.	Lisboa	34.00%	34.00%	Operation of radiosurgery treatment units
Hospital da Ordem da Trindade, S.A.	Porto	46.78%	46.78%	Management and operation of a hospital and nursing units

6 CHANGES IN THE CONSOLIDATION PERIMETER

The main changes in the consolidation scope, in the financial years ended 31 December 2019 and 2018, mainly concerned:

6.1 2019 ENTRIES

(a) Subsidiary companies

Company	Registered office	Acquisition date	Percentage capital held	
			Effective	Control
Sonomedicus - Centro de Diagnóstico Médico, Lda	Coimbra	30-May-19	100%	100%
Pandiag - Centro de Diagnóstico, Lda	Coimbra	30-May-19	100%	100%

The activity carried out by each of the companies indicated in the table above is described in section 5.1.

As part of its growth strategy, JMS seeks to expand its network across several geographies. In this sense, the acquisition of new companies that have agreements with subsystems in their portfolio enables boosting the Group's desired and outlined growth. Control of these companies is obtained through the acquisition of the majority of the voting rights of these companies.

The Sonomedicus Group, which comprises the companies Sonomedicus – Centro de Diagnóstico Médico, Lda (“Sonomedicus”) and Pandiag – Centro de Diagnóstico, Lda (“Pandiag”), was acquired in May 2019. The capital of Pandiag is 100% owned by Sonomedicus. The Sonomedicus Group has as its company object the provision of radiology, ultrasound and other medical diagnostic services.

The main advantages JMS hopes to achieve by acquiring the Sonomedicus Group are the transfer of the agreements and conventions held by these companies, which will boost the growth of CUF health units in that geographical area.

The goodwill of EUR 487 thousand includes the value of the expected synergies stemming from the company's acquisition.

The costs incurred for the business combinations amounted to EUR 11,000 and refer to due diligence carried out in the context of the acquisition operations, which were undertaken in 2018 during the negotiation process of the acquisition.

The entry of these entities into the consolidation scope had the following impact on consolidated financial statements:

	Sonomedicus	Pandiag	TOTAL
Net assets acquired:			
Intangible assets	-	-	-
Tangible fixed assets	4	-	4
Other investments	18	-	18
Deferred tax assets	-	-	-
Inventories	-	-	-
Trade receivables and advances to suppliers	104	29	133
State and other public entities	-	(147)	(147)
Other debtors	149	-	149
Other assets	12	-	12
Cash and cash equivalents	263	236	499
Borrowings	(38)	-	(38)
Deferred tax liabilities	-	-	-
Trade payables and advances from clients	(36)	(8)	(44)
State and other public entities	(9)	(0)	(9)
Other liabilities	(42)	-	(42)
Other creditors	(1)	-	(1)
	<u>425</u>	<u>109</u>	
Goodwill (Note 17)	487	-	
	<u>(15)</u>	<u>-</u>	
Acquisition price	<u>897</u>	<u>109</u>	
Settlement by monetary means (Note 44)	964		
Amount due	41		

The stated values are the fair values of these subsidiaries' assets and liabilities. No contingent liabilities were identified in these business arrangements. The gross amounts receivable from customers and other debtors correspond to their fair value and no loss of value is expected.

The contributions of these two companies to the net profit attributable to shareholders of the JMS Group in the accounting period ended 31 December 2019 were negative EUR 7.5 thousand. The detail of these contributions is as follows:



	Sonomedicus	Pandiag	TOTAL
Operating income:			
Sales and services rendered	219	20	240
Other operating income	5	0	5
Total operating income	224	20	245
Operating costs:			
Cost of sales	-	-	-
External supplies and services	(172)	(20)	(192)
Personnel costs	(45)	-	(45)
Amortisations and depreciations	(3)	-	(3)
Provisions and impairment losses, net	-	-	-
Other operating costs	(10)	-	(10)
Total operating costs	(231)	(20)	(251)
Operating profit	(6)	0	(6)
Financial expenses and losses	(2)	(0)	(2)
Financial income and gains	-	0	0
Profit/loss of associates	-	-	-
Profit/loss of investment activities	-	-	-
Financial results	(2)	0	(2)
Pre-tax profit	(8)	0	(8)
Income tax	-	-	-
Net profit for the year	(8)	0	(8)

The amounts described in the table above concern the activity of the companies included in the consolidated accounts since their acquisition.

(b) Associated companies

Company	Registered office	Acquisition date	Percentage capital held	
			Effective	Control
Hospital da Ordem da Trindade, S.A.	Porto	31-Jan-19	47%	47%

The activity carried out by the company indicated in the table above is described in section 5.2.

The José de Mello Saúde Group entered into a partnership with the Celestial Ordem Terceira da Santíssima Trindade (Ordem da Trindade), which has been in force since 1 February 2019, with a view to reinforcing the healthcare mission at the Ordem da Trindade Hospital in Porto. To this end, the Ordem da Trindade set up a company (Hospital da Ordem da Trindade, S.A.) to which it transferred the hospital, and the José de Mello Saúde Group acquired a minority stake in that company. In this context, the Group participates in the management of hospital care provision, while the Ordem da Trindade, the majority partner in the company, retains sole ownership and responsibility for the management of hospital infrastructure.

6.2 2018 ENTRIES

Company	Registered office	Acquisition date	Percentage capital held	
			Effective	Control
Imo health Belém - Investimentos Imobiliários, S.A.	Carnaxide	6-Mar-18	100%	100%
Imo health Santarém - Investimentos Imobiliários, S.A.	Carnaxide	6-Mar-18	100%	100%
Imo health Matosinhos - Investimentos Imobiliários, S.A.	Carnaxide	6-Mar-18	100%	100%
Imo health Torres Vedras - Investimentos Imobiliários, S.A.	Carnaxide	6-Mar-18	100%	100%
Imo health Cascais - Investimentos Imobiliários, S.A.	Carnaxide	6-Mar-18	100%	100%
Greenimolis - Investimentos, S.A.	Carnaxide	12-Mar-18	100%	100%
Ecoclínica - Diagnóstico por Imagem, Lda.	Oeiras	5-Jan-18	60%	60%
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.	Lisboa	1-Oct-18	100%	100%

On 31 December 2018, the entry of these entities into the consolidation scope had the following impact on the consolidated financial statements:

	Ecoclínica	CENES	TOTAL
Net assets acquired:			
Intangible assets	-	10,832	10,832
Property, plant and equipment	1,474	1,613,854	1,615,329
Other investments	-	11,093	11,093
Deferred tax assets	-	171,283	171,283
Inventories	-	45,864	45,864
Trade receivables and advances to suppliers	30	290,322	290,352
State and other public entities	1,778	9,829	11,607
Other debtors	5,870	661	6,531
Other assets	6,312	63,855	70,167
Cash and cash equivalents	2,201	31,434	33,635
Borrowings	-	-	-
Deferred tax liabilities	-	-	-
Trade payables and advances from clients	(1,143)	(95,925)	(97,067)
State and other public entities	(969)	(68,410)	(69,379)
Other liabilities	(2,573)	(77,710)	(80,283)
Other creditors	(3,037)	(748,396)	(751,433)
	<u>9,944</u>	<u>1,258,587</u>	
Goodwill (Note 17)	-	616,412	
	<u>25,056</u>	<u>-</u>	
Acquisition price	<u>35,000</u>	<u>1,874,999</u>	
Settlement by monetary means (Note 44)	35,000	1,174,999	
Amount due (Note 39)	-	700,000	

The stated values are the fair values of these subsidiaries' assets and liabilities. No differences were detected in the assets and liabilities that could affect the preliminary determination of the Goodwill determined in the previous year.

The acquisition contract for CENES has an underlying contingent value, which depends on meeting certain conditions (centralisation of the sterilisation for the Group's units and implementation of processes that grant autonomy to the Group) that should occur between 18 and 24 months from the date of the contract. If these conditions are not met for reasons attributable to the sellers, an amount of 175 thousand euros will be deducted from the acquisition value. As of 31 December 2019, the contingent value referred to above remains valid.

6.3 OTHER OPERATIONS

In 2019, the following companies were liquidated as part of the corporate restructuring carried out: PPPS II - Gestão e Consultoria, S.A., PPPS III - Gestão e Consultoria, S.A., Imo Health Santarém – Investimentos Imobiliários, S.A., Loja Saúde CUF, Produtos e Serviços de Saúde e Bem Estar, S.A.

Digihealth and Haspac

The Ministry of Health terminated the concession contract with the Hospital Amadora Sintra – Sociedade Gestora, S.A. (“HAS”), currently named Digihealth, S.A., on 6 November 2007. This company had managed the Prof. Dr. Fernando Fonseca EPE Hospital. The transfer of management took effect from 1 January 2009. For this reason, this activity was discontinued. Consequently, the activity of another company of the Group, HASPAC – Patologia Clínica, S.A. (“Haspac”), which operated the Clinical Pathology Department on an exclusive basis of Digihealth was also discontinued.

On 12 December 2012, the arbitration tribunal, in the current arbitration process, issued a ruling ordering the Regional Health Administration of Lisbon and the Tagus Valley I.P. (“ARSLVT”) to pay HAS the sum of EUR 18,123,526 as compensation for the termination of the concession. Although ordered to and given notice pay, ARSLVT never paid the ordered amount. ARSLVT filed an action to annul the arbitration ruling in the South-Central Administrative Court and the decision is still pending.

At the end of the first quarter of 2014, Digihealth noted that the effort put into collecting from the ARSLVT was not producing the desired outcome. Therefore, and with the aim of paying off, even if partially, the liabilities contracted with its creditors, Digihealth sounded out the market and managed to find an entity, Finanfarma – Sociedade de Factoring, S.A., willing to sign a factoring contract and to pay a very large sum for the acquisition of Digihealth’s credit over ARSLVT, expressly envisaging the possibility of appealing to the Special Revitalisation Process (“SRP”). The strategy advocated by Digihealth was supported by a large majority of creditors (74.46%) representing their liabilities. On 1 August 2014, DigiHealth filed the PER process following approval from 84% of creditors, and subsequently ratified by the Commercial Court of Lisbon on 5 March 2015.

Even though it had obtained support from different creditors (47.98%), representatives of the HASPAC liability, the truth is that it was not possible to achieve the qualified majority of 67%, thereby enabling an arrangement with creditors to be made. In this context, HASPAC Management was forced to proceed with a voluntary submission request to insolvency at the Tribunal da Comarca de Lisboa Oeste. It had been declared insolvent on 19 February 2015, and the respective insolvency administrator was appointed.

As in previous years, the JMS Group considered that there is no effective control of the HASPAC subsidiary and, as such, it was excluded from the consolidation scope.

Regarding the subsidiary currently known as Digihealth, the Board of Directors carried out its activity in accordance with the context and commitments taken on with the creditors, namely the Special Revitalisation Process (SRP). This process limits the Board’s actions to the realisation of assets for the sole purpose of settling liabilities related to creditors recognised in the SRP. In view of this limitation, the Group believes that it does not have effective control over these assets and liabilities, for which reason they were not included in the consolidation process.

Nevertheless, after the final and unappealable decision of the SRP, Digihealth, previously known as “HAS”, remained in activity and with a new corporate purpose, a change materialised in a General Meeting of shareholders.

Digihealth began redirecting activity to a new sector which will enable it to generate revenue over the coming years.

Given the progressive growth of the new activity, the Group considered from 2018 onwards, that this consists of a separate entity, opting for its inclusion in the consolidation scope. The Group believes that it has effective control over the respective assets and liabilities, as well as the power and ability to use that power to affect the value of the results of the new activity.

7 BUSINESS SEGMENTS

As argued in IFRS 8, the Group presents the operating segments based on the internal management information model provided to the main agent responsible for making the Group’s operational decisions, who is responsible for the allocation of resources to the segment and for the evaluation of its performance as well as for making strategic decisions.

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

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

On 31 December 2019, the “Private healthcare” business area includes the following units:

- eight hospitals providing a total of 575 inpatient beds; 626 consultation rooms; 55 operating theatres, 5 delivery rooms, and a wide offer of specialist consultations, exams, dental care, check-ups, physical and rehabilitation medicine;
- nine outpatient clinics, with 296 consultation rooms, and offering specialist consultations, exams, dental care, check-ups, physical and rehabilitation medicine and also the possibility of carrying out minor surgeries;
- one high-technology diagnosis and treatment unit including 50 specialist consultation rooms; and,
- six clinical imaging units with a wide range of tests (bone densitometry, ultrasound scan, mammography, radiology, magnetic resonance imaging and computed tomography).
- two complementary groupings of companies (ACE), which provide IT, operational, administrative and logistics services to the Group’s companies.

The “Public Healthcare” business area results from two partnership contracts with the Portuguese State.

- The Braga Hospital Establishment - resulting from a public-private partnership (established in December 2008), the Management Agreement with ARS Norte IP started on 1 September 2009 and was in force for ten years. It ended on 31 August 2019 when the Group left the management of the Hospital. The new Braga Hospital, which is part of the NHS, opened in 9 May 2011 and has a total hospital floor area of 102,000 m²,



658 inpatient beds and 128 consultation rooms, 7 operating theatres and one delivery block with eight rooms, serving a population of 1.2 million inhabitants in the Braga and Viana do Castelo districts

- 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 a two-year period. In April 2013, the new Vila Franca de Xira Hospital opened, with a gross construction area of 49,000 m², 313 inpatient beds and 33 consultation 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. This management contract will be in effect until 31 May 2021.

In the case of the two partnership contracts between JMS and the Portuguese State, the Group concluded that IFRIC 12 — Service concession arrangements is not applicable.

IFRIC 12 does not define what service concession contract for a public entity (grantor) to a private entity (concession). However, it defines the common characteristics that a concession must have. Thus, in accordance with IFRIC 12(3)(b), in a concession contract *"the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor"*.

According to the partnership agreements, the group does not perform the infrastructure management of the Braga and Vila Franca Hospitals. As such, the infrastructure is not recognised in the fixed assets, and the infrastructure is registered in the companies that are responsible for the building (Escala Braga - Sociedade gestora do Edifício, S.A. and Escala Vila Franca de Xira - Sociedade gestora do Edifício, S.A.), which are not part of the group.

Only medical equipment, which is in the hospital where it is used and which is owned by the Company and therefore by the Group during the contract period, is recognised in property, plant and equipment. The Group may dispose of such as it sees fit only with a view to ensuring at the end of the contract that it delivers the equipment in good working order.

The "Infrastructure" segment includes ten entities whose company object is the purchase, sale, management and lease of health infrastructure, commercial spaces and car parks. In its entirety, this segment mostly includes the construction, management and operation of 13 buildings and ten car parks (for a total of 1,798 parking spaces).

The "Other" segment integrates, in addition to the management of holdings, seven entities providing management, training, accounting, consulting, cleaning and maintenance services, and also leasing of medical equipment, negotiation and procurement services. The Group also has units that (i) provide safety, hygiene and health services at work that are indispensable for monitoring workers' health and environmental working conditions, (ii) provide personalised home health care, including in the areas of gerontology, maternal-child care, convalescence monitoring and palliative care.

Although the Group allocates real property to the "Infrastructure" segment, it is considered in the consolidated sphere to be property, plant and equipment and not to be investment property. These properties in the individual accounts of each of the holding companies are classified as Investment Property under IAS 40. This classification takes account of the company object of the companies in question, in that the buildings are held for rental to the various units of the group. Already within the scope of the consolidated text, and since these properties are rented exclusively to companies of José de Mello Saúde, the Group considers that the requirements for the definition of investment property are no longer met. In fact, within the framework of the consolidated system, the buildings are held for the purpose of use in the provision of healthcare services, which is the main activity of the Group. Thus, for consolidated accounts, these same properties are treated under IAS 16.

It should also be noted that the Group analyses the "Infrastructure" segment separately for decision-making and performance assessment purposes. This segment is predominantly represented by Imo Health – Investimentos Imobiliários, S.A., and therefore has separate financial information.

The main information concerning the contribution from each segment (after the elimination of balances and transactions internal to the segments) for the financial years ending on 31 December 2019 and 2018 is as follows:

2019

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Services rendered						
External clients	484,850	203,412	113	3,178	-	691,554
Intersegment	1,244	-	17,794	3,851	(22,889)	-
Total sales and services rendered	486,095	203,412	17,907	7,029	(22,889)	691,554
Other operating profit	4,054	2,650	3,827	818	(1,394)	9,955
Operating costs	(446,670)	(202,169)	(13,453)	(6,043)	20,464	(647,871)
Segment operating profit	43,479	3,894	8,281	1,804	(3,819)	53,639
Financial expenses and losses	(12,682)	(228)	(9,944)	(7,724)	13,868	(16,709)
Financial income and gains	287	470	0	7,322	(7,049)	1,029
Profit/loss of associates	(356)	-	-	-	-	(356)
Profit/loss of investment activities	74	10	(6)	(96)	-	(18)
Financial results	(12,677)	252	(9,950)	(498)	-	(16,053)
Pre-tax profit	30,802	4,146	(1,669)	1,306	(3,819)	37,585
Income tax	(10,554)	318	(1,029)	2,671	-	(8,594)
Profit attributable to non-controlling interests	(8)	(0)	108	(78)	-	22
Net profit for the year attributable to shareholders	20,239	4,464	(2,589)	3,899	(3,819)	29,013

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

Other information:

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 19)	13,157	4,004	77,391	5,950	-	100,502
Depreciation and amortisation in profit/loss	35,373	9,510	8,645	2,043	(16,197)	39,374
Provisions and impairment losses, net	1,490	4,646	(1,268)	12	-	4,881

Assets and liabilities per business segment and corresponding reconciliation with the consolidated total at 31 December 2019 are as follows:

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Assets by segments						
Tangible fixed assets	65,919	3,178	375,594	286	-	444,977
Right of use	201,225	86	63,490	1,332	(157,095)	109,037
Goodwill	3,258	-	42,799	-	-	46,056
Trade receivables and advances to suppliers	87,284	14,272	792	9,833	(19,210)	92,972
Investments in associates	1,916	-	-	-	-	1,916
State and other public entities	865	19	1,382	16,088	(11,466)	6,888
Other assets	20,648	46,977	715	4,566	(3,309)	69,596
Other financial instruments	18,650	-	-	16,500	-	35,150
Cash and cash equivalents	33,327	10,770	(4,115)	20,299	-	60,281
Other assets by segments	24,504	5,401	43,491	346,615	(375,721)	44,291
Total consolidated assets	457,596	80,704	524,146	415,520	(566,801)	911,165
Liabilities						
Borrowings	15,432	6	198,651	232,072	-	446,161
Fease creditors	192,038	441	46,164	9,535	(160,036)	88,143
Trade payables and advances from clients	50,414	56,546	17,316	1,411	(19,336)	106,351
State and other public entities	14,765	2,073	3,232	339	(11,466)	8,943
Other liabilities	64,320	11,108	3,270	3,800	(3,309)	79,189
Other liabilities by segments	73,023	34,853	146,164	1,973	(199,611)	56,402
Total consolidated liabilities	409,992	105,028	414,796	249,131	(393,758)	785,190

The group has chosen to finance itself at José de Mello Saúde, S.A., where it manages to obtain better financial conditions. Business financing occurs mainly through remunerated shareholder loans. This business financing model justifies the allocation of most of the total amount of loans to the Other segment.

Other segment assets comprise Inventories, Intangible Assets, Other debtors, Other investments and Deferred tax assets. In turn, the item Other liabilities related to segments is composed of Other creditors, Provisions, Deferred tax liabilities and Employee benefits.

The breakdown by segment of the amounts receivable from the customers which are most significant to the Group is as follows:

	2019
	Ponderation of total debt
<u>Private healthcare services</u>	
Private entities	24%
Public entities	32%
Private Citizen	8%
Insurance companies	35%
<u>Public healthcare services</u>	
Private entities	6%
Public entities	77%
Private Citizen	7%
Insurance companies	10%
<u>Infra-structures</u>	
Private entities	100%
<u>Other</u>	
Private entities	96%
Public entities	1%
Insurance companies	3%

2018

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Services rendered						
External clients	433,659	236,803	115	3,020	-	673,597
Intersegment	1,199	-	14,617	3,343	(19,159)	-
Total sales and services rendered	434,858	236,803	14,732	6,363	(19,159)	673,597
Other operating profit	3,423	2,460	3,276	1,955	(1,602)	9,512
Operating costs	(398,125)	(250,069)	(9,700)	(14,768)	20,741	(651,921)
Segment operating profit	40,156	(10,806)	8,308	(6,450)	(21)	31,187
Financial expenses and losses	(5,166)	(562)	(8,962)	(7,899)	7,092	(15,497)
Financial income and gains	265	0	-	7,464	(7,025)	704
Profit/loss of associates	133	-	-	-	-	133
Profit/loss of investment activities	2,112	-	-	3,954	-	6,067
Financial results	(2,655)	(562)	(8,962)	3,519	-	(8,593)
Pre-tax profit	37,501	(11,368)	(654)	(2,932)	(21)	22,593
Income tax	(11,536)	(36)	(1,216)	6,023	-	(6,764)
Profit attributable to non-controlling interests	(270)	(0)	74	(39)	-	(235)
Net profit for the year attributable to shareholders	25,695	(11,404)	(1,797)	3,053	(21)	15,594

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

Other information:

	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Fixed capital expenses (Note 19)	28,001	3,311	47,209	1,818	-	80,339
Depreciation and amortisation in profit/loss	(14,686)	(10,197)	(6,556)	(1,389)	-	(32,828)
Provisions and impairment losses, net	(2,739)	(4,366)	-	(37)	-	(7,142)

Assets and liabilities per business segment and corresponding reconciliation with the consolidated total at 31 December 2018 are as follows:



	Private healthcare services	Public healthcare services	Infra-structures	Others	Eliminations	Consolidated
Assets by segments						
Tangible fixed assets	83,542	7,524	341,926	5,938	-	438,929
Goodwill	2,771	-	42,799	-	-	45,569
Trade receivables and advances to suppliers	91,978	14,823	1,313	10,711	(19,307)	99,518
Investments in associates	265	-	-	-	-	265
State and other public entities	123	-	2	3,909	-	4,034
Other assets	19,001	63,919	712	5,084	(3,553)	85,162
Other financial instruments	18,650	-	-	16,500	-	35,150
Cash and cash equivalents	29,164	9,087	25,863	3,282	-	67,396
Other assets by segments	31,266	11,143	4,150	133,257	(138,587)	41,228
Total consolidated assets	276,758	106,495	416,765	178,680	(161,447)	817,252
Liabilities						
Borrowings	39,912	-	152,433	189,863	-	382,208
Finance lease creditors	20,353	936	38,969	4,443	-	64,701
Trade payables and advances from clients	67,198	77,785	10,238	1,525	(35,684)	121,062
State and other public entities	4,529	4,285	1,446	194	-	10,455
Other liabilities	58,867	30,792	3,551	4,795	(7,324)	90,681
Other liabilities by segments	84,469	26,634	146,093	13,329	(221,280)	49,245
Total consolidated liabilities	275,328	140,433	352,730	214,149	(264,288)	718,352

The breakdown by segment of the amounts receivable from the customers which are most significant to the Group is as follows:

	2018
	Ponderation of total debt
<u>Private healthcare services</u>	
Private entities	15%
Public entities	37%
Private Citizen	8%
Insurance companies	40%
<u>Public healthcare services</u>	
Private entities	5%
Public entities	79%
Private Citizen	6%
Insurance companies	11%
<u>Infra-structures</u>	
Private entities	100%
<u>Other</u>	
Private entities	96%
Public entities	4%
Private Citizen	1%
Insurance companies	0%

8 OPERATING INCOME

Operating income in the financial years ended on 31 December 2019 and 2018 is broken down as follows:

	31-12-2019	31-12-2018
Sales and services:		
Sales	22	292
Services rendered:		
Hospital and clinical activity	501,880	437,736
Public health service	183,974	231,100
Occupational Hygiene, Safety and Medicine	2,630	2,478
Home Services	1,090	1,323
Others	1,959	668
	691,554	673,597
Other operating income:		
Assignment of space	3,910	3,916
Personnel transfer	1,200	1,185
Clinical tests and analyses	1,083	632
Hospital projects and technical consultancy	718	970
Recovery of outstanding debts	658	437
Clinical Trials Events (Conferences and Congresses)	568	584
Management contracts with regional health authorities	314	431
Transport of patients	228	276
Prompt payment and discounts obtained	190	154
Assignment of personnel	95	-
Volume discount	71	120
Gains obtained on sale of assets	42	63
Internships	14	12
Provisional retirement	10	68
Operating grants	9	-
Other operating income	845	664
	9,955	9,512
	701,509	683,108

Sales and services rendered grew by 2.69% compared to the previous year, driven mainly by the hospital and clinical activity of the CUF network. 2019 was guided by the consolidation of the clinical supply of CUF Hospitals and Clinics and the growth of the activity of providing private health services, which is cross-sectional to all lines of care.

Of the main factors contributing to the growth of activity in 2019, it should be noted that:

- Increasing number of specialist consultations, block surgeries and episodes in permanent care;
- Opening of CUF Sintra Hospital in the first half of 2019;
- The first full year of operation of the expansion building of the CUF Descobertas Hospital, which was opened in July 2018 and allowed an increase in installed ambulatory capacity;
- Opening of the ambulatory clinic and night-time walk-in medical care clinic at CUF Infante Santo Hospital;
- Opening of the ophthalmology block in Building 2 of the CUF Descobertas Hospital;
- Start of Linear Accelerator activity at the CUF Descobertas Hospital.

As for the provision of health services under a public-private partnership, it is important to note the end of the concession contract at the Braga Hospital on 31 August 2019, which justifies the variation of the "national health service" heading for the same period.

The "Assignment of space" item predominantly includes the amounts concerning the operation of car parks and the cafeteria areas of the Group's units.

In turn, the heading "Assignment of operation" includes the assignment of operation to the company Dr. Campos Costa – Consultório de Tomografia Computorizada, S.A.

9 COST OF SALES

Cost of sales in the financial years ended on 31 December 2019 and 2018 was determined as follows:

	31-12-2019	31-12-2018
Inventories at 1 January (Note 26)	12,734	14,230
Changes in consolidation perimeter:		
companies joining	-	46
companies leaving	(97)	-
Procurement	121,028	124,867
Cost of sales	(118,770)	(126,409)
Inventories at 31 December (Note 26)	14,895	12,734

10 EXTERNAL SUPPLIES AND SERVICES

External supplies and services in the financial years ended on 31 December 2019 and 2018 are broken down as follows:



	31-12-2019	31-12-2018
Fees	167,426	154,904
Subcontracts	30,173	28,602
Specialist work	26,929	28,919
Maintenance and repair	16,386	13,771
Electricity	6,338	6,839
Rents and leases	3,806	9,857
Communications	3,097	1,640
Advertising	2,292	2,869
Fuel	1,883	1,918
Insurance	1,881	1,729
Water	1,469	1,210
Tools and utensils	1,202	1,013
Collection of waste	1,173	1,244
Travel and accommodation	951	822
Air conditioning	702	488
Road tolls	363	273
Litigation and notary public fees	349	351
Courier services	329	236
Cleaning, hygiene and comfort	180	219
Office material	80	128
Articles for free distribution	31	143
Books and technical documentation	30	38
Transport of goods	18	10
Other supplies and services	822	343
	267,907	257,565

External Supplies and Services recorded an increase of about 4% compared to the previous year, which is justified by the Group's increased activity. Its main subitems concern:

- Fees (62%) – this item includes the amounts paid to healthcare professionals (doctors, nurses, diagnostic technicians and auxiliary staff) of the various units within the scope of the Group's operating activity;
- Subcontracts (11%) – includes contracting specific services such as (i) catering, (ii) cleaning, (iii) patient transport and (iv) CDTMs;
- Specialist Work (10%) – this item essentially concerns clinical works;

Rent costs decreased year-on-year as a consequence of the application of IFRS 16 – Leases accounting standard on 1 January 2019. In 2019, the heading "Rent and Hire" includes costs with rental and/or hire contracts that are not eligible as leases, in accordance with IFRS16 accounting rules, short-term and low-value contracts and variable payments under lease contracts.

11 PERSONNEL COSTS

The number of employees at 31 December 2019 and 2018 per business segment was as follows:

	31-12-2019	31-12-2018
Public healthcare services	1,355	4,125
Infrastructure	-	-
Private healthcare services	5,147	4,738
Other	62	56
	6,564	8,919

The reduction in the number of staff compared to 2018 is justified by the end of the public-private partnership at the Braga Hospital on 31 August 2019.

The personnel expenditure in the financial years ended on those dates was as follows:

	31-12-2019	31-12-2018
Remuneration of governing bodies	3,767	3,561
Wages	144,100	155,632
Wage-related expenses	36,121	37,866
Social security contributions	9,824	10,002
Insurance	4,906	4,279
Indemnities	289	334
Instruction	2,938	4,239
Employee benefits	255	189
Other personnel costs	9,224	9,204
	211,424	225,304

Other personnel expenses are mainly related to performance bonuses given to the Group's employees.

The personnel expenditure heading has been reduced by 6% year-on-year, justified by the end of the public-private partnership in Braga on 31 August 2019.

12 OTHER OPERATING COSTS

Other operating costs for the financial years ended on 31 December 2019 and 2018 were as follows:

	31-12-2019	31-12-2018
Donations	1,304	487
Taxes	2,105	1,392
Uncollectable debts	412	241
Fines and penalties	278	53
Contributions to associations	233	256
Others	1,182	244
	5,515	2,673

The Taxes item predominantly includes expenditure with Municipal Property Tax (MPT) and with Stamp Duty.

Other mainly includes expenditure associated with a protocol concluded in 2019, which justifies the increase compared to the previous year.

13 FINANCIAL RESULTS

The financial results in the financial years ended on 31 December 2019 and 2018 is broken down as follows:

	31-12-2019	31-12-2018
Financial expenses and losses:		
Interest expenses	(13,090)	(12,081)
Bank fees and services	(2,944)	(2,564)
Derivatives - Interest rate (Note 41)	(630)	(852)
Foreign exchange losses	(42)	(0)
Other financial losses and expenses	(3)	-
	(16,709)	(15,497)
Financial income and gains:		
Interest earned	952	657
Foreign exchange gains	40	-
Other financial income and gains	37	47
	1,029	704
Profit/loss of associates:		
Losses in associates	(499)	-
Gains in associates	143	133
	(356)	133
Gains /(Losses) relating to investment activities:		
Gains/losses in non-current assets held for sell	-	6,067
Gains/losses in financial instruments at fair value	(23)	-
Other gains/losses	4	-
	(18)	6,067

The Interest Paid caption includes interest concerning: (i) bond loans, (ii) other bank loans, (iii) commercial paper, (iv) secured current accounts, (v) bank overdrafts and (vi) leases. This heading is broken down as follows:

	31-12-2019		31-12-2018	
	Balance	Interest borne	Balance	Interest borne
Borrowings:				
Bond loans	148,926	5,114	150,181	5,417
Other bank loans	178,487	4,035	181,211	3,789
Commercial paper	110,732	305	49,671	792
Pledged bank account	8,009	30	1,003	20
Financing through factoring	-	-	86	0
Bank overdrafts	6	14	55	36
	446,161	9,499	382,208	10,053
Financial leases:				
Lease creditors	88,143	3,590	64,701	1,965
	88,143	3,590	64,701	1,965
Creditors:				
Other creditors	-	-	2,332	63
	-	-	2,332	63
		13,090		12,081

The amount of costs recognised in 2019 related to financial costs via measurement of loans using the amortised cost method was EUR 431,000 (2018: EUR 661,000).



The amount of EUR 6 million recorded, in 2018, in heading Gains on non-current assets held for sale corresponds to the gain from the sale of the investments in the share capital of Escala Braga – Sociedade Gestora do Edifício, S.A. and Escala Parque – Gestão de Estacionamento, S.A., which occurred in April 2018.

The detail of the amounts recognised as results in the income statement relating to investments in associates for the financial years ended on 31 December 2019 and 2018 is as follows:

Company	31-12-2019		31-12-2018	
	Gains in associates	Losses in associates	Gains in associates	Losses in associates
Escala Parque – Gestão de Estacionamento, S.A.	-	-	-	-
Centro Gamma Knife-Radiocirurgia, S.A.	143	-	133	-
Hospital da Ordem da Trindade, S.A.	-	(499)	-	-
Escala Braga - Sociedade Gestora do Edifício, S.A.	-	-	-	-
	143	(499)	133	-

14 INCOME TAX

Income tax recognised in the financial years ended on 31 December 2019 and 2018 is as follows:

	31-12-2019	31-12-2018
Current tax:		
In financial year	9,531	8,071
In previous financial year	86	(1,000)
	9,617	7,071
Deferred tax (Note 23):		
Customer impairments	130	937
Retirement benefits	(133)	(206)
Revaluation of property, plant and equipment	30	44
Revaluation of property, plant and equipment	13	1,783
Provisions not approved for tax purposes	-	(554)
Tax losses	(934)	(623)
	(1,023)	474
Deferred tax in previous financial year:		
Temporary differences and reversals	-	(781)
Tax for the year	8,594	6,764

The JMS Group and its domestic subsidiaries 75% or more directly or indirectly owned are liable for corporate income tax under the Special Taxation Scheme for Groups of Companies ("STSGC"). The companies included in the STSGC determine and record tax on income as if they were taxed individually; the determined responsibilities, however, are recognised as debts to the parent company in the tax group, JMS, which is responsible for the global determination and for the reverse charge of the tax. Concerning the companies not covered by the STSGC, current tax is calculated based on the corresponding taxable bases and on the tax rates in effect, in accordance with the tax rules and schemes applicable in the territory of each company's headquarters.

The Company and most of the companies it holds investments in are liable for corporation tax at the nominal rate of 21%, which may be further increased by a municipal surtax to the maximum rate of 1.5% of taxable profit. Moreover, if applicable, a state surtax of 3% is also payable on the excess of taxable income between EUR 1,500,000 and EUR 7,500,000, 5% between EUR 7,500,000 and EUR 35,000,000 and 7% over EUR 35,000,000. Pursuant to Article 88 of the Corporate Tax Code, the Company and its subsidiaries are also liable to be separately taxed for a range of charges, at the rates set out in the referred Article.

The temporary differences between the book value of assets and liabilities and the corresponding tax base were recorded in accordance with IAS 12 (Note 23).

Numerical reconciliation between the average income tax and applicable tax rate is indicated in the table below:

	31-12-2019	31-12-2018
Income before taxes	37,585	22,593
Income tax in Portugal	21.0%	21.0%
Standard tax on profits	7,893	4,745
Nontaxable income:	3,249	3,593
Nontaxable expenses:	2,664	3,293
Losses carried forward	487	7
Calculated tax	6,822	4,438
Autonomous taxation	877	719
Local Tax	791	757
Local Government Tax	1,349	1,413
Tax benefits	(1,437)	(172)
Effect of the increase/reversal of deferred taxes	(1,023)	(307)
Effect of insufficiency/excess tax estimate	86	(210)
Others	1,129	126
	1,772	2,326
Income tax	8,594	6,764
Effective tax rate	22.9%	29.9%

15 DIVIDENDS

In the year ending in 2019 there was no advance payment of dividends.

In the financial year ended on 31 December 2018 interim dividends of 4.2 million euros were paid on the mid-term statement of financial position prepared on 30 September 2018. However, in December 2018, only the amount of EUR 4.16 million was paid, and the remaining amount (38 EUR thousand) was recorded under Other creditors. This amount was settled in the 2019 financial year.

16 EARNINGS PER SHARE

The basic and diluted earnings per share in the financial years ended 31 December 2019 and 2018 was calculated considering the following amounts:

	31-12-2019	31-12-2018
Basic earnings per share		
Profit for the purpose of calculating basic earnings per share (profit for the period)	29,013	15,594
Weighted average number of shares for calculation of basic earnings per share	10,600,000	10,600,000
Net basic earnings per share (euro)	2.74	1.47

On 31 December 2019 and 2018 there were no dilutive effects of earnings per share, so the diluted revenue per share is equal to basic revenue per share.

17 GOODWILL

The changes in the values of goodwill during the financial years ended 31 December 2019 and 2018 were as follows:

	Private healthcare services	Public healthcare services	Others	Infra-structures	Total
Balance at 1 January 2017	2,885	-	41,000	-	43,885
Impairment losses (Note 38)	-	-	-	-	-
Changes in consolidation perimeter:					
companies joining	-	-	616	-	616
companies leaving	-	-	-	-	-
Discontinued operations	(114)	-	114	-	-
Additions	-	-	1,068	-	1,068
Disposals	-	-	-	-	-
Balance at 31 December 2018	2,771	-	42,799	-	45,569
Impairment losses (Note 38)					
Changes in consolidation perimeter:					
companies joining	487	-	-	-	487
companies leaving	-	-	-	-	-
Discontinued operations	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 31 December 2019	3,258	-	42,799	-	46,056

The gross value corresponds to the net value of Goodwill and does not include any record of impairment. There are no signs of impairment in Goodwill.

Goodwill in the financial years ended on 31 December 2019 and 2018 was as follows:

Company	Segment (Note 5)	31-12-2019	31-12-2018
Hospital CUF Infante Santo, S.A.	Others	12,433	12,433
Hospital CUF Coimbra, S.A.	Private healthcare services	9,326	9,326
Nova Imagem - Centro Radiodiagnóstico, S.A.	Others	7,269	7,269
Hospital CUF Santarém, S.A.	Others	7,035	7,035
VALIR - Sociedade Gestora de Participações Sociais, S.A.	Others	5,220	5,220
Clínica Dr. Luís Álvares, S.A.	Private healthcare services	2,146	2,146
SIM-X - Serviço de Imagem Médica, Lda.	Private healthcare services	624	624
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.		616	616
Sonomedicus - Centro de Diagnóstico Médico, Lda.	Private healthcare services	487	
Hospital CUF Cascais, S.A.	Others	482	482
Hospital CUF Porto, S.A.	Others	274	274
Hospital CUF Descobertas, S.A.	Others	97	97
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	Others	16	16
Imo health - Investimentos Imobiliários, S.A.	Others	13	13
Ecografia de Cascais, Lda.	Others	9	9
Vramondi International BV	Others	6	6
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	Private healthcare services	1	1
		46,056	45,569

Impairment tests were carried out by calculating the business value (BV) using the Discounted Cash Flows (DCF) method. The use of this method requires the estimate of future cash flows arising from the operations of each cash-generating unit (CGU) and choice of an appropriate discount rate that reflects the risk associated with the business. These tests concluded that there was no impairment in relation to the recognised Goodwill value.

Each medical care unit is a CGU. However, certain medical care units are analysed jointly as they are part of integrated, complementary and interdependent management of services and require high financial interdependence. These are:

- Instituto CUF - Diagnóstico e Tratamento, S.A., Nova Imagem – Centro Radiodiagnóstico, S.A. and Hospital CUF Porto, S.A.;
- Hospital CUF Coimbra, S.A., Sonomedicus and Pandiag;
- Hospital CUF Cascais, S.A. and Ecografia de Cascais, Lda.;
- Hospital CUF Descobertas S.A. and HD - Medicina Nuclear, S.A.;
- TAC and Clínica CUF Belém, S.A.;
- Hospital CUF Viseu, S.A. and Serviço de Imagem Médica, Lda.

In this financial year, the projections have been prepared for a period of 5 years, with the exception of four CGU, since at the end of the fifth year it is expected that they will not yet be at a mature stage. These are:

- Hospital CUF Infante Santo, S.A., for which a period of eleven years was assessed;
- Hospital CUF Viseu, S.A. e Serviço de Imagem Médica, Lda., for which a period of seven years was assessed;
- Hospital CUF Coimbra, S.A., Sonomedicus, Pandiag and Hospital CUF Santarém, S.A., for which a period of nine years was assessed.

The key assumptions on which the cash flow projections included in this test were based were defined by the JMS management teams and approved by the Executive Board in the annual Budget and Business Plan. In defining the main assumptions, the following items were evaluated:

- Historical data and past experience;
- Future management perspective for each of the units;
- Activity mix defined per unit;

- Expected evolution of the healthcare market;
- Inflation.

Additionally, the investment in working capital was calculated based on the average terms of historical payments and receipts and on the expected evolution of operating income and costs. Capex was defined based on the specific investment needs of each unit and the analysis of values for the amounts considered recurrent.

The calculation of the discount rates for each of the tests took into account the historical rates of Portugal's treasury bonds, the average cost of JMS's financial debt and the risk level of European companies comparable to JMS. For each cash-generating unit, a risk analysis was also carried out based on the unit's level of maturity, and an additional premium may be attributed.

The analysis carried out makes the following assumptions:

Period	Risk-free interest rate	WACC rate	Perpetuity growth rate	Revenue Growth Rate
Explicit	3.00%	6.91%	-	4.30%
Perpetuity	3.00%	6.91%	1.80%	-

Sensitivity analyses were also performed on the main variables: (i) discount rate (+/- 0.5%) and (ii) perpetual growth rate (+/- 0.5%).

18 INTANGIBLE ASSETS

The changes in the value of other intangible assets as well as the corresponding amortisations and impairment losses, during the financial years ended 31 December 2019 and 2018, were as follows:

	Industrial property and other rights (a) (b) (c) (d) (e)	Software	Other intangible assets (f)	Intangible assets in progress (g)	Total
Gross assets:					
Balance at 1 January 2018	20,867	12,995	3,341	1,654	38,857
Changes in consolidation perimeter:					
- companies joining	-	20	-	-	20
Additions	-	669	-	-	669
Write-offs	-	-	(1,696)	-	(1,696)
Balance at 31 December 2018	20,867	13,684	1,645	1,654	37,850
Changes in consolidation perimeter:					
- companies joining	-	-	-	-	-
- companies leaving	-	(6)	-	-	(6)
Additions	-	1,461	-	3,034	4,496
Estimate revision	-	-	(265)	-	(265)
Transfers related to the term of exploration contract	-	(3,059)	-	-	(3,059)
IFRS 16 Transition	(2,797)	-	-	-	(2,797)
Balance at 31 December 2019	18,070	12,080	1,381	4,688	36,219
Depreciation and accumulated impairment losses:					
Balance at 1 January 2018	(11,866)	(11,477)	(2,157)	-	(25,500)
Changes in consolidation perimeter:					
- companies joining	-	(9)	-	-	(9)
Estimate revision	-	-	512	-	512
Other	-	(175)	-	-	(175)
Increases	(1,681)	(714)	-	-	(2,395)
Balance at 31 December 2018	(13,547)	(12,376)	(1,645)	-	(27,568)
Depreciation and accumulated impairment losses:					
Changes in consolidation perimeter:					
- companies joining	-	-	-	-	-
- companies leaving	-	6	-	-	6
Estimate revision	-	-	265	-	265
Transfers related to the term of exploration contract	-	3,059	-	-	3,059
IFRS 16 Transition	99	-	-	-	99
Increases	(1,302)	(788)	-	-	(2,090)
Balance at 31 December 2019	(14,749)	(10,099)	(1,381)	-	(26,229)
Net value					
At 31 December 2018	7,320	1,309	-	1,654	10,282
At 31 December 2019	3,321	1,982	-	4,688	9,990

(a) The management contract between ARS Norte regional health authority and Escala Braga – Sociedade Gestora do Estabelecimento, S.A., which establishes the management and operation of Braga Hospital as a public-private partnership came into force on 1 September 2009. On the date of transfer, Escala Braga – Sociedade Gestora do Estabelecimento, S.A. paid the sum of EUR 15 million under the hospital management contract, deducted from which was the amount corresponding to Inventories and Property, Plant and Equipment, and the remaining amount was called Concession Rights. This amount will be amortised in 10 years, the term of the contract. The Management Contract ended on 31 August 2019 and therefore the asset is fully amortised.

(b) The management contract between the Ministries of Health and Finance and Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A., which establishes the management and operation of Braga Hospital as a public-private partnership, came into force on 1 June 2011. On the date of transfer, Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A. paid the sum of EUR 7.5 million under the hospital management contract, deducted from which was the amount corresponding to Inventories and Property, Plant and Equipment, and the remaining amount was called concession rights. This amount will be amortised in 10 years, the term of the contract.

(c) This heading includes the amount of EUR 2.4 million, corresponding to the right to operate a car park. Initially, a partnership was entered into between Hospital CUF Infante Santo, S.A., ESLI – Parques de Estacionamento, S.A. and the City Council of Lisbon, which awarded the right to operate the car park for a period of 50 years. In 2016, Hospital CUF Infante Santo, S.A. assigned the contractual position to Infrahealth – Gestão de Infraestruturas, Lda.

(d) This item also includes the amount of EUR 150 thousand concerning the transfer of CUF São Domingos de Rana Clinic.

(e) This heading includes the gross amount of EUR 1,645,313 corresponding to the total estimated value of investments expected until the end of the management and operation contract for the Vila Franca de Xira Hospital, arising from the obligations laid down in Annex V of that contract.

Within the scope of Clause 123 (Reversal of Goods), the goods subject to revert to the Public Contracting Entity must be in good working order and fully operational, with all conservation, maintenance and renewal operations met. Considering that all medical equipment reaching the end of its service life before the end of the management contract will be the target of investment, and according to the provisions of IAS 37 – Provisions, contingent liabilities and contingent assets, a provision was created in 2013 against intangible assets. These intangible assets began to be amortised in April of that year, following the transfer to the hospital's new facilities (when the new installed capacity was acquired). To that effect, an investment plan was drafted where the recognition of the future obligation with the replacement of the aforementioned equipment is expected by the end of the contract. During the financial years 2019 and 2018, following a revision of the expected purchase values, this asset was adjusted to EUR 264,784 and EUR 1,696,006 respectively. The estimated future investment value is based on the assumptions of the revision of the useful life of equipment, as well as investments in capex already made by the Group, within the scope of replacement of hospital equipment. Thus, in 2019 and 2018, there was a need to revise the amount of accumulated depreciation, in which an excess of EUR 264,784 and EUR 511,689 respectively was found.

(f) The value recorded in ongoing intangible assets includes the amount of EUR 1.6 million concerning the underground surface rights on a plot of land adjacent to the car park of Descobertas Hospital's Expansion Building, given by the City Council of Lisbon. There is a project for the construction of a car park, which is expected to start in the second half of 2020.

The transfer in 2019 concerns the assignment agreement of the Cascais Municipal Council to the CUF Cascais Hospital, which is registered under the Right of Use heading in accordance with IFRS 16 Leases. (note 20)

The remaining period of useful life of the intangible assets listed above for the periods ended on 31 December 2019 and 2018 is detailed below:

	Gross Value		Net Value		Years until contract ended	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Industrial Property and other rights						
Concession and operation rights for parks	2,470	2,470	2,340	2,389	45	46
Transfer of S. Domingues	150	150	82	95	7	8
Concession and operation rights for S. Marcos Hospital	9,068	9,068	-	605	-	1
Concession and operation rights for Reynaldo dos Santos Hospital	6,382	6,382	899	1,534	2	3
Surface rights for José de Almeida Ortopédico Hospital*	-	2,797	-	2,698		
	18,070	20,867	3,321	7,320		

* Surface Right of the Orthopaedic Hospital José de Almeida was transferred to Right of Use in 2019

On 31 December 2019, the Group concluded that there were no signs of impairment in the intangible assets. The conclusion took into consideration the following circumstances regarding the main assets listed below:

- Parking Lot Concession Right – There is a Business Plan for the car park construction project, in which the car park's capacity to generate revenue is expected to be sufficient to recover the investment value;

- Reynaldo dos Santos Hospital Concession Right – Public-Private Partnership Contract, which at the end of its useful life will not prove to be costly. As such, the amortisation over the life of the contract restricts the risk of its impairment.

19 PROPERTY, PLANT AND EQUIPMENT

The changes in the value of property, plant and equipment as well as the corresponding depreciation and accumulated impairment losses, during the financial years ended 31 December 2019 and 2018, were as follows:

	31-12-2019							
	Land and natural resources	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Other tangible assets	Tangible assets in progress	Total
Gross assets:								
Balance at 1 January 2018	364,242	334	26,281	195,115	25,031	221	78,744	689,969
IFRS 16 Transition	(77,068)	-	(728)	(40,988)	(839)	(201)	-	(119,823)
Changes in consolidation perimeter	-	-	1	1,788	276	1	-	2,067
Fair value variation	2,156	-	-	-	-	-	-	2,156
Revaluation	-	-	-	-	-	-	(260)	(260)
Additions	10,143	-	2,200	9,262	6,117	-	72,780	100,502
Settlements	-	-	(342)	-	2	-	-	(340)
Disposals and write-offs	-	(12)	(31)	(17)	(54)	(6)	-	(120)
Transfers related to the term of exploration contract	-	-	(4,562)	(35,913)	(2,877)	(45)	-	(43,396)
Capitalisation of Financial costs	-	-	-	-	-	-	1,269	1,269
Transfers	38,717	-	295	-	91	-	(11,853)	27,250
Balance at 31 December 2018	338,189	321	23,115	129,247	27,747	(29)	140,681	659,272
Depreciation and accumulated impairment losses:								
Balance at 1 January 2018	(55,616)	-	(18,217)	(155,749)	(21,229)	(229)	-	(251,039)
IFRS 16 Transition	-	-	356	16,640	560	201	-	17,757
Changes in consolidation perimeter	-	-	(1)	(1,786)	(275)	(1)	-	(2,063)
Settlements	-	-	-	395	8	42	-	445
Depreciation	(8,738)	-	(2,020)	(11,188)	(2,645)	(27)	-	(24,618)
Disposals and write-offs	-	-	24	17	54	6	-	101
Transfers related to the term of exploration contract	-	-	4,562	35,913	2,877	45	-	43,396
Impairment loss and gains	2,127	-	-	-	-	-	(400)	1,727
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2018	(62,227)	-	(15,297)	(115,758)	(20,650)	36	(400)	(214,296)
Net value	275,962	321	7,819	13,489	7,098	7	140,280	444,977

	31-12-2018						
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Other tangible assets	Tangible assets in progress	Total
Gross assets:							
Balance at 1 January 2018	62,675	272,688	178,859	22,427	214	61,075	597,938
Changes in consolidation perimeter	-	1,070	1,284	70	82	1	2,506
Fair value variation	79	8,983	-	-	-	-	9,062
Additions	-	8,527	15,455	2,548	-	53,809	80,339
Disposals and write-offs	(35)	(57)	(314)	(17)	-	-	(423)
Capitalisation of Financial costs	-	-	-	-	-	547	547
Transfers	14,013	22,915	(169)	3	(74)	(36,687)	-
Balance at 31 December 2018	76,732	314,125	195,115	25,031	221	78,744	689,969
Depreciation and accumulated impairment losses:							
Balance at 1 January 2018	-	(60,779)	(138,505)	(19,685)	(147)	-	(219,116)
Changes in consolidation perimeter	-	(296)	(476)	(55)	(64)	-	(891)
Depreciation	-	(12,372)	(16,992)	(1,540)	(41)	-	(30,945)
Disposals and write-offs	-	310	-	16	-	-	326
Transfers	-	(283)	225	34	24	-	0
Balance at 31 December 2018	-	(73,420)	(155,749)	(21,229)	(229)	-	(250,626)
Net value	76,732	240,705	39,366	3,803	(7)	78,744	439,343

For the 2018 financial year, the heading Land and Natural Resources and Buildings and other constructions is broken down as follows:

	31-12-2018		
	Lands	Buildings	Total
Gross Value:			
HHC	76,398	287,844	364,242
Other	334	26,281	26,615
	<u>76,732</u>	<u>314,125</u>	<u>390,857</u>
Deprec. and accumulated impairment losses:			
HHC	-	(55,616)	(55,616)
Other	-	(17,804)	(17,804)
	<u>-</u>	<u>(73,420)</u>	<u>(73,420)</u>
Net value:			
HHC	76,398	232,228	308,626
Other	334	8,477	8,811
	<u>76,732</u>	<u>240,705</u>	<u>317,437</u>

JMS Group established that the real property asset class health service buildings, which includes the Land and natural resources and Buildings and other constructions items is a separate class, based on the nature, characteristics, usage and risks associated with it. This class is recorded at the re-evaluated amount and the win/loss, net of the deferred tax effect, is recognised in the comprehensive income.

As at 31 December 2019 and 2018, the net value of property, plant and equipment valued by the revaluation model was EUR 276 million and EUR 309 million respectively (Note 3).

A carrying amount of EUR 239 million would have been recognised if the health service buildings had been carried in accordance with the cost model.

At 31 December 2019 and 2018, the accumulated impairment value for health service buildings was EUR 15 million and EUR 17 million respectively.

Property valuations are carried out annually by management decision and prepared by an external entity registered with the Portuguese Securities Market Commission (CMVM). On 31 December 2019, the evaluation was carried out by an independent specialised company – Ktesios Appraisal – Consultoria e Avaliação Imobiliária, Lda. The evaluation was carried out based on different methods:

CUF Descobertas 2 Hospital, CUF Almada Clinic, CUF S. João da Madeira Clinic, CUF Belém Clinic, CUF Cascais Hospital, CUF Institute, CUF Torres Vedras Hospital, CUF Porto Hospital, CUF Santarém Hospital and “Infante Santo 34” Building

The Income Method was used to make the evaluation. The income capitalisation method is aimed at determining the value of a property according to its income-producing capacity. It relates future income (in an optimistic assumption and according to economic lifetime) to its current value in order to obtain the market value (in terms of continued use). This method is aimed at determining the current value of future income, according to the actual value and state. In this method, the used capitalisation rates reflect the behaviour of the housing market in Portugal, when analysing the profitability of medium/long-term investment projects. From the analysis of the average capitalisation rates of the Portuguese real property market, it was concluded that the rate of 6.5% reflects the value of the income expected by an investor in the market of spaces for services, for vacant properties (properties that are in the market for lease). The estimate of this rate of return was based on the following variables:

- Expected return on assets
- Risk-free interest rate
- Sensitivity of the asset's returns regarding market returns
- Expected return from the market
- Risk premium, representing the difference between the expected market rate of return and the risk-free rate of return

In the income method, the value of the completed property, considering the lease, was estimated taking into account the direct capitalisation of the current rent. The direct capitalisation income method is used in cases in which income can be considered to be perpetual and constant. For real property, the perpetuity of income is considered in scenarios of 20 to 25 years.

CUF Infante Santo Hospital

In December 2017, a purchase and sale contract was signed with a real property fund where a sale value of EUR 27.25 million was agreed. On 29 November 2019, an amendment to the initial contract was concluded, changing the sale price to EUR 26.65 million, which was the fair value considered for the property. The actual sale of the property is scheduled for 2020.

Evaluations were also carried out on the current state of repair of the properties. The transaction value of similar properties obtained from market research was used for calculation purposes, after adjusting the characteristics of the properties under evaluation.

Significant changes in unobservable data

Changes in the discount rate within the rate range shown in the table below will have significant impacts on the valuation of the properties:

Description	Fair Value 31-12-2019	Data non- observable in the market	Range of data non- observable in the market
Hospital and Healthcare clinics	275,962	Discount rate	5% - 8%

A positive (negative) change in the discount rate will result in a reduction (increase) in the fair value of the property.

The properties considered to be strategic for private healthcare operation, such as the CUF Belém Clinic; CUF Torres Vedras Hospital; CUF Instituto; CUF Cascais Hospital, CUF Porto Hospital, CUF Almada Clinic, CUF Descobertas 2 Hospital, CUF Santarém Hospital and CUF Tejo Hospital are pledged as loan guarantees (Note 43).

The remaining property, plant and equipment headings concern:

- Buildings and other constructions – this heading includes works and improvements made in other buildings;
- Basic equipment – this item predominantly concerns the surgical medical equipment acquired and used within the scope of the Group's activity;
- Office equipment – this heading predominantly includes administrative/office equipment and furniture.

Assets qualifying as ongoing property, plant and equipment refer to assets that will be recognised as health service buildings when they are available for use under the conditions planned by the administration. On 31 December 2019, this heading essentially includes the amount of EUR 113 million (2018: EUR 61 million), EUR 18 million (2018: EUR 8.8 million) and EUR 5.7 million (2018: EUR 5.5 million) corresponding to investments in architectural projects and studies as well as to the work already carried out on the construction of the new CUF Tejo Hospital, CUF Sintra Hospital and CUF Leiria Hospital respectively. These assets are valued at cost at the date of the financial position. In 2019, an impairment of EUR 400 thousand was recognised for ongoing property, plant and equipment.

For the remaining property, plant and equipment no evidence of impairment was identified.

With the termination of the Braga Hospital Concession Contract, under a public-private partnership, on 31 August 2019, all the Company's fixed assets were transferred to the Braga EPE Hospital, as provided for in the Transfer Contract.

At the transition date for IFRS 16, the CUF Descobertas Hospital (Building 1) and CUF Infante Santo Hospital purchased under a Sale & leaseback operation were reclassified to the Right of Use (Note 20) heading. The properties were valued at a total of EUR 77 million at that time. At the end of the 2019 financial year, the Group depreciated in advance the Sale & Leaseback operation relating to the Infante Santo Hospital, so that the Property was reclassified to the Property, plant and equipment heading.

As at 31 December 2019, the amount of contractual commitments for the acquisition of property, plant and equipment amounts to EUR 102 million and concerns the remaining amount contracted under the construction works of CUF Tejo and CUF Sintra hospitals.

Capitalised Financing Costs

During the 2019 accounting period, the only loans that the Group has contracted and that are directly attributable to the construction of assets are those related to the following projects: construction of CUF Tejo Hospital and CUF Sintra Hospital. It should be noted that for the CUF Sintra Hospital, although it opened in July 2018, only the first phase was completed and the remaining phases were expected to be completed in the first half of 2020.

In fact, the financing costs capitalised in the 2019 accounting period, as well as the rates used to determine the amount of the costs of financing obtained eligible for capitalisation, are described in the following table:

	Financial Costs Capitalised	
	31-12-2019	31-12-2018
Hospital Cuf Tejo	1,037	414
Hospital Cuf Descobertas 2	-	133
Hospital CUF Sintra	232	9
	1,269	556

20 RIGHT OF USE

The changes in the value of property, plant and equipment as well as the corresponding depreciation and accumulated impairment losses, during the financial years ending on 31 December 2019 and 2018, were as follows:

	31-12-2019						
	Buildings and other constructions	Basic equipment	Administrative equipment	Transport equipment	Surface rights	Other intangible assets	Total
Gross assets:							
Balance at 1 January 2018	106,567	41,366	839	1,635	2,797	201	153,405
Additions	636	12,261	473	885	45	-	14,300
Settlements	-	-	-	-	-	-	-
Disposals and write-offs	-	-	-	-	-	-	-
Transfers	(27,250)	-	-	-	-	-	(27,250)
Transfers related to the term of exploration contract	-	-	-	-	(631)	-	(631)
Balance at 31 December 2018	79,953	53,627	1,312	2,521	2,210	201	139,823
Depreciation and accumulated impairment losses:							
Balance at 1 January 2018	(356)	(16,640)	(560)	-	(99)	(201)	(17,856)
Changes in consolidation perimeter	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Depreciation	(4,973)	(7,003)	(193)	(706)	(55)	-	(12,930)
Disposals and write-offs	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Balance at 31 December 2018	(5,329)	(23,643)	(753)	(706)	(154)	(201)	(30,786)
Net value	74,624	29,984	559	1,815	2,056	-	109,037

The figures entered under the heading "Buildings and other constructions" relate mainly to contracts for the rental of health facilities, where the Group operates its private health service activity. The heading also includes lease contracts for other premises where the Group operates administrative and support services for its activity.

On 1 January 2019, the transition date of IFRS 16 – Leases, the Group had two Sale & Leaseback operations in progress concerning the buildings CUF Descobertas Hospital (Building 1) and CUF Infante Santo Hospital, which were reclassified from "Property, plant and equipment" to "Right of Use".

At the end of the 2019 financial year, the Group depreciated in advance the Sale & Leaseback operation relating to the Infante Santo Hospital, so that the Property was reclassified to the Property, plant and equipment heading (Note 19).

The "basic equipment" heading mainly includes rent for leasing contracts for medical equipment.

The value recorded under "Surface rights" relates to a transfer contract under the surface right regime from the City of Cascais to the Hospital CUF Cascais, S.A. This contract concerns the transfer of the surface right of the José de Almeida Orthopaedic Hospital, composed of two buildings located in the municipality of Cascais, and was constituted for a period of 40 years. In 2019 there was a partial transfer of the surface right to another company, which justifies the reduction of the right of use.

All assets classified as Right of Use are valued at cost.

On 31 December 2019, the Group concluded that there were no signs of impairment in the assets registered under Right of Use. The conclusion took into consideration the following circumstances regarding the main assets listed below:

- Surface Right of José de Almeida Orthopaedic Hospital – There is a Business Plan for the construction of a health unit on the land granted by the City Council of Cascais, which expects that the unit's capacity to generate revenue will be sufficient to recover the value of the investment;
- CUF Descobertas Hospital (Building 1) – On 31 December 2019, an assessment of the property was requested from an external entity registered with the CMVM and the return method was used.

21 INVESTMENTS IN ASSOCIATES

Equity holdings in associates changed as follows in the financial years ended on 31 December 2019 and 2018:

	31-12-2019				31-12-2018			
	Equity holdings	Loans granted	Impairment losses	Total	Equity holdings	Loans granted	Impairment losses	Total
Balance at 1 January	265	-	-	265	132	102	-	234
Equity method application:								
Effect on results	(356)	-	-	(356)	133	-	-	133
Dividends earned	(94)	-	-	(94)	-	-	-	-
Acquisitions and increases	2,100	-	-	2,100	-	-	-	-
Disposals and write-offs	-	-	-	-	-	(102)	-	(102)
Balance at 31 December	1,916	-	-	1,916	265	-	-	265

The Investments in associates item in the financial years ended on 31 December 2019 and 2018 is broken down as follows:

	31-12-2019				31-12-2018			
	Equity holdings	Loans granted	Impairment losses	Balance sheet value	Equity holdings	Loans granted	Impairment losses	Balance sheet value
Associates								
Centro Gamma Knife-Radiocirurgia, S.A.	315	-	-	315	265	-	-	265
Hospital da Ordem da Trindade, S.A.	1,601	-	-	1,601	-	-	-	-
	1,916	-	-	1,916	265	-	-	265

The main aggregated financial information regarding associates at 31 December 2019 is as follows:

	Financial information at 31 December 2019							
	Non current assets	Current assets	Non current liabilities	Current liabilities	Equity	Expenses	Income	Net profit
Associates								
Centro Gamma Knife-Radiocirurgia, S.A.	1,013	533	2	618	926	682	1,104	422
Hospital da Ordem da Trindade, S.A.	1,047	1,240	349	2,008	(70)	(3,517)	2,451	(1,067)

22 OTHER INVESTMENTS

The Other investments at 31 December 2019 and 2018 are as follows:

	31-12-2019				31-12-2018			
	Equity holdings	Loans granted	Impairment losses	Balance sheet value	Equity holdings	Loans granted	Impairment losses	Balance sheet value
Company								
Work compensation fund	977	-	-	977	1,090	-	-	1,090
Digihealth, S.A.	-	-	-	-	-	-	-	-
José de Mello Residências e Serviços, SGPS,	978	-	-	978	978	-	-	978
Centro Clínico Académico de Braga	18	-	-	18	35	-	-	35
Diagnosticar - Diagnóstico Computorizado, S.A.	26	-	-	26	26	-	-	26
Lisgarante	5	-	-	5	5	-	-	5
IBET	-	-	-	-	5	-	-	5
Others	3	-	-	3	2	-	-	2
	2,006	-	-	2,006	2,141	-	-	2,141

Other investments include equity instruments, measured at fair value through comprehensive income. This item recorded the following changes in the financial years ended on 31 December 2019 and 2018:

	Other investments
Gross investment:	
Balance at 1 January 2018	2,086
Changes in scope	(1,366)
Increases	1,420
Balance at 31 December 2018	2,141
Discontinued operations	
Changes in scope	1
Increases	0
Disposals and write-offs	(136)
Balance at 31 December 2019	2,006
Impairment losses (Note 33):	
Balance at 1 January 2018	(1,316)
Changes in scope	1,316
Balance at 31 December 2018	-
Balance at 31 December 2019	-
Net value:	
At 31 December 2018	2,141
At 31 December 2019	2,006

23 DEFERRED TAX ASSETS AND LIABILITIES

The Group recorded deferred taxes related to temporary differences between the tax and the accounting base of the assets. Deferred taxes considered in the statement of income and other comprehensive income relate to: (i) provisions, (ii) impairment of customers, (iii) cash flow hedging derivatives, (iv) retirement benefits, (v) tax losses and (vi) revaluation of property, plant and equipment.

The amounts, by nature, and the movements occurred in deferred tax assets and liabilities in the accounting periods ended 31 December 2019 and 2018 were as follows:

Deferred Tax Assets

	Deferred tax assets					
	Impairment losses on trade receivables	Derivatives	Reported tax losses	Employee benefits (Note 33)	Provisions not approved for tax	Other
Balance at 1 January 2018	243	366	79	814	2,177	(0)
Changes in consolidation perimeter	-	-	171	-	-	-
Composition:						
Net profit	256	-	48	-	635	-
Equity	28	-	-	-	8	-
Reversal:	-	-	-	-	-	-
Net profit	(57)	-	(79)	(44)	(4)	(9)
Equity	(41)	(89)	-	-	-	-
Changes in tax rate	100	-	-	-	(100)	-
Balance at 31 December 2018	529	278	220	770	2,716	(10)
Changes in consolidation perimeter						
Composition:						
Net profit	161	-	-	-	934	-
Equity	-	-	-	-	-	-
Reversal:						
Net profit	(28)	-	-	(30)	-	-
Equity	-	(106)	-	-	-	(13)
Changes in tax rate	-	-	-	-	-	-
Balance at 31 December 2019	661	171	220	740	3,649	(22)

Deferred taxes to be recognised as a result of temporary differences between taxable income and accounting income were evaluated. Where these differences originated deferred tax assets, these were only recorded to the extent considered probable that taxable profits will occur in the future and which can be used to recover the tax losses or deductible tax differences. This evaluation was based on the business plans of the Group companies, which are periodically reviewed and updated, and on the available and identified opportunities for tax optimisation.

On 31 December 2019 and 2018, deferred tax assets related to tax losses carried forward concern the subsidiaries Hospital CUF Coimbra, S.A. ("HCCO") and CENES – Centro de Reprocessamento de Dispositivos Médicos, Lda. ("CENES"). It should be noted that CENES is not covered by the STSGC. HCCO entered the STSGC in the 2019 financial year.

The tax losses carried forward and recoverable, as well as the corresponding recognised deferred tax, are broken down as follows:

Company	Financial year	31-12-2019				
		Tax loss	Recoverable tax losses	Deferred tax assets	Deadline for use	Loss used
Hospital Cuf Coimbra	2014	143	143	30	2026	-
Hospital Cuf Coimbra	2017	16	16	3	2022	-
Hospital Cuf Coimbra	2018	2,295	-	-	-	-
Hospital Cuf Coimbra	2019	2,367	-	-	-	-
Cenes	2014	486	486	102	2026	-
Cenes	2015	79	79	17	2027	-
Cenes	2016	152	152	32	2028	-
Cenes	2017	99	99	21	2022	-
Cenes	2018	72	72	15	2023	-
		5,708	1,046	220		



		31-12-2018				
Company	Financial year	Tax loss	Recoverable tax losses	Deferred tax assets	Deadline for use	Loss used
Hospital Cuf Coimbra	2014	143	143	30	2026	-
Hospital Cuf Coimbra	2017	16	16	3	2022	-
Hospital Cuf Coimbra	2018	2,295	-	-	-	-
Cenes	2014	486	486	102	2026	-
Cenes	2015	79	79	17	2027	-
Cenes	2016	152	152	32	2028	-
Cenes	2017	99	99	21	2022	-
Cenes	2018	72	72	15	2023	-
		3,341	1,046	220		

The expected results for the coming years, as well as the limit for the deduction of tax losses, are as detailed in the table below:

31-12-2019				31/12/2018			
Company	Business Plan Period	Expected ROI	Deduction limit	Company	Business Plan Period	Expected ROI	Deduction limit
Hospital Cuf Coimbra	2020	(662)	-	Hospital Cuf Coimbra	2019	366	256
Hospital Cuf Coimbra	2021	(597)	-	Hospital Cuf Coimbra	2020	436	305
Hospital Cuf Coimbra	2022	(294)	-	Hospital Cuf Coimbra	2021	487	341
Hospital Cuf Coimbra	2023	(100)	-	Cenes	2019	661	463
Cenes	2020	784	549	Cenes	2020	784	549
Cenes	2021	869	608	Cenes	2021	869	608
Cenes	2022	943	660	Cenes	2022	943	660
Cenes	2023	1,006	704	Cenes	2023	1,006	704

The deferred tax assets heading concerning Derivative financial instruments includes only cash flow hedging derivatives.

The amount of deferred tax assets concerning the Benefits of employees relates to an annuity insurance contracted by JMS in January 2016. This insurance enabled complying with a contract existing since 2000, where JMS was responsible for ensuring a lifetime payment of a pension to an employee who retired via Social Security on 1 January 2016.

(i) Deferred Tax Liabilities

Regarding deferred tax liabilities, these concern the revaluation of property, plant and equipment, as well as the temporary differences arising from the amortisations considered for tax purposes:

	Deferred tax liabilities	
	Revaluation of tangible fixed assets	Total
Balance at 1 January 2018	11,735	11,735
Changes in consolidation perimeter	-	-
Composition:		
Net profit	1,774	1,774
Equity	408	408
Reversal:		
Net profit	(554)	(554)
Equity	(18)	(18)
Balance at 31 December 2018	13,346	13,346
Changes in consolidation perimeter	-	-
Composition:		
Net profit	13	13
Equity	4,455	4,455
Reversal:		
Net profit	-	-
Equity	-	-
Balance at 31 December 2018	17,814	17,814

24 OTHER CURRENT AND NON-CURRENT DEBTORS

The Other debtors item was broken down as follows at 31 December 2019 and 2018:

	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Shareholder loans and related parties (Note 45)	8,442	-	7,260	-
Advances to be forwarded to financial investments	150	404	500	554
Personnel	1,292	-	1,125	-
Hospital projects in progress	421	-	849	-
Surety bonds	412	-	222	-
Sale of financial investments	132	-	132	-
Re-invoicing	116	-	66	-
Seizures and liens	99	-	132	-
Bastos Mota Investimentos Imobiliários, Lda.	-	-	459	-
Service providers	-	-	16	-
Other debtors	418	-	159	-
	11,483	404	10,920	554

The amount recorded as Advance on account of financial investments concerns the following contracts: (i) contract for the operation and management of a health services unit located in Montijo; and (ii) contract for the purchase and sale of shares and voting rights of Inogroup, a company owned by Medicil;

The variation from the same period last year is due to Essentially, the cash shortages of EUR 1,182,000 of its the associate, the Hospital Ordem da Trindade, Unipessoal, Lda. (Note 45)

25 OTHER CURRENT AND NON-CURRENT ASSETS

These items were broken down as follows at 31 December 2019 and 2018:

	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Accrued income:				
Income from production not invoiced	40,785	-	52,056	-
Provision of medical services not invoiced	14,597	-	14,181	-
Sliding scale income receivable	7,899	-	6,379	-
Interest earned	699	-	449	-
Assignment of space	11	-	8	-
Other accrued income	135	-	134	-
	64,124	-	73,206	-
Deferred costs:				
São Marcos Hospital responsibility	-	-	6,129	-
Reynaldo dos Santos Hospital responsibility	-	2,168	-	2,168
Insurance	1,451	-	1,652	-
Sale price deferral	527	-	613	-
Mortgage fees	482	-	526	-
Rents and leases	325	-	329	-
Information systems licenses	294	-	166	-
Commissions and Stamp duty	103	-	202	-
Clinical analyses and consumables	-	-	48	-
Deferred interest	-	-	11	-
Other deferred costs	122	-	112	-
	3,305	2,168	9,788	2,168
	67,429	2,168	82,995	2,168

The sum of EUR 2.168 million relates to the figures calculated for the Annual Leave, Holiday and Christmas Allowance liabilities concerning the staff of the Reynaldo dos Santos Hospital, regarding the year in which the respective contract began.

In 2018, the sum of EUR 6.129 million relates to the figures calculated for the Annual Leave, Holiday and Christmas Allowance liabilities concerning the staff of the São Marcos Hospital, regarding the year in which the respective contract began. At the end of the management contract on 31 August 2019 the value was settled.

The Provision of unbilled medical services item concerns medical acts provided and not yet billed to the customers. These pending bills result, in general, from the following situations: lack of consent forms, billing only at the end of treatment, lack of confirmation of billing codes. The change in comparison with the previous year is predominantly justified by two factors: (i) growth of the Activity; (ii) Insurers and similar companies are increasingly demanding and are requesting more and more additional information to issue Terms of Responsibility that enable the customer to be invoiced.

In turn, the increase in discount is due to the fact that in 2018 only the budgeted value was considered, and the volumes of purchases that guaranteed discounts were not reached. With the growth in activity in 2019, it was possible to exceed the stipulated purchasing volumes.

The item of Income from production not invoiced includes the accrued income from Regional Health Authority North (ARS Norte) and ARSLVT, stemming from the determination of the actual production of 2013, 2014, 2015, 2016, 2017, 2018 and 2019 (and that are also ongoing conference and closing), in accordance with the provisions of the management contract, as mentioned in Note 2.6, as well as accruals from services provided and not billed from third parties and, also, medications to be billed. This item was broken down as follows at 31 December 2019 and 2018:

	Income from production not invoiced			
	31-12-2019		31-12-2018	
	ARS Norte	ARSLVT	ARS Norte	ARSLVT
Production for the financial year of 2013	-	2,602	-	2,642
Production for the financial year of 2014	-	2,770	-	2,770
Production for the financial year of 2015	(15)	116	250	125
Production for the financial year of 2016	(357)	389	(357)	429
Production for the financial year of 2017	3,639	663	6,963	5,787
Production for the financial year of 2018	8,257	3,455	23,380	10,067
Production for the financial year of 2019	10,293	8,973	-	-
	21,818	18,967	30,236	21,820

26 INVENTORIES

On 31 December 2019 and 2018, the inventories predominantly concern Pharmaceutical products and Material for clinical consumption, and present the following balances:

	31-12-2019	31-12-2018
Pharmaceutical Products	7,229	5,969
Material for clinical consumption	6,988	6,059
Material for administrative consumption	345	292
Other consumable material	128	153
Uniforms	195	155
Other	9	106
	14,895	12,734
Accumulated impairment losses on inventories (Note 38)	(16)	(13)
	14,879	12,721

These products and materials are used by the Group's various clinical units in their activity to provide clinical services.

On 31 December 2019, proceedings in connection with the Transmission Agreement are still ongoing, in particular as regards returns of stocks by the Braga Hospital, EPE.

There are no signs of impairment in inventories.

27 TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

The Trade receivables and advances to suppliers item was broken down as follows at 31 December 2019 and 2018:

	31-12-2019			31-12-2018		
	Gross value	Impairment losses (Note 38)	Net value	Gross value	Impairment losses (Note 38)	Net value
Trade receivables, current account	92,650	(795)	91,855	98,366	(1,773)	96,593
Customers, bills receivable	-	-	-	-	-	-
Doubtful receivables	12,586	(11,470)	1,115	12,213	(9,311)	2,902
Advances to suppliers	1	-	1	23	-	23
	105,237	(12,265)	92,972	110,602	(11,084)	99,518

The balances in the Statement of Financial Position are net of impairment losses on trade payables balances, which were estimated as described in paragraph i), Note 2.4.16.

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

The seniority of the heading on "Trade receivables and advance payments to suppliers" is broken down as indicated in the table below:

Year	Total	Debt	Overdue debt				
			≤ 180 days	181-365 days	366-545 days	546-730 days	> 730 days
31-12-2019	105,237	56,390	9,213	14,688	11,269	2,941	10,735
31-12-2018	110,602	64,842	17,962	11,713	3,773	2,455	9,856

On 31 December 2019, EUR 8,009,000 of customer debts with a maturity of more than one year, amounting to EUR 24 945 000 in total, is provisioned, representing 65% of total customer debt provisions.

At the end of 2019, customer credits of EUR 32.5 thousand were derecognised (2018: EUR 37.2 million) under the factoring operation with a banking entity.

28 STATE AND OTHER PUBLIC ENTITIES

The balances with these entities at 31 December 2019 and 2018 were as follows:

	31-12-2019	31-12-2018
Debit balances:		
Corporate income tax	4,006	2,763
Value added tax	2,829	1,238
Personal income tax	20	9
Social security contributions	31	23
Other	2	1
	6,888	4,034
Credit balances:		
Corporate income tax	885	727
Personal income tax	1,646	2,703
Social security contributions	3,398	4,999
Value added tax	2,930	1,926
Other	83	101
	8,943	10,455

29 OTHER FINANCIAL INSTRUMENTS

The other financial instruments are made up of bond loans, which are detailed in the table below:

Subsidiary	Issuer	Year of issue	Maturity	31-12-2018	31-12-2017
José de Mello Saúde, S.A.	Farminveste - Investimentos, Participações e Gestão, S	2014	Jun-20	10,000	10,000
Hospital CUF Infante Santo, S.A.	José de Mello Capital, S.A.	2007	Dec-22	10,000	10,000
José de Mello Saúde, S.A.	José de Mello Capital, S.A.	2007	Dec-22	6,500	6,500
Hospital CUF Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S	2010	Dec-20	4,350	4,350
Hospital CUF Descobertas, S.A.	Farminveste - Investimentos, Participações e Gestão, S	2014	Jun-20	4,300	4,300
				35,150	35,150

These bonds have a put option that gives the Group the right to redeem the amount in question at any time, and the exercise of the sale option is expected to occur within less than 12 months, the reason for which they are classified as current assets. The option of sale was recorded at face value, without any associated derivative.

On the basis of the periodic analysis of the indicators referred to in note 2.7.3, the Group concluded that there is no evidence of impairment of the abovementioned bond amounts.

30 CASH AND CASH EQUIVALENTS

This item was broken down as follows at 31 December 2019 and 2018:

	31-12-2019	31-12-2018
Cash and cash equivalents		
Cash	1,877	1,372
Current accounts	58,398	66,015
Term deposits	3	6
Other cash investments	3	3
	60,281	67,396
Cash and cash equivalents:		
Bank overdrafts (Note 35)	(6)	(55)
	60,275	67,340

On 31 December 2019, the current account item includes the amount of EUR 6.6 million (2018: EUR 6.4 million) on credits received from customers transferred to factoring.

This amount is not available for use by the Group.

31 CAPITAL

The share capital at 31 December 2019 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 31 December 2019:

Entity	Number of shares	Ownership percentage
José de Mello Capital, 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%
	10,600,000	100.00%

32 LEGAL RESERVE

The legal reserve is not yet fully established and, as such, in 2019, the minimum stipulated value was allocated, corresponding to 5% of the year's net profit. 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.

33 OTHER RESERVES AND RETAINED EARNINGS

Fair value of hedging instruments

This heading includes changes in the fair value of interest rate variability hedging derivatives. In accordance with the legislation in force, the increments resulting from the application of the fair value through equity components are only relevant for distribution when the elements that gave rise to them are alienated.

Revaluation of property, plant and equipment

This heading includes changes due to increases or reductions in the fair value of health service buildings. In accordance with the legislation in force, the increments resulting from the application of the fair value through equity components are only relevant for distribution when the elements that gave rise to them are alienated.

Retained earnings

In accordance with Portuguese legislation, the amount of distributable retained earnings is determined according to the Company's individual financial statements, presented in accordance with the IAS/IFRS.

Changes in the years ending 31 December 2019 and 2018 under the fair value of hedging instruments, revaluation of property, plant and equipment, Other reserves and Profit and Loss carried over are as follows:

	31-12.2017	Equity	31-12.2018	Equity	31-12.2019
Changes in fair value of hedging instruments	(1,628)	394	(1,234)	473	(761)
Deferred taxes (Note 23)	366	(89)	278	(106)	171
	<u>(1,261)</u>	<u>305</u>	<u>(956)</u>	<u>366</u>	<u>(590)</u>
Revaluation of tangible fixed assets	50,980	9,508	60,488	2,156	62,643
Deferred taxes (Note 23)	(11,735)	(1,610)	(13,346)	(4,468)	(17,814)
	<u>39,245</u>	<u>7,897</u>	<u>47,142</u>	<u>(2,312)</u>	<u>44,830</u>
Other reserves	12	-	12	-	12
	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>
Retained earnings	(30,837)	-	(30,837)	-	(30,837)
Application of consolidated income		7,242	7,242	10,240	17,482
Changes resulting from change of equity in associated companies and subsidiaries		73	73	9	82
Changes in non-controlling interests resulting from change of consolidation scope		(18)	(18)	-	(18)
Acquisition of non-controlling interests		(219)	(219)	-	(219)
Impact of IFRS 9		617	617	-	617
Other operations		9	9	219	228
	<u>(30,837)</u>	<u>7,704</u>	<u>(23,134)</u>	<u>10,468</u>	<u>(12,665)</u>

34 NON-CONTROLLING INTERESTS

The changes occurred in this item in the financial years ended on 31 December 2019 and 2018 were as follows:

	31-12-2019	31-12-2018
Initial balance at 1 January	4,152	4,229
Effect of change in consolidation perimeter	-	(5)
Changes in consolidation perimeter:	-	-
- in	-	21
- out	-	-
Dividends	(200)	(313)
Capital increase	-	(15)
Capital decrease	-	-
Changes resulting from change of equity in associates	2	(0)
Profit for year attributable to non-controlling interests	(22)	235
Final balance at 31 December	3,932	4,152

The detail of the Non-controlling interests heading at 31 December 2019 and 2018, by company, is as follows:

Company	31-12-2019			31-12-2018		
	Percentage not owned	Non-controlling interests		Percentage not owned	Non-controlling interests	
		Profit/loss	Total		Profit/loss	Total
VALIR - Sociedade Gestora de Participações Sociais, S.A.	4.00%	(1)	1,218	4.00%	(0)	1,218
Clínica CUF Belém, S.A.	37.19%	82	1,276	37.19%	164	1,350
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	66.35%	(77)	1,122	66.35%	75	1,200
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	29.50%	77	472	29.50%	39	395
HD Medicina Nuclear, S.A.	30.00%	70	578	30.00%	74	552
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	0.00%	0	1	0.00%	0	1
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	0.00%	0	(0)	0.00%	(0)	(0)
Greenimolis - Investimentos, S.A.	40.00%	(108)	(162)	40.00%	(74)	(54)
Digihealth, S.A.	12.00%	1	5	12.00%	1	2
Instituto CUF - Diagnóstico e Tratamento, S.A.	4.00%	(66)	(576)	4.00%	(43)	(510)
		(22)	3,932		235	4,152

The assets, liabilities, equity and statutory profit or loss of non-controlling interests at 31 December 2019 are as follows:

Company	Assets		Liabilities		Net profit	Equity	Dividends
	Currents	Non-current	Currents	Non-current			
VALIR - Sociedade Gestora de Participações Sociais, S.A.	1,219	6,789	2,284	6,888	(13)	(1,164)	-
Clínica CUF Belém, S.A.	4,760	3,471	2,561	1,965	220	3,705	-
Clínica de Serviços Médicos e Computorizados de Belém, S.A.	2,463	670	553	564	(117)	2,016	-
Sagies - Segurança, Higiene e Saúde no Trabalho, S.A.	2,454	338	996	196	260	1,599	-
HD Medicina Nuclear, S.A.	1,822	899	346	450	232	1,925	-
Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A.	30,098	9,091	17,008	10,869	1,011	11,312	-
Escala Braga - Sociedade Gestora do Estabelecimento, S.A.	45,392	1,300	62,668	14,468	4,403	(30,444)	-
Greenimolis - Investimentos, S.A.	193	5,730	264	6,064	(270)	(405)	-
Digihealth, S.A.	4,711	1	13,557	912	19	(9,757)	-
Instituto CUF - Diagnóstico e Tratamento, S.A.	8,866	12,994	9,200	17,110	(1,644)	(4,451)	-

35 LOANS

Borrowings at 31 December 2019 and 2018 were as follows:

	31-12-2019	31-12-2018
Non-current liabilities:		
Bond loans	148,006	99,492
Other bank loans	126,304	160,200
Commercial paper	63,006	24,671
	337,317	284,362
Current liabilities:		
Bond loans	920	50,689
Commercial paper	47,726	25,000
Other bank loans	52,183	21,012
Pledged current accounts	8,009	1,003
Financing through factoring	-	86
Bank overdrafts (Note 30)	6	55
	108,844	97,845
	446,161	382,208

Commercial paper

The Group has contracted two commercial paper programmes with a limit of EUR 96,000. On 31 December 2019, these liabilities had the following detail:

Contracting company	Nominal amount hired	Outstanding amount		Amortisation	
		Current	Non-current	Maturity	Frequency
José de Mello Saúde, S.A.		2,000	-	jan. 2022	Annual
Hospital CUF Descobertas, S.A.	6,000	-	-	jan. 2022	Annual
Hospital CUF Infante Santo, S.A.		-	-	jan. 2022	Annual
Imo health - Investimentos Imobiliários, S.A.	80,000	2,691	63,006	jun. 2032	Annual
Hospital CUF Infante Santo, S.A.		-	-	dec.2020	Annual
José de Mello Saúde, S.A.	10,000	9,982	-	dec.2020	Annual
Hospital CUF Descobertas, S.A.		-	-	dec.2020	Annual
José de Mello Saúde, S.A.	10,000	9,985	-	dec.2020	Annual
José de Mello Saúde, S.A.	50,000	23,068	-	nov.2020	Annual
	96,000	47,726	63,006		

On 31 December 2018, these liabilities had the following detail:



Contracting company	Nominal amount hired	Outstanding amount		Amortisation	
		Current	Non-current	Maturity	Frequency
José de Mello Saúde, S.A.		-	-	jan. 2019	Annual
Hospital CUF Descobertas, S.A.	6,000	-	-	jan. 2019	Annual
Hospital CUF Infante Santo, S.A.		-	-	jan. 2019	Annual
José de Mello Saúde, S.A.	10,000	-	-	mar. 2021	Single
Imo health - Investimentos Imobiliários, S.A.	80,000	-	24,671	jun. 2032	Annual
Hospital CUF Descobertas, S.A.		5,000	-	nov. 2019	Annual
Hospital CUF Infante Santo, S.A.	10,000	5,000	-	nov. 2019	Annual
José de Mello Saúde, S.A.		-	-	nov. 2019	Annual
José de Mello Saúde, S.A.	5,000	5,000	-	dec.2019	Annual
Hospital CUF Infante Santo, S.A.		10,000	-	dec.2019	Annual
José de Mello Saúde, S.A.	10,000	-	-	dec.2019	Annual
Hospital CUF Descobertas, S.A.		-	-	dec.2019	Annual
	121,000	25,000	24,671		

Although there are programmes with maturity of over one year, there are annual renewals. This causes all Commercial Paper to be classified as current, with the exception of the commercial paper programme of the subsidiary Imo Health (contracted with Caixa de Crédito Agrícola to finance the construction of CUF Tejo Hospital) since there is a firm underwriting by the bank.

These commercial paper programmes contain financial covenants that are common in financing contracts. The contracts include compliance requirements for the following debt ratios: Net Financial Debt/EBITDA; Ratio of debt service coverage and financial autonomy. The financial covenants are calculated based on the Group's consolidated values.

On 31 December 2019, the JMS Group fulfilled all financial covenants in the commercial paper programmes.

The CUF Tejo Hospital property is pledged as a guarantee on Commercial Paper with a contracted amount of EUR 80 million.

The average interest rate for commercial paper programmes is 1.375%.

Bond loans

The bond loans relate to the following issues:

Emission	Tax rate	Maturity	Nominal amount hired	Due value in 31 de dezembro de 2019		Due value in 31 de dezembro de 2018	
				Current	Non-current	Current	Non-current
JOSÉ DE MELLO SAÚDE 2019/2027	Euribor 6M + 3,875%	January 27	50,000	215	49,492	-	-
JOSÉ DE MELLO SAÚDE 2019/2025	Euribor 6M + 3,75%	May 25	35,000	117	34,739	-	-
JOSÉ DE MELLO SAÚDE 2015/2021	Euribor 6 M + 2,95%	May 21	50,000	60	14,041	-	49,827
JOSÉ DE MELLO SAÚDE 2017/2023	Fixed rate (4%)	September 23	50,000	528	49,734	-	49,665
JOSÉ DE MELLO SAÚDE 2014/2019	Euribor 6M + 3,875%	June 19	50,000	-	-	50,689	-
				920	148,006	50,689	99,492

These issuances were placed with institutional investors and approved for trading in the regulated markets of *Euronext Lisbon* and *Bourse de Luxembourg*.

One of the issuances (José de Mello Saúde 2014-2019) expired at the end of June 2019, and a further EUR 35 million issuance was made that is due to expire in May 2025.

In November an exchange operation was carried out on its 2015/2021 bond loan, with new bonds of EUR 50 million maturing in January 2027 and a floating interest rate of 3.875%. This operation has reduced the nominal amount of the 2015-2021 bonds to EUR 14.3 million and has thus already reduced the risk of future refinancing, taking advantage of the favourable conditions in the financial markets.

These contracts include compliance requirements for the “Net Financial Debt/EBITDA” debt ratio. On 31 December 2019, José de Mello Saúde, S.A. met the financial covenants in all bond loans.

Other bank loans

Other bank loans were broken down as follows at 31 December 2019 and 2018:

Type of financing	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Bank loans	27,030	3,093	116	30,000
IAPMEI / PME	54	50	65	115
Mutual loan agreement	18,439	123,161	14,394	130,085
Other loans	6,660	-	6,438	-
	52,183	126,304	21,012	160,200

On 31 December 2019, the other financing heading includes the amount of EUR 6.6 million from credits from customers that have been assigned to factoring (2018: EUR 6,400).

The reference index used in the financing contracts is the EURIBOR rate, whose time frame varies between 3 months and 12 months, with a spread within the values practised in the market.

With the exception of two loans that included the obligation to comply with ratios, which are being fulfilled (the debt service coverage ratio), there are no financial covenants associated with other bank financing. These loans have associated guarantees and collaterals described in Note 43.

Credit lines available but not used

On 31 December 2019 and 2018, the credit lines available and not used amounted to respectively EUR 70,150 and EUR 101.750 million

Changes in Liabilities arising from financing activities

	01/01/2019	Cash Flow		Financial Costs	New leases	31/12/2019
		Receivables	Payments			
Long-term debt	382,208	1,032,700	(966,331)	(2,416)	-	446,161
	382,208	1,032,700	(966,331)	(2,416)	-	446,161

36 EMPLOYEE BENEFITS

The subsidiary Hospital CUF Infante Santo, S.A. ("HCIS") has the liability of topping-up the retirement pensions of some of its employees with whom this liability was agreed. Although it has not established any fund or insurance to cover this liability, a provision has been set up for this purpose, which is updated annually according to an actuarial study conducted by a specialised and independent entity.

The expiry of the Collective Labour Agreement with the Ministry of Labour was formally, and in accordance with legislation in force, applied for in relation to employees still working. This came into effect on 6 February 2013. The law envisages, according to a legal opinion, no change to the "remuneration, category and respective definition, duration of working hours and social protection schemes, whose benefits are substituted by those of the general social security scheme or by substitution protocol of Portuguese National Health Service". The pension top-up does not fit in with this requirement and ceases to have effect from February 2013. Accordingly, the liability remains in force for retired employees of HCIS.

According to the evaluation report presented by CFPO Consulting – Soluções Actuarias e Financeiras, the current amount of liabilities with retirement pensions for past service, at the date of the statement of financial position, is estimated on EUR 1.271 million (EUR 1.282 million in 2018). The adjusted provision for retirement pensions is reported accordingly.

The actuarial evaluation of pension plan liabilities was performed according to the Projected Unit Credit method, taking into consideration the following assumptions:

	31-12-2019	31-12-2018
Discount rate (before retirement)	0.80%	1.30%
Discount rate (after retirement)	0.80%	1.30%
Pensions growth rate	0.00%	0.00%
Mortality table:		
For men	TV 88/90	TV 73/77
For women	TV 88/90	TV 88/90
Number of pensioners	52	52
Average age	75	74.48

The movement in employee benefit liabilities during the accounting periods ended 31 December 2019 and 2018 was as follows:

	Employee benefits
Balance at 1 January 2018	1,355
Reversal	(73)
Balance at 31 December 2018	1,282
Reversal	(11)
Balance at 31 December 2019	1,271

The change in the current value of pensions in payment is due to the natural ageing of the population and the change in the yield.

The determination of pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections and other factors which may have an impact on the costs and liabilities of the benefit plan.

A sensitivity analysis for the values found in the actuarial valuation was carried out, taking into account a possible increase and decrease in the following assumptions: Pension Growth Rate, Discount Rate and Mortality Rate. The table below shows sensitivity analysis resulting from changing assumptions:

	Responsibilities	Impact
Balancet at 31 of December 2019	1,271	
Grow rate		
0,5%	1,322	50
Discount rate		
- 0,5%	1,322	50
0,5%	1,224	(47)
Mortality table		
+ 1 EMV	1,342	71
- 1 EMV	1,202	(69)

37 LEASE CONTRACTS

The Company also has some low-value lease contracts with terms of less than 12 months. In these situations the Group recognises these contracts as expenses.

In the period ending 31 December 2019, the following amounts were recognised in cost:

	31-12-2019
Right of use amortizations (Note 20)	(12,930)
Interests from lease agreements (Note 13)	3,590
Costs with short term low value lease agreements	2,668
Variable payments	459
	(6,213)

Changes in liabilities arising from leasing activities are as follows:

	Cash Flow		Financial Costs	New leases	31/12/2019
	01/01/2019	Receivables Payments			
Leases agreements	64,701	- (26,665)	-	50,108	88,143
	64,701	- (26,665)	-	50,108	88,143

The maturity of the lease contracts is presented in note 2.7.4.

38 PROVISIONS, IMPAIRMENT LOSSES, CONTINGENT ASSETS AND LIABILITIES

Provisions

The changes occurred in provisions during the financial years ended on 31 December 2019 and 2018 were as follows:

	Future investments	Contractual risks	Lawsuits court	Other provisions	Total
Balance at 1 January 2018	3,341	6,616	1,389	523	12,259
Increase	-	4,194	-	927	5,121
Reversal	-	-	-	(61)	(61)
Investment plan (Note 17)	(1,696)	-	-	-	(1,696)
Balance at 31 December 2018	1,645	10,810	1,389	1,389	15,624
Increase	-	4,107	299	1,270	5,675
Use	-	-	-	-	(14)
Reversal	-	-	(299)	(58)	(513)
Investment plan (Note 17)	(265)	-	-	-	(265)
IFRS 16	-	-	-	65	65
Balance at 31 December 2019	1,381	14,917	1,389	2,666	20,573

The main amounts shown under Provisions predominantly concern:

Provisions of Public-Private Partnership Management Contracts

These provisions arise from the Management Contracts under a Public-Private Partnership Regime with companies Escala Braga – Sociedade Gestora do Estabelecimento, S.A. and Escala Vila Franca – Sociedade Gestora do Estabelecimento, S.A., of which we highlight the following:

- **Liability for future investments** – Provision arising from clause 123 (Reversal of Assets) of the Management Contract concerning Vila Franca Hospital. In accordance with this clause, the assets subject to reversion in favour of the Public Contracting Entity must be in good working order and fully operational. Considering that all medical equipment that reaches the end of its useful life before the end of the Management Contract should be the target of investment, a provision was set up in 2013 as a counterpart to Intangible Assets (Note 18) and an investment plan was prepared where it is expected that the future obligation to replace the equipment in question will be recognised until the end of the contract. During 2019, the total value of the investments under the defined plan was revised, and reduced by EUR 265,000 euros. The value of the expected outflows in 2020 and 2021 are EUR 974,000 and EUR 406,000 respectively.
- **Contractual Risks** – Provisions for other contractual risks have been set up to cover a number of risks arising from the Management Contracts, of which the following are noteworthy:
 - Divergences of interpretation of contractual clauses;
 - Non-compliance with performance parameters, with associated penalties (result or service parameters).

Provisions for Legal Proceedings

Provisions arising from legal proceedings brought by customers of the various units against the JMS Group in connection with the provision of hospital services. These provisions are recorded based on the assessment and grading of the risk of the processes.

Impairment losses

The changes occurred in accumulated impairment losses during the financial years ended on 31 December 2019 and 2018 were as follows:

Non-current assets

	Impairment losses on non-current assets	
	Other investments (Note 21)	Total
Balance at 1 January 2018	1,316	1,316
Addition in consolidation scope	(1,316)	(1,316)
Balance at 31 December 2018	-	-
Balance at 1 January 2019	-	-
Balance at 31 December 2018	-	-

Current assets

	Impairment losses on current assets		
	Inventories (Note 25)	Trade receivables and advances to suppliers (Note 26)	Total
Balance at 1 January 2018	13	10,153	10,166
Increase		3,802	3,802
Use		(589)	(589)
Reversal		(1,648)	(1,648)
Discontinued operations	-	(634)	(634)
Balance at 31 December 2018	13	11,084	11,097
Increase	3	1,654	1,657
Use	-	(145)	(145)
Reversal	-	(207)	(207)
	-	(121)	(121)
Balance at 31 December 2019	16	12,265	12,281

During 2019 and 2018, the changes occurred in the Impairment losses and Provisions items were offset against income:

	31-12-2019			31-12-2018	
	Reforço	Reversão	Total	Reversão	Total
Employee benefits	-	(11)	(11)	(73)	(73)
Provisions	5,676	(513)	5,163	(61)	5,060
Impairment of HHC (Note 19)	3,685	(5,411)	(1,727)		
Impairment losses on non-current assets	-	-	-	-	-
Impairment losses on current assets	1,663	(207)	1,455	(1,648)	2,155
			4,881		7,142

Contingent assets and liabilities

No contingent assets and contingent liabilities were identified in the 2019 financial year.

39 OTHER CURRENT AND NON-CURRENT CREDITORS

These items were broken down as follows at 31 December 2019 and 2018:

	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Related entities	5,450	-	-	5,450
São Marcos Hospital (a)	2,427	-	2,332	-
Acquisition of investments (b)	3,187	-	3,092	-
Personnel and Trade Unions	1,856	689	1,907	2,765
Fees	1,136	-	1,109	-
Fixed asset suppliers	674	-	696	-
Clinical events and conference days	411	-	336	-
Base - Serviços Médicos de Imagiologia, SGPS, S.A.	24	-	301	-
Consultants, Advisors and Intermediaries	250	-	288	-
Fundo de Apoio à Inovação - Energias Renováveis e Eficiência Energética	276	-	173	-
Reynaldo dos Santos Hospital	-	-	84	-
Surety bonds	-	-	56	-
Available profits	34	-	62	-
Other creditors	-	-	38	-
	330	-	303	-
	16,054	689	10,778	8,215

(a) Advance payment received under the promissory contract for the purchase and sale of the current building of CUF Infante Santo Hospital;

(b) According to the Management Contract with Regional Health Authority North (ARS Norte), Escala Braga – Sociedade Gestora do Estabelecimento, S.A. shall deliver to São Marcos Hospital 90% of the revenue from the provision of medical services already performed by 1 September 2009, but for which the invoice had not yet been issued, and 90% of the cash receipts from customers which had already been invoiced by that date but had not yet been collected;

(c) The Acquisition of investments heading includes, in essence, the amounts payable for the acquisition of SIM-X – Serviço de Imagem Médica Lda. (EUR 174,000), Clínica Dr. Luís Álvares, S.A. (EUR 90,000), property of the CCUF Almada Clinic (EUR 500,000) and CENES– Centro de Reprocessamento de Dispositivos Médicos, Lda. (EUR 350,000). According to the respective acquisition contracts, the corresponding shares to liquidate after the 2021 financial year were considered as non-current.

40 OTHER CURRENT AND NON-CURRENT LIABILITIES

This item was broken down as follows at 31 December 2019 and 2018:

	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Accrued costs:				
Wages payable	34,867	-	40,879	-
Fees (a)	28,829	-	27,929	-
Operating costs (b)	13,349	-	13,751	-
Escala Braga increase costs		-	5,814	-
Financial expenses	157	-	124	-
Municipal Property Transfer Tax	481	-	478	-
Derivative financial instruments (Note 41)	-	761	176	1,058
Other accrued costs	43	-	-	-
	77,726	761	89,150	1,058
Deferred income:				
Financial income	413	-	453	-
Rents and leases	276	-	14	-
Other deferred income	13	-	6	-
	702	-	473	-
	78,428	761	89,623	1,058

(a) The Fees item concerns the estimate of values payable to employees without a permanent labour contract. This estimate is based on the monthly payment history, on the agreements established with each service provider and on the duration of the work carried out.

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

41 DERIVATIVE FINANCIAL INSTRUMENTS

Within the scope of the financial risk management policy, a set of financial instruments intended to minimise the risks of exposure to interest rate variations were contracted in the form of plain-vanilla interest rate swaps, covering almost all of the bond loans issued in May 2015 (for a total of EUR 50 million). The swaps contracted respect the characteristics of the aforementioned loans emitted so that they may be considered hedging products (same indexer, same interest period and payment deadlines). On the interest payment date, the JMS Group receives interest indexed to six-month Euribor for 100% of the bond capital and pays interest at a fixed rate on the same amount.

The bond loan issued in September 2017, amounting to 50 million euros, does not have associated derivative financial instruments because it has a fixed rate, as disclosed in Note 35.

There is a link between the hedged item and the hedging instrument, insofar as the conditions (period and reference rate) of the finance and hedging instruments are the same. The Group establishes a coverage ratio of 1:1 for the hedge relationship. Efficacy tests shall be carried out at the beginning of the cover and at subsequent periods: the coverage is expected to be highly effective in achieving netting changes in cash flows attributable to the hedged risk for which the hedge was designated. This expectation is demonstrated by the high statistical correlation between the cash flows of the hedged item and those of the hedging instrument.

On 31 December 2019 and 2018, the fair value of the contracted financial derivatives can be presented as follows:

	31-12-2019		31-12-2018	
	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedging				
Interest rate Swaps	-	761	176	1,058
Total derivatives (Note 40)	-	761	176	1,058

The figure recognised in this heading refers to six swap interest rate contracts signed by the JMS Group to cover the risk of interest rate fluctuation.

The characteristics of derivative financial instruments contracted in relation to financing operations on 31 December 2019 and 2018 were as follows:

Derivatives designated as cash flow hedging	Notional	Currency	Economic objective	Maturity	Fair value	
					31-12-2019	31-12-2018
Interest rate Swaps						
13121-001 Swap	25,000	Eur	Cash flow hedge of bonds	June 2019	-	(94)
13136-001 Swap	25,000	Eur	Cash flow hedge of bonds	June 2019	-	(45)
13121-002 Swap	12,500	Eur	Cash flow hedge of bonds	May 2021	(384)	(535)
13137-001 Swap	12,500	Eur	Cash flow hedge of bonds	May 2021	(205)	(289)
13152-001 Swap	12,500	Eur	Cash flow hedge of bonds	May 2021	(172)	(234)
13153-001 Swap	12,500	Eur	Cash flow hedge of bonds	June 2019	-	(37)
	100,000				(761)	(1,234)

The fair value of the hedging derivatives is classified as non-current when the maturity of the hedging transaction is greater than 12 months, and as current when the maturity of the operation being covered is under 12 months.

In June 2019, 3 of the hedging instruments that were contracted ended, justifying the change from the previous year.

Valuation of derivatives is based on quotations given by external entities, which are compared at each reporting date with market quotations available on financial reporting platforms, so that in accordance with the requirements of IFRS 13 the fair value of derivatives is classified as tier 2 (Note 3). No changes occurred between levels in the period.

The table below shows, by class, the carrying amount and fair value of financial instruments:

	31-12-2019		31-12-2018	
	Carrying value	Fair Value	Carrying value	Fair Value
Cash flow Hedging derivatives				
Interest rate Swap				
Swap 13121-001	(261)	-	(261)	(94)
Swap 13121-002	(379)	(384)	(379)	(535)
Swap 13136-001	(64)	-	(64)	(45)
Swap 13137-001	(103)	(205)	(103)	(289)
Swap 13152-001	(75)	(172)	(75)	(234)
Swap 13153-001	(41)	-	(41)	(37)
	(923)	(761)	(923)	(1,234)

Cash flows are paid and received from hedging derivative financial instruments every six months:



	31-12-2019		
	SWAP's		
	13121-002	13137-001	13152-001
Trade Date	19-May-15	23-Jun-15	30-Jul-15
Effective Date	21-May-15	25-Jun-15	31-Jul-15
Termination Date	17-May-21	17-May-21	17-May-21
Notional Amount	25,000	12,500	12,500

The JMS Group hedges an instalment of future payments on the interest of bond loan issues, through the allocation of interest rate Swaps in which it pays a fixed rate and receives a variable one, with a notional of 100 million euros. This is an interest rate risk hedge related to payments of interest at a variable rate arising from recognised financial liabilities. The hedged risk is the variable rate indexer to which interest on loans is associated. The aim of this coverage is to transform variable interest rate loans into a fixed interest rate. The fair value of the interest rate swaps at 31 December 2019 is negative at EUR 761 thousand (EUR 1.234 million in 2018).

42 TRADE PAYABLES AND ADVANCES FROM CLIENTS

These items were broken down as follows at 31 December 2019 and 2018:

	31-12-2019	31-12-2018
Trade payables, current account	90,700	91,765
Trade payables, invoices pending	10,958	24,665
Advances from clients	4,694	4,633
	106,351	121,062

43 GUARANTEES

Financial guarantees provided to third parties

On 31 December 2019 and 2018, the companies included in the consolidation had provided guarantees to third parties, the details of which are as follows:

Beneficiary	31-12-2019	31-12-2018
Lisboa Residence	5,450	5,450
Escala Vila Franca - Sociedade Gestora do Estabelecimento, S.A.	4,000	4,000
ESLI - Parques de Estacionamento, S.A.	2,198	2,198
Câmara Municipal de Lisboa	850	850
Camara Municipal de Matosinhos	120	120
ARSN	117	117
Instituto Português de Oncologia de Lisboa Francisco Gentil, E.P.E	30	30
Tribunal do Trabalho de Lisboa	2	2
Presidência do Conselho de Ministros - Serviços Sociais	1	1
EDP - Energias de Portugal, S.A.	1	1

Real guarantees provided to third parties

As at 31 December 2019 and 2018, the Companies included in the consolidation scope had provided the following real guarantees to financial institutions, which consist of mortgages on the following properties of the Group:

Property	31-12-2019	31-12-2018
Hospital CUF Sintra	14,000	16,170
Hospital CUF Porto	39,850	39,850
Hospital Cuf Descobertas (Expansão)	33,000	33,000
Clínica Cuf Almada	6,002	6,002
Hospital Cuf Tejo	86,000	86,000
Hospital CUF CASCAIS	15,000	15,000
Clínica Cuf Belém e Hospital Cuf Torres Vedras	37,256	37,256
Hospital CUF Santarém	3,907	3,907

Other guarantees:

- José de Mello Saúde, S.A. is a guarantor within the scope of the financial leasing contracts for medical equipment entered into by the Group's multiple companies;
- Blank promissory Note signed by Imo Health and endorsed by José de Mello Saúde, S.A. and by Hospital CUF Infante Santo, S.A. Specifically for the contracted commercial paper, Imo health offered as guarantee the consignment of the rents paid by CUF Infante Santo Hospital;
- The Consignment of any and all income from lease contracts relating to the properties of CUF Cascais Hospital and CUF Sintra Hospital, as a guarantee for financing contracted by Imo Health Cascais – Investimentos Imobiliários, S.A. and Simplygreen – Investimentos Imobiliários, S.A., respectively;
- Blank promissory note signed by Hospimob Imobiliária, S.A. and endorsed by José de Mello Saúde, S.A. and by Hospital CUF Porto, S.A.;
- Blank Promissory Note signed by Imo Health and endorsed by José de Mello Saúde, S.A., Hospital CUF Torres Vedras, S.A., Clínica CUF Belém, S.A. and Instituto CUF – Diagnóstico e Tratamento, S.A.;
- Within the scope of the mutual financing, Imo Health signed a blank promissory note, endorsed by José de Mello Saúde, S.A.;
- Hospital CUF Santarém, S.A. signed two blank promissory notes as a form of guarantee for the mutual financing with banking institutions;
- Within the scope of the mutual financing contracted by Hospital CUF Porto, S.A., a blank promissory note was signed by this Company and by José de Mello Saúde, S.A.;
- Within the scope of the mutual financing contracted by InfraHealth – Gestão de Infraestruturas, Lda., a blank promissory note was signed by this company and by José de Mello Saúde, S.A.;
- Within the scope of the mutual financing contracted by José de Mello Saúde, S.A., a blank promissory note was signed as a form of guarantee;
- Blank Promissory Note signed by Hospital CUF Infante Santo, S.A., within the scope of the mutual financing contract;
- Within the scope of Contracted Commercial Paper, a blank promissory note was signed for each contract by the issuers, José de Mello Saúde S.A., Hospital CUF Descobertas, S.A. and Hospital CUF Infante Santo, S.A.;
- Within the scope of the Pledge Current Account financing, a blank promissory note was signed by all grouped entities, José de Mello Saúde, S.A., Hospital CUF Descobertas, S.A., Hospital CUF Infante Santo, S.A., Hospital CUF Porto, S.A., Hospital CUF Santarém, S.A., Instituto CUF – Diagnóstico e Tratamento, S.A., Hospital CUF Cascais, S.A., Clínica CUF Belém, S.A., Hospital CUF Torres Vedras, S.A. and Hospital CUF Viseu, S.A.;

- Endorsement provided by José de Mello Saúde, S.A. and Hospital CUF Descobertas, S.A.;
- In the context of the financial lease contracted by Imo Health Investimentos Imobiliários, S.A, a blank promissory note was signed by José de Mello Saúde, S.A. and the Hospital CUF Descobertas, S.A. In addition, the assignment of all and any income arising from the lease contract for the building CUF Discovered Hospital was guaranteed;
- In connection with the financial lease contracted by José de Mello Saúde, S.A., a booklet was signed and a guarantee was given for all and any income from the lease of medical equipment;
- Within the scope of the factoring operation, a blank promissory note was signed by all grouped entities, Hospital CUF Descobertas, S.A. e Hospital CUF Infante Santo, S.A., Hospital CUF Porto, S.A., Hospital CUF Santarém, S.A., Hospital CUF Cascais, S.A., Hospital CUF Torres Vedras, S.A. and Hospital CUF Viseu, S.A.

44 EXPLANATORY NOTES OF THE STATEMENT OF CASH FLOWS

44.1 RECEIPTS FROM FINANCIAL INVESTMENTS:

The most significant inflows related to financial investments occurring during the financial years ended on 31 December 2019 and 2018 are:

	31-12-2019	31-12-2018
Centro Gamma Knife-Radiocirurgia, S.A.	94	34
Dr. Campos Costa - Consultório de Tomografia Computorizada, S.A.	120	-
Escala Braga e Escala Parque	-	9,709
	214	9,743

The amounts for Dr. Campos Costas and Escala Braga and Escala Parque relate to holdings that were sold in 2019 and 2018 respectively.

44.2 PAYMENTS ARISING FROM FINANCIAL INVESTMENTS AND OTHER INVESTMENTS:

The most significant payments related to financial investments occurring during the financial years ended on 31 December 2019 and 2018 are:

	Classification	31-12-2019	31-12-2018
Hospital da Ordem da Trindade, S.A.	Business acquisition	1,600	-
Hospital da Ordem da Trindade, S.A. (Carências de tesouraria)	Business acquisition	1,182	-
Sonomedius - Centro de Diagnóstico Médico, Lda	Business acquisition	964	-
CENES - Centro de Reprocessamento de Dispositivos Médicos, Lda.	Business acquisition	350	1,175
SIM-X - Serviço de Imagem Médica, Lda.	Business acquisition	261	-
José de Mello Residências e Serviços, SGPS, S.A.	Business acquisition	-	978
CPIS - Clínica Particular de Coimbra, S.A. (Suprimentos)	Business acquisition	-	460
ICIL - Instituto Clínico, Lda.	Business acquisition	-	150
Compra aos accionistas individuais da SGHD	Business acquisition	-	133
Ecoclínica - Diagnóstico por Imagem, Lda.	Business acquisition	-	35
		4,357	2,931

45 RELATED PARTIES

45.1 NATURE OF RELATIONSHIP

The nature of the relationship between the Group and its associated companies, its shareholders and other related parties is shown in the following table:

Related party	Localization	Transações			
		Sales and services rendered	Financial income	Financial Costs	External supplies and services
Shareholders:					
José de Mello Capital, S.A.	Portugal	Occupational health	Debenture Loans		Specialized Services
Farminveste - Investimentos, Participações e Gestão, S.A.	Portugal	Occupational health	Debenture Loans		
Fundação Amélia de Mello	Portugal	Occupational health			
Associates:					
Hospital da Ordem da Trindade, S.A.	Portugal		Loans		
Other related parties:					
Grupo MGI Capital	Portugal	Occupational health			Maintenance Services
Grupo Brisa - Auto-estradas de Portugal	Portugal	Occupational health			Parking Comissions
Grupo José de Mello Residências e Serviços	Portugal	Occupational health	Loans		Personal Transfer
Grupo Bondalti	Portugal				
M Dados – Sistemas de Informação, S.A.	Portugal	Occupational health			Data Management Fees
Grupo Farminveste	Portugal	Occupational health			
L.A.R.F. - Imobiliária, S.A.	Portugal			Loans	
Grupo José de Mello Imobiliária	Portugal	Occupational health			

The terms or conditions are almost identical to those that would normally be drawn up, accepted and practiced between independent entities in comparable operations.

45.2 TRANSACTIONS AND OUTSTANDING BALANCES

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 between the Group and its associated companies, its shareholders and other related parties are detailed below:

2019

	Debit balances			Credit balances	
	Clients	Other debtors	Bonds (Note 28)	Suppliers	Other creditors
Shareholders:					
José de Mello Capital, S.A.	2	1	10,000	5	-
Farminveste - Investimentos, Participações e Gestão, S.A.	1	469	6,500	-	-
Other related entities:					
Grupo MGI Capital	94	-	-	1,128	-
Grupo Brisa - Auto-estradas de Portugal	24	47	-	-	-
Grupo José de Mello Residências e Serviços	22	7,437	-	4	-
Grupo Bondalti	67	-	-	-	-
M Dados – Sistemas de Informação, S.A.	(0)	-	-	101	-
L.A.R.F. - Imobiliária, S.A.	-	-	-	-	2,469
Grupo Farminveste	5	-	-	-	-
Grupo José de Mello Imobiliária	0	-	-	-	-
	215	7,953	16,500	1,238	2,469

Related party	Transactions			
	Sales and services rendered	Financial income	External supplies and services	Financial costs
Shareholders:				
José de Mello Capital, S.A.	15	79	39	-
Farminveste - Investimentos, Participações e Gestão, S.A.	3	135	-	-
Fundação Amélia da Silva de Mello	-	-	-	-
Other related entities:				
Grupo MGI Capital	264	-	4,455	-
Grupo Brisa - Auto-estradas de Portugal	195	-	563	-
MGICAPITAL- Sistemas de Gestão, S.A.	-	-	-	-
Grupo José de Mello Residências e Serviços	99	177	52	-
Grupo Bondalti	92	-	-	-
M Dados – Sistemas de Informação, S.A.	1	-	577	-
Grupo Farminveste	7	-	-	-
L.A.R.F. - Imobiliária, S.A.	-	-	-	94
Grupo José de Mello Imobiliária	0	-	-	-
	678	392	5,685	94

2018

Related party	Debit balances			Credit balances	
	Clients	Other debtors	Bonds (Note 28)	Suppliers	Other creditors
Shareholders:					
José de Mello Capital, S.A.	3	1	16,500	9	-
Farminveste - Investimentos, Participações e Gestão, S.A.	-	375	18,650	-	-
Associates:					
Hospital da Ordem da Trindade, S.A.	-	1,182	-	-	-
Other related entities:					
Grupo MGI Capital	108	-	-	1,164	-
Grupo Brisa - Auto-estradas de Portugal	34	48	-	13	-
Grupo José de Mello Residências e Serviços	53	-	-	24	-
Grupo Bondalti	11	-	-	-	-
M Dados – Sistemas de Informação, S.A.	-	-	-	215	-
MGICAPITAL- Sistemas de Gestão, S.A.	0	-	-	-	-
L.A.R.F. - Imobiliária, S.A.	-	-	-	-	2,332
José de Mello Residências e Serviços, SGPS, S.A.	-	7,260	-	-	-
	209	8,866	35,150	1,424	2,332

	Transactions			
	Sales and services rendered	Financial income	External supplies and services	Financial Costs
Shareholders:				
José de Mello Capital, S.A.	12	284	41	-
Farminveste - Investimentos, Participações e Gestão, S.A.	3	136	-	-
Fundação Amélia da Silva de Mello	1	-	-	-
Other related entities:	-	-	-	-
Grupo MGI Capital	262	-	3,159	-
Grupo Brisa - Auto-estradas de Portugal	178	-	490	-
MGICAPITAL- Sistemas de Gestão, S.A.	-	-	-	-
Grupo José de Mello Residências e Serviços	106	-	78	-
Grupo Bondalti	35	-	-	-
M Dados – Sistemas de Informação, S.A.	2	-	578	-
L.A.R.F. - Imobiliária, S.A.	-	-	-	63
Grupo Farminveste	12	-	-	-
Grupo José de Mello Imobiliária	0	-	-	-
	610	420	4,346	63

No expenses were recognised in respect of bad or doubtful debts owed by related parties.

In addition, no guarantees were given or received to related entities.

Wages of key management personnel

The wages of the Group's key management personnel are discriminated in the table below:

	31-12-2019	31-12-2018
Remuneration	3,502	3,612
	3,502	3,612

In the context of transactions with related parties, no commitments were entered into nor were any guarantees given or received. The remuneration of directors includes all remuneration due for the exercise of positions in the governing bodies of the JMS group.

In the JMS group, no other system is established for paying remuneration to directors in the form of benefits or profit-sharing and/or bonus payments, and no remuneration has been paid on that basis.

There were no allowances paid or due to former executive directors in respect of the termination of their duties during the 2019 financial year.

No amounts were therefore paid in any way other than the remuneration disclosed under the item "Information on the shareholder structure, organisation and governance of the company" to the management bodies of the group.

In addition, there are no outstanding balances or other commitments to be disclosed.

46 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2020.

The financial statements will be subject to approval by the Shareholders' Meeting scheduled for 29 May 2020 and the Board of Directors expects them to be approved without significant changes.

47 SUBSEQUENT EVENTS

At the end of 2019, a new virus called Covid-19 was identified in China. This virus has spread to other countries in the world, reaching Portugal in mid-February 2020 and receiving the World Health Organization (WHO) classification of a pandemic. Developments have taken on very worrying proportions, with significant impacts on public health, and with predictable impacts on the economy as well.

The José de Mello Saúde Group, as a health service provider, is following the evolution of this pandemic in close liaison with public authorities, in particular the Department of Health (DGS), with a view to linking private providers with public service providers within the National Health Service (NHS) to strengthen the system's responsiveness.

In this context, and in order to ensure that the needs of the population are met, the CUF Infante Santo Hospital and the CUF Porto Hospital will be responsible for diagnosing and treating patients with the new coronavirus (Covid-19) infection, while also maintaining the capacity to diagnose other disease situations and to direct patients within the CUF network according to their specific situation. The Vila Franca de Xira Hospital, as a hospital managed through partnership model with the Portuguese State, is also in close association with the NHS in order to guarantee the necessary care for the whole population. The remaining hospitals and clinic in the Group will remain dedicated to providing general care to the population.

With these changes, the Group seeks to ensure adequate support for the NHS and a more effective response to patients with Covid-19, providing differentiated human and technical resources in both the northern region and the Lisbon metropolitan area.

This situation will naturally have an impact on the group's activity, in particular on its turnover and financial situation.

The Group has run various scenarios on the impact of Covid-19 on its business, in which it expects its turnover to be adversely affected by around EUR 80 million, considering that the crisis will peak during the first half of 2020, and then to gradually resume the previously expected activity volumes.

José de Mello Saúde Group is preparing and implementing measures to minimise the negative impacts of this new situation, including, but not limited to, the rescheduling of walk-in activity and the expediting of tools such as telephone consultations, including the necessary measures to mitigate any scenario of non-compliance with its financial ratios in the financial statements for the year ending 31 December 2020.

The Certified Accountant

The Board of Directors

DECLARATION OF CONFORMITY OF THE BOARD OF DIRECTORS

In accordance with provisions in Article 245(c)(1) of the Securities Code, José de Mello Saúde, S.A. ("JMS"), the Board members declare that, to the best of its knowledge, the management report, the consolidated and individual annual accounts and the other accounting documents, i) were prepared in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of JMS and of the companies included in the scope of consolidation; ii) they faithfully describe the development, performance and position of JMS business activity and of the companies included in the scope of consolidation; and iii) they contain a description of the main risks JMS faces in its activity.

Carnaxide, 8 April 2020



INFORMATION ON THE COMPANY'S SHAREHOLDING STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

(a) Qualifying holdings in the company's share capital

Shareholder	Number of shares	Ownership	Voting Rights
José de Mello Capital, S.A.	6,980,100	65.85%	65.85%
Fundação Amélia da Silva de Mello	439,900	4.15%	4.15%
Farminveste - Investimentos, Participações e Gestão, S.A.	3,180,000	30.00%	30.00%
	10,600,000	100.00%	100.00%

(b) Identification of shareholders with special rights and description of these rights.

There are no special rights granted to any company shareholder.

(c) Number of shares and bonds held by members of the governing and supervisory bodies, under the terms and for the effects of provisions in article 447(5) of the Portuguese Commercial Companies Code and article 14 of the Portuguese Securities Market Commission (CMVM) Regulation 5/2008.

Members of the Company's governing bodies do not hold shares or bonds in José de Mello Saúde S.A., as no transaction has taken place on these bonds during the 2019 financial year.

(d) Possible restrictions on voting rights, such as limits on voting depending on the ownership of a number or percentage of shares, time limits imposed for exercising these rights or systems for equity rights.

There are no restrictions of this nature.

(e) Applicable rules on appointment and replacement of members of the governing bodies and on the change of the company's articles of association.

Under the terms of articles of association of José de Mello Saúde S.A., there are no special rules on the appointment and replacement of members of the governing bodies and on change of José de Mello Saúde S.A. articles of association. With regard to these matters, the corresponding provisions of the Portuguese Commercial Companies Code apply.

(f) The powers that the governing bodies enjoy, in particular with regard to deliberations on capital increases.

Under the terms of articles of association of José de Mello Saúde S.A., there are no special rules on the powers of the governing bodies. With regard to these matters, the corresponding provisions of the Portuguese Commercial Companies Code apply.



The Board of Directors of José de Mello Saúde S.A. delegated the following competences to the Executive Committee:

- i. Carrying out the day-to-day management of the Company, with the ability to deliberate on all matters concerning the performance of the Company's activity, following its corporate purpose, the resolutions made by the Board of Directors and by the General Assembly in matters within the latter's purview;
- ii. Prepare and submit to the Board of Directors, for approval, the company's wage, staff management and trading and price policies of the José de Mello Saúde Group;
- iii. Prepare and submit to the Board of Directors, for approval, the company's business and budget plans for the following year, in addition to proposing possible changes;
- iv. Carrying out the coordination and permanent monitoring of the day-to-day management of the direct and indirect affiliates of the Company ("Affiliates"), issuing, in the case of fully owned Affiliates, binding instructions;
- v. For the purpose of the previous paragraph, the Executive Committee should discuss the following matters
 - (i) Definition of the affiliate companies' economic planning and financial strategy, namely:
 - i. opening and/or expansion of establishments;
 - ii. development of new activities (e.g. new medical specialities) or significant alteration/reorganisation of existing activities;
 - iii. signing of commercial agreements, conventions with insurance companies and scientific and academic subsystems and protocols;
 - iv. choice of holders of top management positions, namely production, clinical and nursing management;
 - v. monitoring and supervision of relevant projects through a Steering Committee.
 - (ii) Approval of any business plan as well as any changes and updates made to same;
 - (iii) Approval of the annual budget and any updates made to same;
 - (iv) Signing of contracts relating to employment or service provision, assuming responsibilities, acquisitions or sales of any assets, including shares in other companies, whenever the estimated value exceeds, on an individual basis, (i) EUR 1,000,000.00 (one million euros) if foreseen in the annual budget, or (ii) EUR 200,000.00 (two hundred thousand euros) if not foreseen in the annual budget;
 - (v) Loans, financing, bonds, debt securities, commercial paper and other forms of third-party financing, including the issue of warranties or standby warranties whenever their value exceeds, on an individual basis, (i) 1,000,000.00 euros (one million euros) if foreseen in the annual budget, or (ii) 200,000.00 euros (two hundred thousand euros) if not foreseen in the annual budget;
- vi. Signing all acts and contracts inherent in the company's activity, providing that their value does not exceed the amount equivalent to 15,000,000.00 euros (fifteen million euros);
- vii. Entering into bank loans or similar operations, granting shareholders' loans and other forms of providing capital to Affiliates, as long as the corresponding amount does not exceed the equivalent to EUR 15,000,000.00 (fifteen million euros);

- viii. Conducting banking transactions, such as open and operate any credit or debit bank accounts, withdraw and endorse cheques and withdraw, accept and endorse letters, promissory notes and other debt securities;
- ix. Making receipts and payments on behalf of the company, grant discharge and issue the required accounting documents;
- x. Sign employment or service contracts for company staff, to exercise or be able to discipline and promote, if necessary, the dismissal of any employee, in addition to recruiting employees or special experts, where appropriate;
- xi. Establishing new companies, in addition to acquiring or disposing of shares in other companies, as long as the respective holding does not exceed the equivalent of EUR 15,000,000.00 (fifteen million euros);
- xii. Signing any types of insurance contracts inherent to the exercise of the Company's activity;
- xiii. Proposing to the Board of Directors leases whose annual amount exceeds EUR 1,000,000.00 (one million euros), disposal, encumbrance or acquisition of immovable assets for the Company, whose value exceeds EUR 15,000,000.00 (fifteen million euros);
- xiv. Carrying out provision of all movable property and equipment essential for the exercise of the Company's activity;
- xv. Propose the company's organigram to the Board of Directors and keep it informed on the subsequent adjustments that prove to be necessary;
- xvi. Establishing proxies to represent the company in the execution of specific acts through issuing the appropriate instrument for that purpose;
- xvii. Establish forensic proxies to represent the company in any litigations in which it may be involved, granting them sufficient powers to acknowledge, desist and compromise;
- xviii. Represent the company in court and in arbitration as well as appointing arbitrators in any litigation in which it may be involved;
- xix. Proposing the holders of the governing bodies of the Affiliates on whose Boards of Directors shall participate the entirety or part of the members of the Company's Executive Committee

The amounts indicated presumes prior budgeting of respective expenses and/or liabilities. As they are non-budgeted expenses and/or liabilities, these limits are reduced to 40% (forty per cent) of the amount indicated.

Also, under the powers delegated to it, the Executive Committee is able to define responsibilities and areas of operation of each member, in terms of the Company's internal structure, operation, coordination and monitoring of its business areas, in general, and of affiliate companies in particular.

g) Key elements of the internal control systems and risk management implemented in the company on the process of disclosing financial information.

Matters on internal control and risk management systems in existence in the José de Mello Saúde Group are detailed in point 6 of the Management Report.

h) Annual amount for remuneration awarded, in aggregated and individual form, for members of the governing and supervisory bodies of the company, for the purposes of Law 28/2009 of 19 June.

- i. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Board of Directors during 2019

Name	Position	Remuneration (euros)
Salvador Maria Guimarães José De Mello	Chairman of the Board of Directors and CEO	826 123
Pedro Maria Guimarães José De Mello	Non-executive Vice-Chairman	-
João Gonçalves Da Silveira	Non-executive Vice-Chairman	-
Rui Alexandre Pires Diniz	Executive Director	838 981
Rui Manuel Assoreira Raposo	Executive Director	126 736
Catarina Marques Rocha Gouveia	Executive Director	176 750
Vasco Luís José De Mello	Executive Director	447 165
Inácio António P. M. Almeida E Brito	Executive Director	426 165
Guilherme Barata Pereira Dias de Magalhães	Executive Director	450 165
Paulo Jorge Cleto Duarte	Non-executive Director	-
Luís Eduardo Brito Freixial De Goes	Non-executive Director	-
Vera Margarida Alves Pires Coelho	Non-executive Director	51 667
Céline Dora Judith Abecassis-Moedas	Non-executive Director	51 667
Raúl Catarino Galamba Oliveira	Non-executive Director	51 667

- ii. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Supervisory Board during 2019

Members of the Supervisory Board have a gross annual remuneration of EUR 7,500 for the Chairman and EUR 6,000 for Members.

- iii. Gross remuneration paid by José de Mello Saúde, S.A. to members of the Remuneration Committee during 2019.

Members of the Remuneration Committee have a gross annual remuneration of EUR 9,000 for the Chairman and EUR 6,000 for Members.

- iv. Amount of annual remuneration paid by the company and/or by legal persons in control or group relationship to the auditor and to other natural or legal persons and specification of the percentage for each type of service.

Description	Value
Value of Audit and Legal Audit Services	311 103
Value of other consulting services	8 000
Total	319 103

REMUNERATION POLICY OF THE MEMBERS OF THE COMPANY'S GOVERNING AND SUPERVISORY BODIES

- The members of the governing bodies must perform their duties diligently and carefully, in the interests of the company, taking into account the interests of its shareholders, employees and remaining stakeholders;
- It is in the interest of the Company and its shareholders to create the suitable conditions and incentives, enablers of the good performance of duties by the Board of Directors, in accordance with the criteria mentioned above;
- It is also intended that the way the members of the governing bodies are compensated is a transparent, fair and independent process, which guarantees a balance between the shareholders, the company's positioning in the market and the need to attract and retain talent;
- From this perspective, the remuneration is an essential management tool for framing and motivating the leaders' performance at the company level;
- The definition and application of the criteria underlying the setting the Board Members remunerations, submitted to the Remuneration Committee, shall thus be consistent and homogeneous, on the one hand taking into account the level of remuneration currently practiced in similar European companies and, on the other hand, the level of compliance with the strategic objectives defined for José de Mello Saúde Group (JMS), the creation of value for the shareholders and the economic context;
- In this sense, the remuneration shall include a fixed component that seeks to, in the context of the corresponding skills and responsibilities, suitably remunerate the effort and work developed throughout each mandate, applicable to the executive and independent non-executive members of the Board of Directors, and a variable component to be given to the executive members to compensate them for the Company's performance, rewarding, *inter alia*, the increase in efficiency and productivity and the creation of long-term value for the Society and its shareholders, and at the same time align his/her interests with the sustainability interests of the company in longer-term cycles. This alignment will be guaranteed, in particular, through the impact on the calculation of the variable remuneration of the operating and financial performance of the company in each financial year, of the intrinsic quality of the presented results (both recurring and extraordinary), of the compliance with the annual budget and of the business plan, taking into account JMS's positioning in the healthcare market and the expectation of business evolution in the medium and long term;
- The assignment of the variable component, in addition to what was already mentioned, is also dependent on the evaluation of the fulfilment of annual and multiannual, individual and collective goals, reviewed annually taking into account, namely the following indicators: Revenue, EBITDA, EBIT, Net Profit and Customers Security Index, not only in terms of evolution according to JMS's track record but also taking into account the remuneration level of the main companies in the domestic market according to market studies conducted in Portugal;

- Exceptional factors which enhance or downgrade the performance of the Executive Board or any of its members may also be taken into account.
- Part of the variable remuneration is paid after the end of each financial year and when the corresponding results are determined, with another significant component deferred for a period of three years, with its payment dependent on the continuation of JMS's positive performance throughout that period, seeking to foster the maximisation of the performance in the long term and the pursuit of the company's strategic and structural objectives, and to discourage excessive risk taking.

Regarding the supervisory body, considering the provisions of article 422-A, along with the provisions of article 399 (1), both from the Portuguese Commercial Companies Code, the remuneration of the members of the Supervisory Board shall be a fixed amount, that shall be defined taking into account the complexity and responsibility of the roles performed, the normal compensation practices and conditions in the performance of similar jobs, as well as the company's economic condition.

STATUTORY AND AUDITOR'S REPORT

*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of José de Mello Saúde, S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at December 31, 2019 (which show a total of 911.165 thousand euros and a total equity of 125.976 thousand euros, including a net profit for the year of 29.013 thousand euros), and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of José de Mello Saúde, S.A. as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the entities that comprise the Group in accordance with the law and we comply with the ethical requirements of the Code of Ethic of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to Covid-19

The recent developments related to the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society, increasing uncertainty around the operational and financial performance of organizations. The impacts and uncertainties resulting from the Covid-19 pandemic are disclosed in Note 47 (Subsequent events) of the notes to the financial statements and reflect the expectations of the Board of Directors, based on the information available at that date, including the potential effect of this situation on the fulfillment of the financial ratios contracted by the Group. Our opinion has not been modified in relation to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters of the current period:

1. Recognition and measurement of revenue and compliance with contractual and regulatory requirements of public health services given the complexity of Public-Private Partnership management agreements of Braga and Vila Franca de Xira Hospitals

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>Sales and services rendered and Other operational revenues of the group are essentially related to two business segments:</p> <ul style="list-style-type: none"> ▶ Public health services, that represent 30% of total revenue; and ▶ Private health services, that represent 70% of total revenue. <p>The Braga Hospital contract ended in August 2019 and the group currently manages the operations of the Vila Franca de Xira Hospital. The activity and the revenues of the two Hospitals are determined in accordance with the applicable clauses included in the Public-Private management agreements signed with the Regional Health Administrations, as disclosed in notes 2.4.1, 2.6 and 7 of the notes to the Consolidated Financial Statements. The materiality, variety and complexity of the health services rendered, associated with the judgment inherent to the interpretation of the referred agreements represents a significant audit risk. The fact that the production related to prior years is not yet closed, as mentioned in note 2.6 of the notes to the Consolidated Financial Statements, indicates uncertainty about the acceptance of revenues recognized in prior years and in the current year, as detailed in note 25 of the notes to the Consolidated Financial Statements.</p> <p>Consequently, the recoverability of the balances related to Braga Hospital (21.818 thousand euros) and Vila Franca de Xira Hospital (18.967 thousand euros) depend on the success of the ongoing negotiations with the Regional Health Administrations for each of the indicated years.</p> <p>The recognition and measurement of public health revenues involve, as per the above, significant judgement from management as disclosed in note 2.6 of the notes to the Consolidated Financial Statements, particularly, in what concerns the determination of eligible production and its measurement.</p>	<p>Our approach to the risks of material misstatement includes: i) a global response with an impact on the way the audit has been performed; and ii) a specific response which translated into a combined approach of assessment of controls and substantive procedures, namely:</p> <ul style="list-style-type: none"> ▶ Assessment of the effectiveness of the internal control environment and execution of test of controls and tests related with i) production entitlement, and ii) computation of production based on the assumptions defined in the management agreements; ▶ Execution of analytical review procedures for all sales and services rendered accounts, including analysis of the significant variances compared to prior year, compared with expectations and with the agreed / budgeted production with the use of data analysis tools (analytics); ▶ Execution of test of details to validate contractual compliance and eligibility of services rendered related to unbilled production and accrued revenues, including the recalculation of current year revenues in accordance with the incurred production, considering the rules of the different classes, compared with the contracted production; ▶ Analysis of correspondence / communications between Braga Hospital and Vila Franca de Xira Hospital and the Regional Health Administrations related with the matters that are still under validation for the years that remain open; ▶ Analysis of the quarterly reports issued by an external independent expert related to the Monitoring and Assessment of Care Assistance Results, which includes the recalculation of the performance factor results and the service performance parameters, and recalculation of the penalties related to those parameters; ▶ Retrospective analysis of previous years' settlement agreements, to confirm consistency of the methodology agreed with Braga Hospital and Vila Franca de Xira Hospital and the Regional Health Administrations, for those instances of production not eligible and analysis of coherence for the years that are still under discussion. <p>Our approach also encompassed the analysis of the disclosures included in notes 2.4.1, 2.6, 7 and 25 of the notes to the Consolidated Financial Statements to ensure that those notes are in accordance with the applicable accounting standards.</p>

2. Recognition and measurement of revenues from private health services due to the high volume of transactions, and the variety and complexity of services rendered in the various health units.

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>As mentioned in the previous Key Audit Matter, consolidated revenues from rendering of private health care services comprise a significant volume of transactions, from various health units that render a variety of complex services. The specificity and complexity of some of the services rendered and the multiplicity of existing agreements with health insurance companies and health subsystems organizations increase significantly the risk of services rendered not being recognized or being incorrectly booked and measured.</p>	<p>Our approach to the risk of material misstatement includes: i) a global response with impact on the way the audit has been performed; and ii) a specific response which translated in a combined approach of assessment of controls and substantive procedures, namely:</p> <ul style="list-style-type: none"> ▶ Assessment of the effectiveness of internal control environment and execution of tests of controls related to revenue recognition; ▶ Reconciliation between the operational invoicing system and the recognition of revenue in the general ledger; ▶ Execution of analytical review procedures to all sales and services rendered accounts, including analysis of the significant variances compared to prior year, compared with expectations and with the agreed / budgeted production with the use of data analysis tools (analytics); ▶ Testing of the amounts booked as accrued invoices as at December 31, 2019, through the substantive analysis of the processes that originated the deferral of invoicing, as well as through the subsequent clearance, after the financial year end; ▶ Execution of data analysis procedures (analytics) to validate the correlation of transactions booked i) between the sales and services rendered accounts and the clients' accounts and ii) between the clients' accounts and cash & banks, during the period from January 1, 2019 to December 31, 2019. <p>Our approach also encompassed the analysis of the disclosures included in notes 2.4.1, 7 and 25 of the notes to the Consolidated Financial Statements to validate that the disclosures are in accordance with the applicable accounting standards.</p>

3. Impairment of Goodwill

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>The amount of Goodwill as at December 31, 2019 amounts to 46.056 thousand euros and is related to the business combinations disclosed in note 17 of the notes to the Consolidated Financial Statements.</p> <p>An impairment test of Goodwill should be performed on an annual basis, which involves a high level of subjectivity inherent (i) to the assumptions taken by management in forecasting the business plans of each Cash Generating Unit, as well as (ii) to the</p>	<p>We have tested the assumptions used in the valuation models prepared by management, namely the cash flow projections, the discount rate, the inflation rate, the perpetual growth rate and the sensitivity analysis, supported by internal specialists in business valuations.</p> <p>We have tested the consistency of the assumptions used in the business plans with prior years, with historical data and with external data.</p> <p>We have tested the arithmetical calculation of the model used.</p>

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>remaining assumptions included in the calculation of the value in use, determined in accordance with the discounted cash flows methodology, namely the discount rates and forecast performance, including perpetual growth, as disclosed in note 17 of the notes to the Consolidated Financial Statements.</p> <p>Consequently, the potential impairment of goodwill has been considered a relevant matter because the amount booked for this asset is material and the impairment assessment process is complex.</p>	<p>We have reviewed the sensitivity analysis of the impairment tests performed on the Cash Generating Units, to validate that the disclosures included in note 17 of the notes to the Consolidated Financial Statements reflect the outcome of the impairment tests performed.</p> <p>We have reviewed the requirements of the applicable disclosures (IAS 36) in accordance with notes 2.3.c), 2.6 and 17 of the notes to the Consolidated Financial Statements.</p>

4. Liquidity, refinancing and contractual ratios

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
<p>The Group has contracted external financing presented as current and non-current liabilities, in the amount of 411.904 thousand euros and 122.400 thousand euros, respectively. As part of the Group's investment strategy, significant advances occurred on the constructions of fixed assets, as disclosed in note 19 of the notes to the Consolidated Financial Statements, therefore additional financing was contracted in the amount of 87.396 thousand euros and bonds were renegotiated and refinanced as disclosed in note 35 of the notes to the Consolidated Financial Statements.</p> <p>Additionally, an important factoring operation of Trade receivables was concluded by year ended December 31, 2019, under the terms disclosed in note 27 of the notes to the Consolidated Financial Statements.</p> <p>The management of cash-flows, refinancing capacity and compliance with the financial ratios are significant matters for our audit.</p> <p>The test or evaluation is largely based on Management's expectations and estimates, which are influenced by subjective assumptions such as projections of volume and margins of operating activities, estimates of future cash flows, forecasting of economic and capital market conditions, and capacity to fulfill financial ratios.</p>	<p>We have obtained the support agreements of the various debt instruments and the understanding of the contractual ratios computation method.</p> <p>We have tested compliance with the contractual conditions.</p> <p>We have tested and challenged cash flows forecasts of the subsidiaries and the process by which they were prepared, testing the underlying assumptions, such as the expected cash flows of services rendered and cash outflows from operating expenses.</p> <p>We have read the minutes of the Board of Directors and other bodies of the Group to understand future plans and identify potential contradictory information.</p> <p>We have discussed with Group's management the projections of debt market conditions and confirmed the group policy of dividend distribution and shareholders financing.</p> <p>We have verified that the amounts, changes, maturity dates and other contractual conditions of the various financing instruments are disclosed, as required by IFRS 32, in note 35 of the notes to the consolidated financial statements.</p>

Description of the risks of material misstatement	Summary of our approach to the risks of material misstatement
The ability to fulfill the commitments entered into with third parties depends essentially on the capacity to generate cash-flows, market conditions on the maturity date of financing that allows them to be renewed, and the financing policy of shareholders and dividend distribution.	

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- ▶ the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union;
- ▶ the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- ▶ such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ adoption of appropriate accounting policies and principles for the circumstances;
- ▶ assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

The supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- ▶ communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the consolidated Management Report with the consolidated financial statements, and the verifications under numbers 4 and 5 of article 451º of the Commercial Companies Code, including that the statement of non-financial information has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant to article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the consolidated Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited consolidated financial statements and, taking into consideration our assessment and understanding of the Group, we have not identified any material misstatement.

About the non-financial statement provided for in the article 508-G of the Commercial Companies Code

Pursuant of article 451º, nº 6, of the Commercial Companies Code, we inform that the Group prepared a separate report of the Management Report, the Integrated Report, which includes the non-financial information as required by article 508-G of the Commercial Companies Code and was published together with the Management Report.

About the Corporate Governance Report

Pursuant to article 451º, nº 4, of the Commercial Companies Code, it is our opinion that the Corporate Governance Report (Information of the shareholders structure, organization and Corporate governance) includes the items required of the Group in accordance with article 245º-A of Securities Market Code, and no material misstatements were identified in the information contained therein, complying with the provisions of paragraph c), d), f), h), i) and m) of the referred article.

About additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant to article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we report the following:

- ▶ We have been appointed as auditors of José de Mello Saúde, S.A. for the first time in the shareholders' general meeting held on October 11, 2007 for the period between 2007 and 2009; on March 31, 2010 for a mandate between 2010 and 2012; and in June 28, 2013 for a mandate between 2013 and 2015. In 2014 we resigned as sole statutory auditor and were appointed as external auditor following the change in the corporate bodies of the company resulting from the issue of bonds listed in Euronext Lisbon. We were reappointed in the shareholders' general meeting held on April 29, 2016 for a fourth mandate for the period between 2016 and 2018; and in May 27, 2019 for a mandate between 2019 and 2021.
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud with a material impact on the consolidated financial statements. In planning and executing our audit in accordance with ISA we maintained our professional scepticism and we designed audit procedures to address the possibility of a material misstatement in the consolidated financial statements due to fraud.
- ▶ We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the supervisory board as of this date.
- ▶ We declare that we have not provided any prohibited non-audit services referred to in article 77º nº 8 of the Statute of the Institute of Statutory Auditors and we remained independent of the audited Group in conducting the audit.

Lisbon, April 29, 2020

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Luís Miguel Gonçalves Rosado - ROC nº 1607
Registered with the Portuguese Securities Market Commission under licence nr.º 20161217

REPORT AND OPINION OF THE SUPERVISORY BOARD CONCERNING THE CONSOLIDATED ACCOUNTS

Dear Shareholders,

In accordance with legal and statutory terms, the Supervisory Board of José de Mello Saúde S.A., with headquarters at Av. do Forte, 3 – Edifício Suécia III, Piso 2, 2790-073 Carnaxide, presents its supervisory report and provides an opinion on the management report and on the consolidated accounts submitted by the Board concerning the financial year ended on 31 December 2019.

1. In accordance with legal and statutory terms, we have:

- approved the 2020 Business Plan;
- monitored the Board's actions, through meetings with the internal audit department, the financial department, the strategic planning department, management and innovation control, information systems department and the organisational development and quality department, the CUF services team, the PPP management teams in Braga and Vila Franca de Xira, and with the audit and risk management committee having obtained the necessary clarifications and assurances;
- verified compliance with the law and fulfilment of the company's articles of association;
- evaluated whether the accounting policies and valuation/measuring criteria adopted by the company are in agreement with the generally accepted accounting principles and lead to a proper evaluation of the assets and results;
- evaluated the effectiveness of the internal control system implemented by the Board;
- supervised the process of preparation and disclosure of the financial information;
- verified the accuracy of the Statement of Financial Position, the Statement of Income and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Annex for the 2019 financial year;
- evaluated the Management Report issued by the Board and the proposal for the appropriation of profits it introduced;
- evaluated the work carried out by the Statutory Auditor leading to the legal review and additional services;
- verified the terms of the Legal Accounts Certificate, the Audit Report and the Additional Report to the Supervisory Body issued by Ernst & Young Audit & Associados – SROC, S.A., and concluded that its content merits our agreement.

2. From our work, we highlight the following:

- The end of the Braga Hospital partnership on 31 August 2019 is a very important event for José de Mello Saúde. As stated by the Board of Directors, it was not possible for the State to guarantee the necessary conditions of economic and financial balance for the extension of the Management Contract, which therefore ceased naturally and as provided for on 31 August 2019, 10 years after the start of the public-private partnership.



- We underline the increase in EBITDA by EUR 26.7 million, recording EUR 97.9 million in 2019, mainly through the growth of healthcare activity, new expansion projects, the entry into force of IFRS 16 and extraordinary receipt from the Public-Private Partnership in Braga resulting from the favourable decision of the Arbitration Tribunal on the State's participation in vertical HIV programmes.
- We underline the growth in the Company's balance sheet by EUR 93.9 million, reaching EUR 911.2 million. The continuation of the various expansion works is the main reason for the recorded increase.
- Compared to 2018, gross debt increased by EUR 87.4 million and net debt by EUR 94.5 million. The financial leverage ratio, notably D/EBITDA, has fallen to 4.48x (4.84x in 2018).

3. The conducted supervisory action allows us to conclude that:

- the actions of the Board that we have knowledge of safeguard compliance with the law and with the company's articles of association;
- we are not aware of any situations that may call into question the suitability and effectiveness of the internal control system implemented by the Board in controlling the risk to which the company is exposed;
- the accounting and the accounts comply with the applicable legal, statutory and regulatory provisions, reflect the activity carried out and lead to a correct evaluation of the company's assets and results;
- the Management Report is in agreement with the accounts presented and faithfully shows the evolution of the activity and of the business during the financial year;
- the published Report includes the elements listed in article 245-A of the Securities Code on the structure and practices of corporate governance;
- the Statement of Financial Position, the Statement of Income and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Annex for the 2019 financial year meet the applicable legal and accounting requirements;
- the audit of the financial statements performed by the Statutory Auditor was suitable to the circumstances, and the additional services did not compromise its independence;
- the proposal for the appropriation of profits is appropriate and is properly grounded.

4. We can thus state:

- our agreement with the content of the Legal Accounts Certificate issued by the Statutory Auditor;
- our agreement with the Management Report and the 2019 accounts submitted by the Board of Directors, including the disclosure made in note 47 Subsequent Events concerning the consequences of the COVID 19 global pandemic;

- that to the best of our knowledge, the disclosed financial information has been drafted in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of the company, and that the Management Report faithfully describes the business development, financial performance and position of the company, containing a description of the main risks and uncertainties it faces.

5. Accordingly, taking into account the actions carried out, we consider that:

- the consolidated Management Report and consolidated accounts for the 2019 financial year submitted by the Board of Directors should be approved.

Finally, we would like to thank the Board and all Employees in the service of the Company whom we contacted, for all the cooperation we received in performing our duties.

Lisbon, 30 April 2020

The Supervisory Board

José Manuel Gonçalves de Morais Cabral	Chairman
Miguel Racanello Carneiro Pacheco	Member
João Filipe de Moura-Braz Corrêa da Silva	Member

DECLARATION OF COMPLIANCE OF THE SUPERVISORY BOARD

In accordance with the provisions in Article 245(c)(1) of the Securities Code, José de Mello Saúde, S.A. ("JMS") Supervisory Board members declare that, to the best of their knowledge, the management report, the consolidated annual accounts, the legal accounts certificate and the other accounting documents, i) were prepared in accordance with current accounting standards and give a true and fair view of the assets and liabilities, financial situation and results of JMS and of the companies included in the scope of consolidation; ii) they faithfully describe the development, performance and position of JMS business activity and of the companies included in the scope of consolidation; and iii) they contain a description of the main risks JMS faces in its activity.

Lisbon, 30 April 2020

The Supervisory Board

José Manuel Gonçalves de Morais Cabral	Chairman
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Miguel Racanello Carneiro Pacheco	Member
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João Filipe de Moura-Braz Corrêa da Silva	Member
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